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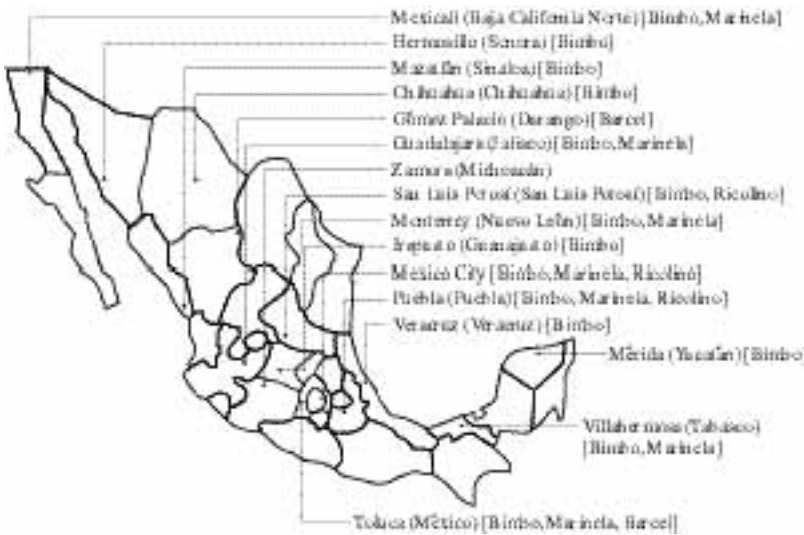
Modernizing a Traditional Industry: Bimbo in the Baking Industry

The Bimbo Group

Overview of the Group's Business Activities

Bimbo is not a single enterprise. It is an enterprise group with a holding company, Grupo Industrial Bimbo, at the top, under which are six business-firm holding companies which specialize in different business fields. Of the six second-tier holding companies, the most important ones by amount of sales are the bread producer Organización Bimbo, and Organización Marinela which produces pastries, cakes, and cookies. In 1995 these two companies accounted for 68 per cent of the Bimbo group's total sales (Grupo Industrial Bimbo 1996, p. 14), and since the founding of Bimbo, these two have been central to the group's business growth. Three new business-firm holding companies were added to the group during the period of economic growth in the 1970s and early 1980s. These were Organización Barcel which produces snacks like potato chips and corn products, Organización Ricolino producing candies and chocolates, and Organización Altex for manufacturing raw materials and machinery and parts. Then Organización Internacional was set up to oversee the group's business expansion into Central and South America and the United States (Grupo Industrial Bimbo 1996, p. 13). Among the many large-scale indigenous enterprise groups that have been reorganizing and transforming themselves, Bimbo has been in the forefront of multinationalizing

Fig. 4-1. Location of Bimbo Group Factories and Their Product Lines, 1993



Source: By the author based on data from Grupo Industrial Bimbo (1993).

Notes:

1. State names are in parentheses.
2. The figure shows only the Bimbo group's most representative factories which are affiliates of Bimbo, Marinela, Barcel, and Ricolino. Bimbo factories specialize in bread and tortilla production; Marinela factories in pastry and cookie production; Barcel factories in the production of snacks; and Ricolino factories in candy and chocolate production.

business operations. Also during the 1990s the group entered the business of producing tortillas and ice cream (*El Norte*, November 2, 1993; January 17, 1994).

Figure 4-1 shows the locations of the Bimbo group's factories in Mexico and their product lines. The group has put a good deal of effort into building up the image of its products through trademarks, and these trademarks have penetrated deeply into the consumer market. The factories are spread throughout Mexico, and this is particularly true of the subsidiaries affiliated with the bread producer, Organización Bimbo. Production bases are spread around the country because bread is a bulky, easily damaged product which needs to be produced in the locations it is consumed. And this production network

TABLE 4-1
1994 INDUSTRIAL CENSUS DATA ON MEXICO'S BAKING
AND OTHER RELATED INDUSTRIES

Business Areas	Number of Production Sites	Number of Workers	Amount of Production (Million New Pesos)
Bread/cakes (bakery produced)	21,187	85,411	3,155
Bread/cakes (factory produced)	482	25,187	4,987
Flour milling	164	8,646	2,865
Cookies, pasta	1,033	21,297	2,277
Chocolates, candies	878	18,806	2,736
Snacks (potato chips, corn products, etc.)	1,945	19,453	4,671
Total	25,689	178,800	20,691
Nixtamal/tortilla production	41,313	100,858	4,941
Grupo Industrial Bimbo		41,072	5,448

Sources: INEGI (1995, pp. 17–18); BMV (1995, p. 131); *Industridata, empresas grandes* (1995, p. 470).

