Crisis as an Opportunity: Reimagining a Family Business Through Circular Economy Practices

A Case Study on Strategic Choice in a Changing Industry

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Dissertation written under the supervision of Professor Liliana Dinis.

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Abstract

This case analyses the dilemma faced by J. Gomes LDA, a Portuguese family-owned textile recycling company, and the difficult choices it faced after a fire that destroyed its factory in January 2022. Founded in the year of 1976 and deeply connected to Covilhã's textile tradition, J. Gomes have been strengthening its activity on turning textile waste into recycled yarn, long before circular economy became a widely used concept.

Nearly four years after the fire, the factory had been rebuilt, machines were running again, and the company had survived without losing any employees nor clients. Yet, survival did not bring clarity. As Rui and Catarina Gomes looked at the company they had reconstructed, they realised that the world that surrounded it had continued to change and was almost unrecognizable. Regulation had tightened, clients demanded traceability and certifications, and competition had intensified. All while margins remained under pressure.

Set in December 2025, the case places Rui and Catarina at a moment of needed deep reflection. Should J. Gomes continue to operate as it always had, relying on experience and practical knowledge? Or should it take an ambitious step toward technological and organisational modernisation, at a cost of changing its routines, roles, and part of what defined the company's identity?

With no clear family successor and limited financial room for error, each option carried risks. The case invites readers to reflect on how small and family-owned firms navigate topics such as disruption and change, while trying not to lose themselves in the process.

Keywords: Case-Study; Family Business; Circular Economy; Textile Recycling; Post Crisis Reconstruction; Strategic Decision-Making; SMEs Sustainability; Industrial Modernization.

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Resumo

Este caso analisa o dilema enfrentado pela J. Gomes LDA, uma empresa familiar portuguesa de reciclagem têxtil, e as escolhas difíceis que enfrentou após um incêndio que destruiu a sua fábrica em janeiro de 2022. Fundada em 1976 e ligada à tradição têxtil da Covilhã, a J. Gomes fortaleceu a sua atividade na transformação de resíduos têxteis em fio reciclado, antes de a economia circular ser um conceito amplamente utilizado.

Quase quatro anos após o incêndio, a fábrica foi reconstruída, as máquinas voltaram a funcionar e a empresa sobreviveu sem perder colaboradores ou clientes. No entanto, a sobrevivência não trouxe clareza. À medida que Rui e Catarina Gomes observavam a empresa reconstruída, aperceberam-se de que o mundo à sua volta mudou e tornara-se quase irreconhecível. A regulamentação tornou-se mais exigente, os clientes solicitam rastreabilidade e certificações, e a concorrência intensificou-se. Tudo isto num contexto em que as margens continuavam sob pressão.

Situado em dezembro de 2025, o caso coloca Rui e Catarina perante um momento de profunda reflexão. Deverá a J. Gomes continuar a operar como sempre, confiando na experiência e no conhecimento prático? Ou deverá dar um passo ambicioso em direção à modernização tecnológica e organizacional, ao custo de alterar rotinas, funções e parte daquilo que definia a identidade da empresa?

Sem um sucessor claro e com pouca margem financeira, cada opção comporta riscos. O caso convida o leitor a refletir sobre como pequenas empresas familiares lidam com temas como disrupção e mudança, procurando não se perderem no processo.

Palavras-Chave: Estudo de caso; Empresa familiar; Economia circular; Reciclagem têxtil; Reconstrução pós-crise; Tomada de decisão estratégica; Sustentabilidade das PME; Modernização industrial.

Título: A Situação de Crise como Oportunidade: Reimaginar uma Empresa Familiar Através de Práticas de Economia Circular - *Um Estudo de Caso sobre a Escolha Estratégica num Setor em Mudança.*

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Table of Contents

List of Abbreviations

AICEP	Agência para o Investimento e Comércio Externo de Portugal
ATP	Associação Têxtil e Vestuário de Portugal
CE	Circular Economy
CITEVE	Centro Tecnológico das Indústrias Têxtil e do Vestuário de Portugal
CSR	Corporate Social Responsibility
GRS	Global Recycled Standard
MBI	Management Buy-In
MBO	Management Buyout
RCS	Recycled Claim Standard
R&D	Research and Development
SDGs	Sustainable Development Goals
SEW	Socioemotional Wealth Theory
SMEs	Small and Medium-sized Enterprises

List of Figures

List of Appendices

1. Introduction

Business environments are increasingly characterised by rapid change, rising uncertainty, and growing sustainability pressures. Preferences evolve, people adapt and, most importantly, businesses must respond.

Over the past decades, the accelerating degradation of our environment, the shift in consumer awareness and the urgent call for ethically responsible businesses have pushed companies to reconsider their roles within the society (Shirvanimoghaddam et al., 2020; Duarte Alonso et al., 2018; Pérez-Pérez et al., 2019). This evolution has been notable in family-owned businesses, where intergenerational continuity, long-term orientation and community focus can foster a deeper commitment towards sustainability and responsible practices (Laguir et al., 2016; Clauß et al., 2022).

The circular economy definition gained prominence in the 1990's, appearing as the aim to redefine how businesses create and capture value (Pearce & Turner, 1989). By moving beyond the traditional linear model of take-make-dispose approach, companies are finding new ways to grow and develop their businesses while reducing their reliance on finite resources. Businesses acting now will be able to generate new revenue streams, to reduce costs and to build stronger and more meaningful relationships with their customers, all while becoming more resilient in a rapidly changing world (Ellen MacArthur Foundation, 2013). As known for its ecological footprint, the textile and fashion industries are now at the forefront of the transformation efforts (Leal Filho et al., 2024). Closing the loop by being pioneers of innovative solutions has become a strategic imperative for firms (Moore & Manring, 2009), especially SMEs, that aim to balance sustainability with competitiveness.

1.1. Problem Statement and Case Purpose

The textile and fashion industry is one of the most environmentally damaging sectors globally, responsible for high volumes of waste, energy consumption, and pollution (Leal Filho et al., 2022). In response to this problem, circular economy has gained attention, as it can offer a pathway to resource reduction and the extension of products' lifecycles (Geissdoerfer et al., 2017). However, most of the industry practices insights focus on large, multinational brands leaving SMEs and, more particularly family-owned businesses, lacking attention and guidance, despite their strategic role in local economies and the pursuing of a sustainable innovation (Johnson & Schaltegger, 2016).

Despite the growing attention given to sustainability, there is still limited understanding on how family-owned firms reconcile long-term sustainability ambitions with short-term financial and operational constraints, particularly in traditional manufacturing sectors such as the textiles one (Curado & Mota, 2021). Rather than presenting this fact as a theoretical gap, this case highlights how such trade-offs emerge in real decision-making contexts, where social, environmental, and economic objectives must be balanced simultaneously and under real-life scenarios (Cardella et al., 2025).

As highlighted by Cardella et al. (2025), finding a balance is fundamental to ensure a sustainable family entrepreneurship while maintaining economic viability, an idea grounded in the process-oriented model of sustainable entrepreneurship proposed by Belz & Binder (2017). This case brings that challenge to life by placing decision-makers in a situation where such balance must be negotiated under pressure and uncertainty.

The dissertation's objective is to serve pedagogical purposes. It presents the strategic dilemma faced by J. Gomes LDA., a Portuguese family-owned textile recycling company that operates in one of the most environmentally intensive industry (Leal Filho et al., 2022)**.** Instead of theoretical generalisation, the case is designed to expose students to a real-life decision-making moment, allowing them to immerse themselves and to engage critically with some of the tensions that come across family firms. Through the analysis of this case, the dissertation aims to bring together three intersecting themes: family business, sustainability, and the textile industry. The mentioned will serve as contextual foundations to support the discussion and, later, learning around strategic choices in practice.

Following Baumgartner (2014), the focus of this case is not on explaining why companies should become more sustainable, but on illustrating how sustainability becomes a concrete and often difficult managerial challenge in practice. Rather than providing answers, the case exposes this question through the experience of J. Gomes LDA., inviting readers to engage with the tensions faced by the company, constraints, and trade-offs involved in aligning purpose and profitability in a real organisational context.

1.2. Practical & Managerial Contributions

Insights from this case study hold strong managerial relevance for business leaders operating at the intersection of the themes: family ownership, sustainability and the textile industry. By exploring the case of J. Gomes LDA., the study the case provides a rich basis for managerial reflection and classroom discussion around the challenges faced by decision-makers operating at the intersection of the following themes:

- Family Business Dynamics and Long-Term Thinking: This case study highlights the distinctive position of family-owned businesses in advancing sustainable innovation, stemming from their legacy orientation and deep community embeddedness. The insights might be useful for family business leaders that aim to explore the possibilities of joining profitability and stewardship.
- A Sustainability Strategy into Practice: The case illustrates how CE principles can become embedded in the core activities of an SME without losing operational viability. It provides a rich basis for managerial reflection and classroom discussion around the challenges faced by decision-makers operating at the intersection of family ownership, sustainability, and industrial transformation.
- Responsible Business and Stakeholder Engagement: Through the vision of J. Gomes LDA., this case allows the discussion on how value-based leadership and responsible practices can strengthen firms' reputation, stakeholder engagement and collaborations across different businesses, particularly within the localized industrial ecosystem such as the Portuguese textile sector.

The insights that will derive from this case study will not only be relevant to the textile industry managers but also to a broader range of SMEs that seek to align purpose and profitability.

By exploring the experience of J. Gomes LDA., this dissertation will serve as a useful tool as teaching material and contribute to the managerial practices of firms that are transitioning, or thinking about transitioning, towards a sustainable and circular business model.

1.3. Dissertation Outline

This dissertation will be divided into six main chapters, each one serving distinctive purposes in the exploration of the intersection between family businesses, sustainability and the circular economy through the real-life case of J. Gomes LDA.