Note: The author could not get the figure for the amount of production of Grupo Industrial Bimbo, and the figure shown is for total sales.

covering the whole country has provided the base on which the Bimbo group has built its monopolistic position in the baking industry.

Table 4-1 summarizes statistical data on Mexico's baking and other related industries and provides the number of factories and workers and the amount of production in these industries. The data is from the 1994 industrial census, but only the data for business areas in which Bimbo operates have been picked up from the census data in order to compare them with Bimbo's own data: namely, bread and cakes, flour milling, cookies and pasta, chocolates and candies, snacks, and also nixtamal¹ and tortilla production. When the total number of workers and amount of production for all of the business areas of these industries as a whole (excluding nixtamal and tortillas which Bimbo only recently entered) are compared with the number of employees and sales of the Bimbo group for the same year, the number of Bimbo employees accounted for 23 per cent of the total number of workers, and its sales accounted for 26 per cent of the total value of production. These figures are extremely large for one enterprise group considering that the relatively small share of the group's production in flour milling, chocolates, candies, and snacks are also included in calculating these figures. Another source indicated that in 1994 the Bimbo group's market share for factory-produced

bread was 100 per cent, while it was 60 per cent for cakes and cookies, 25 per cent for snacks, and 15 per cent for chocolates and candies (*El Norte*, January 17, 1994).

Looking at the importance of the Bimbo group in the production of staple foods, Mexico's two staples are bread and the traditional tortilla. The 1994 industrial census did not have a classification for bread only, meaning that a comparison of the two cannot be made, so I have used the figures from the 1980 industrial census (INEGI 1988). According to these figures, of the total national production of tortillas and bread, 43 per cent was for tortillas and 57 per cent for bread, indicating a downtrend in tortilla consumption and a continuing Westernization of the Mexican diet. Bread producers can be divided into two types. One is the bakery that makes and sells bread on the same premises, and according to the 1980 industrial census most of these bakeries are family-operated businesses employing five workers on average who are family members and/or employees. The other type of producer is the enterprise using the factory system, and Bimbo accounts for most of this production (Hoshino 1998, p. 137). In 1980 the proportion of bakery production to factory production was 55 per cent to 45 per cent. Of the total production of bread and tortillas, factory-produced bread accounted for 26 per cent, meaning that Bimbo supplied one quarter of the nation's diet, making it a very important enterprise group in the country.

Ownership and Management of the Bimbo Group

Bimbo was set up as a family enterprise by a group of related families, and this section will examine the extent that these families control Bimbo's ownership and management. Data on the structure of ownership is from 1985. According to the name list of attendees at the general stockholders meeting for Grupo Industrial Bimbo (held on November 29, 1985), there were at that time thirteen stockholders who owned 1 per cent or more in stocks; eleven were corporations and two were individuals. The two individuals were Jaime Jorba, one of Bimbo's five founders, and his wife. Of the eleven corporations, a foursome made up of a commercial bank, two securities companies, and NAFIN (the government development bank) owned a relatively small amount of shares that together totaled 13 per cent. The other seven corporations held the remaining 72 per cent, and of these seven, no less than six were holding companies financed with capital from the group's five founders and their families. At the top of the list of stockholders was Normaciel, a holding company owned by Lorenzo Servitje, also one of Bimbo's five founders, his wife, and eight children. In second place was Grupo Invermat owned by José

T. Mata, another Bimbo founder, and his wife. Listed fourth and fifth were Promociones Isona and Promociones Monser, both owned by the above Jaime Jorba, his wife, and three of his children. Number six listed Distribuidora Comercial Senda was owned by Jaime Sendra Grima, another Bimbo founder, four of his children, and two of his sisters. Eighth listed Warren Staff was owned by Jaime Jorba, three of his children, and four people from outside the founding families (RPPCDF, Folio Mercantil, no. 24014, no. 39632, no. 62391, no. 63731, no. 6563). Thus each founding family set up a holding company, and the stocks owned by each of the families were transferred to these companies. In this way, at least 72 per cent of Bimbo group stocks were held by the founders and their families, which includes Jaime Jorba and his wife as individual stockholders. These holding companies were set up after 1980 except for Grupo Invermat which was founded in 1962 and Promociones Monser for which data of its foundation was not available. Grupo Industrial Bimbo was listed on the stock exchange in 1980 which broke down the conditions that underpinned the exclusiveness of the founding families stock ownership. But there still has not been a dispersion of stock ownership, and it seems that the concentration of stock in holding companies has prevented this.

Looking next at the extent of family control over management, as of 1995 Roberto Servitje, the younger brother of Lorenzo, was head of the board of directors and president of Grupo Industrial Bimbo. Lorenzo had headed the board of directors until 1994 and had been president until 1992, but he withdrew gradually from Bimbo's management and handed both positions over to Roberto. The decision making, executive and supervisory operations of the Bimbo group are carried out by the board of directors with the approval from the general stockholders meeting. In 1994 the board of directors of Grupo Industrial Bimbo consisted of twelve members, three of whom were Lorenzo, Roberto, and Jaime Jorba, and another four who were members of the founding families (BMV 1995, p. 130). In other words, the majority of the board of directors was from the founding families, meaning that ultimate decision-making authority over group operations was held by these families. However, business operations at the level of the business-firm holding companies and below employed a wide range of management personnel from outside of the founding families. In 1994 the general directors of four of the six business-firm holding companies were from the founding families, but below these at the level of the business firms, all of the firms' general directors were from outside the founding families (*Industridata, empresas grandes* 1995). In other words, the highest levels of group operations were held by founding family members, but lower down at the level of the business firms,

the Bimbo group had hired a wide range of salaried managerial personnel from outside the founding families.

The above overview indicates that the majority of the stockholdings and the top levels of decision making in the Bimbo group are still held by members of the founding families, meaning that the group's status as an enterprise run by its founding families remains unchanged. However, considering the concentration of founding family stockholdings in family holding companies and the active hiring of salaried managers from outside, changes are taking place in ownership and management. The rapid growth of the Bimbo group has compelled these changes.

Growth of the Bimbo Group

Background of the Founding Families

The Bimbo group arose from the enterprise Panificación Bimbo established in 1944. To understand how this company came into being, we need to look back at the history of the founding families.

Bimbo was set up by five men from related families who were the sons of immigrants who had come to Mexico from the Catalonia region of Spain. It seems that a lot of bakeries have been set up by the descendants of immigrants who have come over from Spain since Mexico's independence, and Bimbo's founding families are among them. The first family member to immigrate seems to have been José Torrallardona who arrived in Mexico City and opened a bakery called La Flor de México. After the bakery had become established, he provided support for a succession of relatives who came over to Mexico from Spain. Among these were the parents of the Servitje brothers. They immigrated to Mexico in 1914 and worked for a time at La Flor de México. Then in 1928 they set up their own business, a bakery-cum-restaurant called El Molino. This business grew steadily, and it continues to operate today as a chain of bakeries in Mexico City. Following his father's death in 1936, son Lorenzo Servitje helped his mother run the business. But in 1944 together with his brother-in-law, Jaime Jorba, Lorenzo opened up a new business using funds collected from relatives. The new business used factory-style production to make bread. The new company was named Panificación Bimbo which ultimately gave rise to the Bimbo group (Sendra de Servitje n.d.).

The fact that the founders of the new company were the sons of immigrants from Spain is significant for the founding of Bimbo and its subsequent development. The reason for selecting the bread baking business was

because of this immigrant background. Their business was the continuation and further development of their parents' business. Their parents had selected this line of business because, given the amount of funds and level of skills needed, it was easy for Spanish immigrants to enter. Also they did not compete with Mexican nationals because the bread baking business was not so popular within the local population. Another significance in their immigrant status is that they came over to Mexico as families looking for a new life, and were enthusiastic about their new business. Moreover, they frequently went to Europe and the United States, and their wide range of movement made it possible for them to find opportunities for new businesses.