The first chapter introduces the case focus by establishing its relevance and clarifying the main objectives of the dissertation. The second chapter describes the methodology adopted and the case development approach, explaining the reasoning behind the selected methods and their suitability for achieving the dissertation’s goals. The Literature Review chapter will synthesize existing academic research on the three interrelated domains to provide conceptual grounding for the case study. In the fourth chapter, the case study will be presented, providing the contextual basis for the strategic dilemma and subsequent classroom discussion. Later, the teaching note will be presented drawing on the information presented in the previous chapter and the literature review one. Finally, the dissertation will conclude with a reflective section that aims to discuss the pedagogical value of the case, to acknowledge its contextual boundaries, and briefly outline some potential avenues for further reflection.

2. Methodology

The following chapter outlines the specifications of the methodology to explain the methodological choices underlying the development of a teaching case focused on how sustainability and circular-economy challenges are experienced and negotiated within a family-owned textile SME. Given the pedagogical nature of this dissertation and its teaching-case format, the methodological choices are presented prior to the literature review to clarify the logic of case construction before theoretical framing.

2.1. Research Approach

Given the objective of this dissertation, a qualitative case-based approach was selected as means to support the development of a contextual grounded teaching case, allowing students to face the complexity of a real-life decision-making scenario. This approach enables the case to explore meanings and organisational practices as they emerge in practice, which is essential to allow for effective classroom discussion.

2.2. Research Design & Methodological Choice

Having the scope of this dissertation as a centre piece, a teaching case methodology was selected as it was considered as the most suitable method to address the dissertation objectives. The teaching case format allows for a realistic and detailed presentation of a managerial situation, allowing students to examine the dynamics between family ownership, sustainability, and circular economy practices within one company. J. Gomes LDA was chosen as it offers a particularly rich and credible setting for exploring these tensions within a Portuguese family-owned SME operating in the textile sector.

As this dissertation adopts the approach mentioned above, the objective is not generalisation or theory building. Instead, the value of the case lies in its contextual richness and capacity to support learning, discussion, and enable students to practice their managerial reasoning. The case is intentionally designed to expose students to ambiguity and constrained decision-making, reflecting real-world conditions rather than representative outcomes.

2.3. Data Collection: Techniques & Procedures

Saunders & Townsend (2018) defended that gaining access was effectively a challenging process. Nevertheless, as a connection with the company and its members was established right in the beginning of the dissertation writing process, it facilitated communication and cooperation throughout the study. It is also acknowledged that access should be regarded as an ongoing process, sustained through regular interaction and mutual trust between the researcher and participants, in line with the authors' view.

Data was collected using semi-structured interviews and secondary document analysis. The primary data consisted of the findings from the two interviews conducted to the third generation of the Gomes' family and the nine interviews out of the thirty employees that were conducted to key members of the high-level employees of J. Gomes LDA. and employees occupying different operational roles, including the owners, managers and employees involved (or not) in sustainability initiatives. The number of interviews conducted was considered sufficient to construct a coherent and credible case narrative and to capture multiple perspectives relevant to the pedagogical objectives of the case. No more interviews were conducted as all the information needed had already been collected (Guest et al., 2006).

Each interview followed an open-ended guide that covered topics considered relevant for each meeting such as, for example, sustainability motivations, circular practices, employee relationships and treatment, family influence on business decisions, in line with qualitative interview approaches (Kvale, 2009).

The interviews were conducted in Portuguese, recorded with consent, and later transcribed and translated by the researcher. Secondary data, including website information, media articles, and company's posts on social media were taken into consideration. Company materials and documents were also shared with the consent of the owners. The total of the materials was analysed and later used to complement and triangulate with findings from the interviews.

2.4. Data Analysis

The process of collecting information from the interviews followed the following three steps: firstly, the data was recorded; secondly, the transcription of the data was done and thirdly, the final data was analysed.

The analysis of the collected data was conducted manually and relied on a narrative, interpretive and synthetic approach rather than a formal coding procedure (Cruzes et al., 2015). After the interviews were conducted and transcribed, the researcher proceeded to read the mentioned multiple times as a means to become familiar with the content and to identify recurring perspectives and information relevant to the construction of the case narrative and decision dilemma. This approach is consistent with qualitative research practices that emphasise interpretation, reflexivity, and contextual understanding over purely procedural techniques (Lim, 2025).

Interviews data were then compared and compiled into key main ideas and afterwards combined with the secondary information gathered throughout the dissertation writing process (such as company documents, website content and public communications), to build a coherent and comprehensive understanding of the case study. This approach aligns with case-based approaches that aim to emphasise contextualisation instead of the development of theory (Eisenhardt & Graebner, 2007).

The final synthesis represents a comprehensive narrative of the company's experience, reflecting the perceptions of its employees and the contextual specificities of the Portuguese textile industry. It is intended to support classroom discussion rather than empirical generalisation.

2.5. Credibility, Transparency & Ethical Considerations

In order to ensure credibility and trustworthiness of this dissertation, several measures were taken throughout the case development process.