Bimbo's Expansion since 1944

As already stated, the beginnings of the Bimbo group go back to a bread manufacturer set up in 1944 in Mexico City. The company was established with capital of 300,000 pesos (RPPCDF, Sección Comercio, Libro 3, Vol. 190, Fojas 136, Asiento 64 [hereafter: C-3-190-136-64]), equal to 62,000 U.S. dollars at the then prevailing exchange rate. A number of the investors were involved in foreign trade, and the funding for the new company came from this foreign trading and from the savings of two bakeries started by predecessors. The company began with one factory, thirty-seven workers, and a fleet of eleven delivery trucks, and its chief market was in Mexico City.

Bimbo's business steadily increased, and in 1947, three years after its establishment, the company built a second factory on the same site as the first to cope with the expanding demand; then in 1952 it built a third factory (*Pan*, January 1959, p. 28). In 1954 Bimbo began to diversify, setting up a subsidiary, *Pasteles y Biscochos* (present-day *Productos Marinela*), in Mexico City to produce pastries and cookies. In 1956 it set up a subsidiary to produce bread in Guadalajara, Mexico's second largest city. This was the first step in the geographical expansion of its production network. Since then the group's network has continued to expand with factories set up in the states of Monterrey (1960), Sonora (1966), and Veracruz (1970). To keep stock ownership of the growing number of subsidiaries concentrated in founding family hands, a holding company, *Promoción de Negocios*, the predecessor of *Grupo Industrial Bimbo*, was set up in 1966. The expansion of production facilities into Guadalajara had been for the purpose of opening up a new market. But the expansion of Bimbo's production network thereafter was in response to growing demand. Factories in Mexico City and Guadalajara had been able to supply bread to the northern states, but when the capacities of these production facilities became saturated, the factory in Monterrey was

built. The factory in Veracruz was built to take over from the factories in Mexico City which had been supplying that region (*Pan*, July 1957, pp. 19–22; April 1966, pp. 18–20).

During the latter half of the 1970s, in the wake of the oil boom, the Bimbo group's expansion accelerated, and development moved ahead in two areas: geographical expansion and product diversification. In the area of geographical expansion, Bimbo subsidiaries for bread production were established in the states of Guanajuato (1976), Tabasco (1978), Sinaloa (1981), and Chihuahua (1982). In pastry and cookie production, subsidiaries of Marinela were set up in the states of Jalisco and Aguascalientes in 1976 (*Industridata, empresas grandes* 1986). In the area of product diversification, the group moved into the production of snacks in 1979, and candies and chocolates in 1980, and subsidiaries for these new product lines were set up in Durango state and Mexico City. Also during this time (although the data does not specify the date) a subsidiary producing marmalade was set up in Michoacán state.

The Bimbo group's expansion continued even during Mexico's economic crisis of the 1980s. In 1986 it bought up Continental de Alimentos, the former Mexican subsidiary of ITT Continental Baking Co., the largest bread manufacturer in the United States. When ITT first moved into Mexico in 1959, it tried to buy up Bimbo. However, the founding families refused to sell, and this led to fierce competition between the two companies during the 1960s (Derrosi 1977, pp. 358–59). Then ITT withdrew, and Continental de Alimentos continued to operate in a merger that turned it over to a Mexican entrepreneur. With the absorption of this long-standing rival, there were no more strong competitors left in the market. Then in 1988 Tía Rosa Suandy, a subsidiary specializing in homemade-style cookies, was set up. Thereafter the production networks of the group's existing product lines were further augmented while Bimbo also entered the new fields of ice cream and tortilla production and began to expand its business overseas.

As this overview shows, from the time of its establishment right up to the present, Bimbo has experienced uninterrupted growth. The next section will look at the factors that made this remarkable growth possible.

The Factors behind Bimbo's Growth

Three things can be pointed to as the main factors for the Bimbo group's growth: the expansion of demand, an appropriate business strategy, and the character of the industry's technology.

Expansion of Demand

The spread geographically of Bimbo's production network was wholly in response to demand, meaning that the growth in demand for bread contributed greatly to the growth of Bimbo. This point can be shown clearly using the population census figures.

The tortilla, made from corn and wheat, has long been Mexico's traditional staple food. But with the Westernization of the Mexican diet, the tortilla has gradually been replaced by bread. Table 4-2 shows the population figures for bread and non-bread consumption from the 1950, 1960, and 1970 population censuses. The 1970 census figures treated the population under one year in age differently than did the two earlier censuses, so a strict comparison cannot be made. But even if the figures were treated the same, no big differences would arise; thus whether looked at in absolute or relative terms, it is clear that the bread consuming portion of the population grew rapidly. With the 1980 census, bread was no longer included as one of the indices for tracking change in the national diet; instead meat, eggs, and milk were used. This indicates that bread has now been incorporated as part of the Mexican diet. Looking at bread consumption by state, it is high in Jalisco, Sonora, and Veracruz where Bimbo expanded its operations between 1956 and 1970. It was this rapidly expanding bread consumption and Bimbo's energetic efforts to develop the market in those regions with high concentrations of bread consumers that lay behind the company's steadily expanding growth.

While expanding demand was essential for Bimbo's growth, it does not explain why the company was able to establish its dominance in the industry. Expanding demand gives other companies as well the opportunity to grow.

TABLE 4-2
GROWTH OF BREAD CONSUMPTION IN MEXICO, 1950-70

(1,000 people)					
	Total Population (1)	Population under One Year of Age (2)	(1) - (2) (3)	The Number (and %) of (3) Who	
				Eat Bread	Do Not Eat Bread
1950	25,791	814	24,977	13,593 (54)	11,384 (46)
1960	34,923	1,144	33,779	23,160 (69)	10,619 (31)
1970	48,377	—	48,377	37,046 (77)	11,331 (23)

Sources: By the author based on data from *Pan* (May 1956, p. 31; January 1970, p.17; June 1978, p. 10).

During the 1960s, in fact, Bimbo was vying with two strong competitors, Alimentos Internacionales and the previously mentioned Continental de Alimentos. Ultimately Bimbo was able to buy up both, the former during the 1970s and the latter in 1986. This ability to grow and surpass even a foreign-owned enterprise can be regarded as another factor demonstrating the appropriateness of Bimbo's business strategy.

Appropriate Business Strategy

Bimbo's business strategy has distinguished itself in its emphasis on securing raw materials, augmenting the group's delivery system, diversifying products, and vigorously using trademarks and advertising. The first and third were also effected by government policies.

1. Securing raw materials and augmenting the delivery system

To assure smooth production to meet increasing demand, it is essential to secure a stable supply of raw materials, and Bimbo put a great deal of effort into this area. One example was its involvement in wheat production during the 1950s. During the 1950s and 1960s wheat production changed greatly under the impact of the "green revolution" and government policy to expand production in Mexico's northwest. Public investment in large-scale irrigation works, the introduction of high-yielding varieties, the use of fertilizer and agricultural chemicals, and the mechanization of farming all brought about a rapid increase in the volume of wheat production. But these changes in production methods changed the quality of the wheat. The problem for Bimbo was that the gluten content of the wheat decreased which reduced the quality of its bread. To counter this problem Bimbo began to cooperate in 1955 with fertilizer companies and flour mills to promote the production of wheat high in gluten. It began a program directed at using fertilizers and improved wheat varieties, and for farmers who cooperated with its program Bimbo guaranteed high prices for purchasing their wheat. This effort of working with farmers succeeded in raising the gluten content of the wheat, and Bimbo thereby assured for itself this most essential raw material (*Pan*, December 1972, p. 117).