The company's real name, J. Gomes LDA., is disclosed throughout this study. However, to ensure the anonymity of participants who wished to remain undisclosed, their names were omitted in accordance with confidentiality requirements. All participants were informed of the purpose of the case development, and participation was entirely voluntary. Participants occupying different organisational roles were included to ensure that the case reflected the various perspectives relevant to its pedagogical objectives and to support the accuracy of field observations, interpretations, and interview transcriptions (Franklin & Ballan, 2001).

Ongoing feedback from participants, mainly from the management level, was received throughout the development of the dissertation to clarify factual details and ensure that the case narrative accurately reflected the insights provided and participants' perspectives (Franklin & Ballan, 2001).

3. Literature Review

By synthesizing findings from the relevant literature, this chapter outlines key theoretical concepts that inform the analysis of the case and support its pedagogical objectives.

3.1. Family Business and its contribution to Sustainability & Innovation

3.1.1. Family Business Foundations

3.1.1.1. Definitions & Key Characteristics

Family firms hold an immensely important position within the worlds' economy, two-thirds of the world's private companies are family-owned (de las Heras-Rosas & Herrera, 2020). Given this significance, their dimensions and key characteristics should therefore be studied as a way of ensuring continuity and longevity of this organizational model (Chrisman et al., 2005).

In defining what constitutes a family business, Olson et al. (2003) defines it as a business that is "owned and managed by one or more members of a household of two or more people related by blood, marriage or adoption". Families should also make a substantial contribution to family businesses, particularly through the provision of unique resources and values that shape the firm's operations and identity, making them more likely to succeed than any other forms of business, due to their unparalleled competitive advantage (Habbershon & Williams, 1999). This description highlights not only the two key characteristics of the nature of family involvement within family businesses: ownership and management, but also adds the contributions provided by families as a means to the construction of the firm's operations and identity. Furthermore, they also tend to reveal more resilience during challenging times, something previously emphasized by Brokaw (1992).

Regarding the theme of longevity, it lies at the heart of what makes family businesses distinctive from other type of businesses (Miller & Le Breton-Miller, 2005). While some research suggests that family firms may need to adapt or compromise their values to ensure survival (Gómez-Mejía et al., 2007), other researchers, such as Chrisman et al. (2012) state that maintaining a consistent set of family-cantered goals and values (rooted in transgenerational intentions) can equally sustain continuity and long-term success.

When family values are clearly defined, transparently communicated, and shared among family members, external managers and employees, they can foster a strong sense of commitment towards the company's objectives (Koiranen, 2002).

In a similar vein, studies have described family firms as fostering a family-oriented work environment that promotes employee care and loyalty (Ward, 1988), offering higher wages to employees (Donckels & Fröhlich, 1991), and possessing the ability to bring out the best in their workers (Moscetello, 1990).

Lastly and as a form of extending this discussion to family dynamics, Olson et al. (2003) revealed that a firm's success depends more on the quality of family interactions and their capacity to manage disruptions than on the owner's individual managerial actions, thereby underscoring the crucial role of intra-family relationships in determining business performance.

3.1.1.2. Succession, Acquisitions & Legacy Orientation

Despite of the rise of large corporations, family firms continue to play a central role in the global economy (De Massis et al., 2018). Nevertheless, their long-term survival is far from assured, as many family firms fail to successfully transition across generations (Sentuti & Cesaroni, 2020). Their continuity is often conditioned by a wide range of internal and external factors, be it governance structures, family dynamics or environmental pressures (de las Heras-Rosas & Herrera, 2020).

As highlighted by De Massis et al., (2016), the literature on family-owned enterprises has devoted considerable attention towards the unique challenges that confront this type of organizations, among which the ability to ensure competent family leadership across generations stands out as one of the most imperative. Empirical studies show that only a minority of family businesses successfully transition the business into the second generation and even a smaller portion survive to the third generation (Reif et al., 2025).

One possible explanation for the previous stated high rates of failure is that founders often perceive their businesses as extensions of themselves and therefore seek to maintain complete control over them (Miller et al., 2003), a notion previously supported by Dyer (1988).

In addition, Olson et al. (2003) found that single-generation family households were associated with lower business revenues. The findings further suggest that specific family structures and relationship dynamics among members can have negative effects on the overall success of business ventures, as family tensions tend to hinder both family harmony and business productivity. Therefore, if the owners of the firm aim it to continue under family ownership and direction, succession must become a crucial strategic issue (Barach & Ganitsky, 1995; Reif et al., 2025).

According to the literature, the successor's proved competence, leadership performance, and prior experience demonstrated by the successor were found to be strongly associated with successful succession outcomes, as these qualities helped establish the new leader's credibility and legitimacy within the organization (Barach & Ganitsky, 1995; Chrisman et al., 1998; as cited in Le Breton-Miller et al., 2004).

Ultimately, it is important to underline that the existing literature has devoted limited attention to a specific form of succession and acquisition: the management buy-out (MBO) carried out by family members who are already part of the family firm. While some studies discuss alternative succession paths, such as: management buy-in (MBI), traditional generational transfers, or the flotation of family firms on the stock exchange (Scholes et al., 2008), this scenario remains largely unexplored.