Another factor that has promoted Bimbo's growth was the continuous augmentation of its system for delivering its products. Bimbo began its business with 11 delivery trucks, as already mentioned. Thereafter it invested large amounts in delivery equipment, especially when it set up new subsidiaries. When it expanded its operations to Jalisco state in 1956, for example, it purchased 60 trucks. In 1959 the Bimbo group as a whole owned about 200

trucks. In 1960 when it started operations in Sonora state, it purchased 50 trucks (*Pan*, July 1957, p. 22; January 1959, p. 28; April 1960, p. 23). As of 1981 the Bimbo group was delivering its products to around 120,000 shops throughout the country. If the Bimbo group's delivery system is broken down into its individual affiliated product groupings, the affiliates belonging to the Bimbo bread manufacturing group had 2,300 routes, the Marinela group had 1,800 routes, the Barcel group 800 routes, the Ricolino group 400 routes, and Tía Rosa Suandy with 150 routes, a total of 5,450 routes (*Expansión*, December 9, 1981, pp. 93–94). Bread is an easily damaged product that has to reach consumers soon after production. And because it is a staple, the whole population is a potential market. Through its efforts to build up a huge fleet of delivery vehicles and a delivery network that stretches over the whole country, Bimbo has succeeded in turning its potential market into its actual market.

2. *Product diversification*

Two important events stand out in the history of Bimbo's product diversification, both having great significance. The first was the start of production in pastries with the establishment of *Pasteles y Biscochos* in 1954. This event meant more than just an increase in the number of Bimbo's products; it was a move into a line of bakery that was not affected by government price controls. The price of bread was essentially controlled by the government, although only two types of bread, *borillo* and *terela*, were actually subject to price controls. Profits from these two bread types were low, so producers made up for the low profits by producing pastries. Bread baked in loaves, which was the type Bimbo produced in its factories, was not subject to price controls, but because it was a product that competed with price-controlled bread, these controls had an indirect effect on the price that Bimbo could charge for its bread. By moving into the production of pastries, Bimbo was able to overcome this restriction.

The second important event took place around 1980 with Bimbo's move into the production of non-bread products, especially snacks, candies, and chocolates, and the start of homemade-style cookie production with the establishment of Tía Rosa Suandy. It was noted earlier that by 1980 bread had become part of the national diet which meant that Bimbo could no longer look forward to the continued extensive growth of this market. Therefore it had to start cultivating its existing market more intensively through the successive introduction of non-bread products that held promise for the future.

3. *The vigorous use of trademarks and advertising*

Each of the product groupings within the Bimbo group has its own trademark, such as the little bear for the Bimbo bread group, the little maiden for the Marinela group, and the squirrel for the Barcel group. These trademarks are used right from the time a group product appears on the market, and over the many years they have become established in the minds of consumers which has helped create an affection for the products. Advertising has played an important role in establishing these trademarks. Since the time of its founding Bimbo has advertised its products via the whole gamut of media from newspaper and magazine advertisements, pamphlets and flyers, and trade fair displays, to TV spot advertisements and sponsorships of popular TV programs (*Pan*, June 1963, p. 27; March 1966, pp. 25–26; *Expansión*, December 9, 1981, pp. 97, 99); and arguably the change of staple food in the Mexican diet from the tortilla to bread (which includes manufactured loafed bread) was not wholly a natural occurrence, but also the result of mass advertising carried on by manufacturers.

The Character of the Industry's Technology

The technology of bread making is comparatively simple and dates back to B.C. times. The basic technique of adding water and yeast to wheat flour and mixing them, letting the dough rise, then baking remains largely unchanged to this day. The uncomplicated character of this technology made it possible for Bimbo to master the latest international techniques of bread making within a short period of time. A good example of Bimbo's efforts to introduce the latest technology took place at the time the company was founded. This was the very favorable offer they gave to Alfonso Verazco, a graduate of a bakers school in Chicago and who was the first Mexican baker to be trained in the United States. Verazco was presented with one share of stock from the 300 shares issued at the time of Bimbo's founding. This one share was called a labor share, and as stipulated in the company's statute of incorporation, this share was nontransferable and by owning it Verazco was to receive 10 per cent of net profits during the time he worked with Bimbo on condition that he cooperated with Bimbo only and no other company, and then for five years after leaving Bimbo he was to receive 5 per cent of net profits on condition that during that time he did not engage in the same sort of work he had provided Bimbo (RPPCDF, C-3-190-136-64). This one example shows how Bimbo paid large amounts to acquire the most up-to-date technology of the time and then worked to monopolize its use. The company has continued to follow this path, and when setting up new factories, it al-

ways seeks to bring in the latest in automated technology and mass production equipment (*Pan*, July 1957, p. 22; January 1959, p. 28; April 1960, p. 21). The continual introduction of the latest technology has been an integral part of Bimbo's business strategy, and the company's ability to keep up with the latest techniques has been greatly facilitated by the basically uncomplicated character of the industry's technology.