Summarizing, the core issue underlying problematic succession lies in its majority in an inappropriate relationship between an organization's past and its present (Miller et al., 2003).

3.1.2. Sustainability within Family Business and SMEs

3.1.2.1. The Fundamentals

Although the literature on family businesses began to emerge in the 20th century, it was not until the first decade of the 21st century that research started to address issues associated with the sustainability of family businesses (Curado & Mota, 2021). Since then, sustainability has become a central topic of investigation within family business research, analysed from multiple disciplinary perspectives (de las Heras-Rosas & Herrera, 2020).

As noted by Broccardo & Zicari (2020), sustainability has long moved beyond a purely academic niche to become an integral part of contemporary business practices, a development already highlighted by Lüdeke-Freund et al. (2017). In this context, the family business literature frequently associates the term sustainability with the notion of viability, emphasizing that both business success and family balance are equally essential to ensure firm's long-term endurance (Núñez-Cacho et al., 2018).

Building on this perspective, several authors argue that innovation constitutes a key mechanism through which sustainability and long-term viability can be achieved in family firms, as it enables adaptation to environmental, technological, and market changes while preserving family control and values (De Massis et al., 2013; Ardito et al., 2019).

Regarding innovation, family involvement has been associated with direct influence on innovation inputs (such as R&D expenditures), activities (for instance, leadership in new product development projects), and outputs (including the number of new products); it also plays an essential role in the moderation of the relationships between these steps of technological innovation (De Massis et al., 2013). Furthermore, family firms possess unique traits that allow for the establishment of effective partnership relationships and simultaneously commit to environmentally friendly innovation activities. Also, according to Ardito et al. (2019), this capacity can guide managers in the selection of partners for inter-firm R&D collaborations that involve family firms, thereby enhancing the potential to accomplish sustainable innovation.

As emphasized by Núñez-Cacho et al. (2018), the long-term orientation, core characteristics of family businesses, and the desire to preserve the company and pass it on to future generations makes the study of sustainability issues especially important. Notwithstanding, given the influence of numerous intrinsic factors and the heterogeneity of family firms, their approach to sustainability is prone to differ considerably (Curado & Mota, 2021; Caputo et al., 2017).

Furthermore, sustainable development can be acknowledged as a key driver of success, innovation, and profitability for firms (Baumgartner, 2014). For the purpose of sustaining entrepreneurial continuity for future generations, family firms must balance tradition with an everlasting vision, by cultivating values such as respect from heritage, innovativeness, and long-term thinking throughout owners and top management (Zellweger et al., 2013). Nevertheless, this orientation often implies a preference for moderate and risk-averse growth strategies (Koiranen, 2002).

Finally, when it comes to environmental (green issues) disclosure, family firms have been found to be more proactive than non-family firms. This behaviour can be explained by the strong influence of family values and the perception of the natural environment as a key stakeholder in their pursuit of environmental strategies (Campopiano & De Massis, 2015).

3.1.2.2. Circular Economy

Studying sustainability across industries demands the understanding of the concept of the circular economy (CE). CE has been widely studied and implemented across the world (Luthra et al., 2022). Its growing relevance comes from its focus on resource scarcity and the harmful effects that economic activities have on the environment (Gupta et al., 2019; Bertassini et al., 2021). Although the origin of the definition of Circular Economy cannot be traced back to a single date or author (Wautelet, 2018), Stahel (1982) played an important position in introducing the importance of extending the use-life of goods, concept that later became defined as "an economic model that aims to use resources efficiently by minimizing waste and retaining value over the long-term, reducing the need for primary materials, and developing closed-loop supply chains, products, and components that deliver both environmental and socioeconomic benefits" (Morseletto, 2020, p. 1; Priyadarshini & Abhilash, 2020). As described by Patwa et al. (2021), this concept challenges the current linear model and rethinks production and consumption systems to create truly sustainable societies that address environmental, social, and economic challenges at once.

Manufacturing firms increasingly view CE as a significant initiative for waste reduction. Nevertheless, the limited research focused on the readiness of small and medium-sized enterprises (SMEs) to adopt CE practices (Singh et al., 2018; Ormazabal et al., 2018; Sharma et al., 2021), makes its implementation and the understanding of its positive impact more difficult. The United Nations' 17 Sustainable Development Goals (SDGs) can also be considered as contributors to this transition, by its emphasize on the efficient use of resources as a path toward CE (Kapoor et al., 2020). The central idea behind CE can be considered the waste minimization, guided by the 3Rs (reduction, reuse, and recycling) to ensure controlled leakage and minimize environmental impact (Ellen MacArthur Foundation, 2016; Parida et al., 2019). CE practices provide several benefits for not only businesses, but also society. This includes stronger supply-chains, improved customer relationships, lower price volatility of resources, and employment generation (Singh et al., 2018; Bertassini et al., 2021). Additionally, the size of the company plays a decisive role in shaping CE strategies: SMEs tend to show higher flexibility and more personalized customer service, whereas large corporations have the capacity to develop and implement global solutions (Salvador et al., 2020).

As highlighted by Chaudhuri et al. (2022), a firm's natural environmental orientation leads to higher profitability over time (Menguc & Ozanne, 2005). The authors demonstrate that ambidextrous capabilities enable SMEs to adopt CE-based business models as means to create value for their customers by integrating digital technologies. This finding is consistent with Cao et al. (2009), who observed that balancing exploration and exploitation can benefit resource-constrained firms such as SMEs by improving their performance. Chaudhuri et al. (2022) also outline that these resources and capabilities contain attributes of value, rarity, non-substitutability, and non-imitability, that helps firms deliver superior value to customers.

Moreover, previous studies have shown that implementing CE can generate economic value while improving the sustainability performance of firms (Ranta et al., 2018; Dey et al., 2020).

3.1.2.3. Natural Resources Scarcity

Natural resources form the foundation of all human and economic activity (George et al., 2015). Individuals and organizations consume vast quantities of these resources as part of their daily operations, often without fully considering their long-term availability or the real cost of depletion. Over the past decades, industrial development has led organizations, communities, and nations to act in defence of their interests by investing in and securing access to the natural resources essential for continued economic growth (Hart, 1995). The report on global sustainability trends, published by Ernst & Young (2013), underlined the fact that the growing threat of natural resource shortages has made it essential for companies to evaluate the reliability of their key materials. This demands companies to develop strategies to manage potential supply risks, accordingly.

George et al. (2015) emphasizes that resource scarcity can influence organizations in several ways. It can affect their day-to-day operations and long-term strategic decisions, as an example. Within the same line of thinking, Schoolderman and Mathlener (2011) observed that leaders of manufacturing firms around the globe have become progressively aware of this challenge and perceive the development of new business models and supply-chain innovations as essential factors to address environmental challenges. Sustainability, therefore, requires a proactive attitude towards not only the conservation, but also the preservation of natural resources for future generations (Bansal & DesJardine, 2014). As a final note, sustainability serves as a fundamental complement to resource scarcity, as it extends the timeframe of resource use and also mitigates its negative impacts through regeneration and other restorative processes (George et al., 2015).

3.2. Responsible Business Practices in family SMEs

3.2.1. Purpose, Profit and People

As stated by Cruz et al. (2014), family SMEs are prone to engage in a greater number of Corporate Social Responsibility (CSR) practices and demonstrate stronger CSR motivations than non-family SMEs. Also emphasized by Eddleston & Kellermanns (2007) and Zahra et al. (2008), this differentiation demonstrates how family firms contrast from other organizational forms in relation to their chosen approach to social engagement. Moreover, family firms exhibit a greater propensity not only to disclose CSR information through a dedicated section on their websites, but also to communicate the establishment of foundations and to issue a broader range of CSR reports. Such behaviour might reflect the importance that family firms consign to actions that influence their reputation and encourage dialogue with their external stakeholders. These initiatives are generally undertaken voluntarily, with the aim of strengthening external reputation and reinforcing their public image by engaging in social responsibility behaviours (Campopiano & De Massis, 2015).

In line with the insights presented by Campopiano & De Massis (2015), several key aspects can be highlighted. Within family firms, employees are regarded as valuable resources, that form part of the family's distinctive endowment, and their well-being is prioritized over short-term financial gains. This view is consistent with the findings by Donckels and Frohlich (1991) and Miller and Le Breton-Miller (2007), who emphasize the long-term and human-cantered orientation of family firms. Additionally, employees are often perceived as part of the extended family (Uhlaner et al. 2004; Ward, 1988), reflecting a strong alignment between the values and objectives for both parties: family members and non-family employees. As a result, these closed relationships can sometimes obfuscate professional boundaries, to the extent that employee-related topics may be overshadowed by the familial nature of the firm's internal dynamics (De Vries et al., 1993).

Furthermore, Baumgartner et al. (2014) points out that the role of business regarding sustainable development has traditionally been framed in terms of responsibility towards society.

3.2.2. Contribution to the Surrounding Community

As stated by Curado & Mota (2021), families that are deeply rooted in their communities and place greater focus on maintaining the family's reputation and name are more likely to adopt sustainability practices that will enhance the firms' image and consequently, profitability, a perspective also supported by Campopiano & De Massis (2015). In this regard, corporate social responsibility (CSR) initiatives in family firms often include respecting local communities and their traditions, supporting projects that foster social and economic development, and contributing to community well-being through not only donations, but also sponsorships and civic engagement initiatives. Such initiatives serve to communicate the firm's commitment to socially responsible behaviour and strengthen its relationships with local communities (Campopiano & De Massis, 2015).

Moreover, the community is seen as a particularly important stakeholder for family firms, which tend to devote special attention to the mentioned, when aiming to preserve their socioemotional wealth (SEW). According to the SEW framework, one of the primary objectives of family firms is to ensure continuity across generations, prompting families to make strategic decisions that secure both the long-term survival of the business and the preservation of their legacy (Núñez-Cacho et al., 2018).