Concluding Remarks: The Modernizing of a Traditional Industry

It is evident from the above analysis that the Bimbo group's steady growth over the decades has been due in large part to its business strategy. The notable points of this strategy have been the efforts to make use of the latest technologies, to maintain a well-equipped distribution system, to make vigorous use of trademarks and advertising, and the company's involvement in the agricultural sector to assure a supply of raw materials. In these points Bimbo's strategy has been much like that of Cuauhtémoc analyzed in Chapter 2. A further similarity is that the strategy both companies adopted was that of American food companies. This aimed at consolidating the company's hold on the market and expanding it into a monopolistic enterprise (Connor and others 1985).²

Commenting on the rise of the modern enterprise and the requisites for its growth, the business historian Alfred D. Chandler said that during the second industrial revolution that took place in the last quarter of the nineteenth century, a large number of new industries were created and many old ones transformed by major innovations in manufacturing. The new methods and processes differed from the previous ones in that they greatly increased the possibility for unprecedented comparative advantage on production cost through economies of scale and scope. In order to enjoy such cost-based advantage, companies would seek to invest in large-scale production facilities, in nationwide and international distribution networks, and in management. Enterprises that were ahead of the others in carrying out this three-pronged investment in production, distribution, and management acquired a dominant competitive position, and industries where such enterprises operated became oligopolistic with a small number of "first movers" coming to prevail in the industry. Among the new manufacturing methods and processes mentioned by Chandler were those for refining and distilling whisky and other liquids, and mechanical processing and packaging of grains, tobacco, and other agricultural products (Chandler 1990, pp. 8, 23). Chandler's argument pertained to enterprises in the advanced capitalist countries, but it can be used to explain the growth of Bimbo as well. Bimbo's success in over-

coming the competition of its American rival was because when the latter entered the Mexican market intent upon employing a modern business strategy for securing a dominant position in the industry, Bimbo had already mastered that strategy and had solidified its position as the “first mover” in the industry.

To successfully adopt this business strategy and achieve its remarkable growth, Bimbo had to have first-rate human resources and an abundant supply of funds. Had the founding families persisted in monopolizing ownership and management, Bimbo’s growth would have been hemmed in by limitations on human resources and capital funding. But the families handled both of these areas with skill and flexibility. From the earliest years of the company, salaried managerial personnel were brought in as part of the management (some examples are *Pan*, July 1957, p. 22; January 1959, p. 28; April 1960, p. 23), although ultimate authority over decision making always remained in the hands of the founding families. On this point Bimbo differed greatly from Chandler’s description of the modern enterprise in the advanced countries where even the top levels of management include salaried managers. On the matter of ownership, until the listing of the holding companies on the stock exchange in 1980, the Bimbo group’s stocks were held exclusively by the founding families. Funding for business expansion was obtained from the group’s internal reserves and through loans from domestic financial organizations (RPPCDF, C-4-57-384-399, C-4-74-346-311, C-4-75-54-699, C-4-82-250-220, C-4-89-406-355, C-4-96-48-49, C-4-111-354-350, C-4-120-101-118, C-4-129-346-558). But during the rapid economic growth of the oil boom period, the group’s traditional sources were unable to provide the large amounts of funds needed, and one means of overcoming this limitation was to go public and list stocks of the group’s holding companies on the exchange. This move broke down the founding families’ exclusive ownership, but having set up a number of holding companies and through the concentration of founding families’ stockholdings, these families were able to prevent a loss of managerial rights from a dispersion of stocks and an outflow of shares from their ranks.

Notes

- 1 Nixtamal is a corn paste which is formed into tortillas.
- 2 This source makes a case study of the Bimbo rival ITT Continental Baking Company and its growth into a monopolistic enterprise in the United States.