3.3. The Textile and Fashion Industry

> In the last 15 years the industry has doubled production, while the time clothing is worn before it is thrown away has fallen by around 40%. When it is thrown away, 73% will be burned or buried in landfill. What does get collected for recycling – around 12% – will likely end up being shredded and used to stuff mattresses or made into insulation or cleaning cloths. Less than 1% of what is collected will be used to make new clothing (Souchet, 2019).

The textile and fashion industry, known as on of the most environmentally intensive sectors globally, contributes significantly to pollution, water consumption, and waste generation. Despite the increasing attention towards sustainability, it continues to face substantial challenges in transitioning towards circularity (Niinimäki et al., 2020).

3.3.1. Sustainability Challenges in the Textile Sector

According to Jia et al. (2020), the textile and apparel industry is one of the largest consumers of natural resources and, at the same time, one of the most polluting manufacturing sectors worldwide.

Juanga-Labayen et al. (2022) stated that not only the ongoing growth of global population, but also the increase of living standards, the expand on diversity of textile materials, and the reduction of textile products life-cycle time have contributed to a growth of global fibre consumption. The mentioned trends have translated into the escalation of the amount of post-industrial and post-consumer fibre waste, an issue also emphasized by Wang (2010). Globalization plays an important role in the intensification of this problem, as the apparel industry continues to produce tremendous volumes of clothing at lower costs. As a result, many consumers have adopted the fast fashion mindset, treating clothing as a disposable product (Claudio, 2007). The rising cost associated with the textile manufacturing (including energy utilization, raw materials, and waste management) are adding an enormous pressure on businesses globally, making the need for solutions that have sustainability at its core increasingly urgent (Shen et al., 2017).

Within this context, advancing reuse and recycling technologies for textile waste is essential to divert textile waste from landfill. Among the mentioned, closed-loop recycling techniques of fabric have been highly promoted, which allows fabrics to be reprocessed into new materials.

This can be considered a crucial step towards a more sustainable textile industry. Reuse is considered to be the most preferred option when compared with recycling (Niinimäki et al., 2020). Various textile reuse and recycling technologies already available and continue to evolve, with an increasingly focus on the challenges posed by blended fabrics (Juanga-Labayen et al., 2022), an area where innovation remains a key factor as a means to achieve higher recovery levels and reducing environmental impact of materials.

3.3.2. The Portuguese Textile Ecosystem

Within the Portuguese economy, the textile industry detains a well-established and strategic position, being even considered one of its key pillars (AICEP Portugal Global, 2024). According to AICEP Portugal Global, the industry accounts for a large portion of the country's exports and, also, employment (AICEP Portugal Global, 2024). It represents a vital anchor of the Portuguese manufacturing industry (AICEP Portugal Global, 2024).

This ecosystem combines tradition, innovation, and international competitiveness (OECD, 2021). It is concentrated mostly in the northern regions, particularly in Porto, Braga, and Guimarães (AICEP Portugal Global, 2024). The sector is mainly composed of SMEs that form dense industrial clusters supported by the advancement of technological infrastructures (OECD, 2021; AICEP Portugal Global, 2024).

Deeply rooted in craftsmanship and, not less important, quality, the Portuguese textile sector has shown a remarkable ability to develop and adapt to new market demands and sustainability challenges (European Commission, 2022; CITEVE, 2024). Over the past years, it has moved gradually towards sustainability and circularity themes with the integration of eco-efficient production methods, renewable energy use, and the implementation of digital transformation practices (OECD, 2021; CITEVE, 2024). Regarding environmental regulations, Portugal requires companies to comply with European and international standards, with the aim of ensuring a sustainable balance within the production process (European Commission, 2022. Moreover, institutions like CITEVE play a critical role by offering technical expertise and encouraging continuous innovation throughout the industry (CITEVE, 2024).

Lastly, the Portuguese textile firms are progressively investing in themes such as innovation and research. This fact has positioned Portugal as an European reference in the areas of sustainable fashion production and technical textiles development (AICEP Portugal Global, 2024).

By combining heritage, adaptability, and forward-looking sustainability initiatives, the resilience and growing international relevance of the Portuguese textile ecosystem can be revealed to a wide public and receive the attention it deserves (OECD, 2021; CITEVE, 2024).

4. Case Study

4.1. Introduction

On a cold morning in December 2025, Rui and Catarina Gomes stood by the window of the reconstructed J. Gomes LDA factory, watching the production floor slowly come back to life. Below them, a recently installed machine operated steadily, its sound sharper and more precise than the ones Rui had grown up with, a sound that inevitably brought back memories of the tragic night of January 24, 2022. Nearly four years had passed since the fire.

It was late at night. It looked and sounded like a normal night shift in the Industrial Park of *Covilhã:* calm outside, but inside, the familiar noise of machinery spoke lauder. Everyone was working as they normally did. Rui Gomes, moved across the ground floor of the factory as he often did, stepping into the places where his father once stood. He had long become the person workers counted on whenever a machine decided not to work properly or a process vacillated. Nothing, at a first glance, suggested that that night would be so different from all of the ones already lived on that factory and mark one of the most difficult moments of the company's history. Certainly, one of the most devastating days of Rui’s life.

Just after midnight on January 24th, 2022, when the night shift at J. Gomes LDA heard the first unusual crackling sound coming from the recycling line. At first, it seemed like any other mechanical noise, the ones the machines normally performed as an orchestra. The factory workers were used to the hums, rattles, and vibrations of the old machines, especially the shredding machine, the powerful defibrating machine that fed the whole textile recycling process.

Within seconds, the sharp noises turned into a fire. A sudden burst of flames shot out from inside the shredder. Workers rushed towards it with extinguishers, trying to battle the fire the way they thought it would save it. Tragically, the more they tried to fight the flames, the faster they grew. The stored textile fabrics, positioned so near the problematic machine, highly inflammable and tightly packed, lighted up one after another, creating a chain of small explosions that allowed to set on fire the warehouse and coloured it as orange and blue.

Temperatures rose faster than anyone would have predicted. Metal ignited and began to wrap. The smoke continued to thicken as the workers began to stop seeing each other.

When realizing they could no longer control the flames, the workers left behind the extinguishers and ran as fast as they could, escaping into the cold Portuguese January air. Just moments after, the fire consumed almost every single part of the textile recycling and carding lines. From the outside, they watched helplessly as the flames continued to violently burst the place that they called *second home*.

By the time firefighters gained control, most of the recycling facility had collapsed. Part of the machinery was reduced to frames of twisted metal. The smell of burnt cotton and melted plastic persisted in the air for days. No one knew what to think, much less what to say.

When Catarina Gomes arrived, she stood in silence with her husband, measly staring at what remained of the business: not just a business, but years of effort, sacrifice and renewal, to which they gave everything they had. Some employees cried, while others struggled to speak. Several feared the company might not withstand losing their jobs for that reason. One worker later recalled: “The first time I saw the factory burned... I will never forget that moment.”

And yet, within this moment of shock, an unsettling set of questions began to emerge not only about the immediate steps required to rebuild, but about what rebuilding *should* mean. Should J. Gomes simply reconstruct what had existed before? Returning to the same operational model would provide familiarity and a sense of continuity. Nevertheless, it would also mean preserving structures and practices that were already under strain before the fire. Achieve stability, in this scenario, could signify losing relevance soon.

Alternatively, should the company take advantage of the reconstruction to modernize more aggressively, investing in new machinery, digital tracking systems, and higher circular production standards? Such a path raised immediate concerns. Could these changes be implemented without compromising the traditional identity that clients valued, the working culture employees felt attached to, and the legacy the family had worked so hard to protect?

Or should the fire be understood not as an operational disruption, but more as an opportunity, or obligation to rethink the company’s future as a whole? This option implied a broader transformation, one that extended beyond technology or processes and touched the role that J. Gomes wished to play within the industry and its community.

As expected, none of these paths offered clear answers. Each carried consequences for the company’s culture, its people, its identity, and its long-term viability. As the factory resumed its activity and the immediate urgency of reconstruction faded, one question remained unavoidable: **what should it become?**

What began as a tragic night would soon unfold into something more complex: a moment that forced the family to confront a deeper strategic dilemma.

4.2. J. Gomes LDA: Company Background and Family Legacy

J. Gomes LDA was a Portuguese textile recycling and yarn production company located in Covilhã, a region historically linked with wool manufacturing and textile production. Founded in 1976, the company began its activity in a small facility in *Santo António, Covilhã,* as part of the crowded network of small textile units that sustained the regional economy during the late twentieth century. In 1999, the company relocated to the *Covilhã* Industrial Park to benefit from improved industrial infrastructure, where it remained today. Over time, its operations expanded through the acquisition of an additional unit in nearby *Tortosendo*, resulting in more than 7,000 square meters of covered industrial area. By 2022, the company employed approximately 30 workers and had consolidated its position within the Portuguese textile recycling segment.

A decisive change in ownership occurred in 2015, when the company was transferred within the Gomes family. Rui Gomes acquired his father's ownership stake, while the remaining shares previously held by Rui's siblings were redistributed internally: one share (28%) was acquired by Catarina Gomes, Rui's wife, and the other by their children, Rita and Pedro Gomes. From that moment onward, Rui and Catarina assumed full operational and strategic responsibility for the company, maintaining it as a fully family-owned and managed enterprise.

By the year preceding the fire, J. Gomes reported an annual turnover of approximately €2 million. The company's business model combined several complementary activities within the textile value chain. Around 30% of total turnover resulted from outsourcing services provided to other textile firms, particularly related to waste handling and processing. These services were priced at levels comparable to waste disposal alternatives, while offering clients certified recycling solutions.

Approximately 40% of turnover was generated through upcycling activities, while the core product, the carded recycled yarn, represented the largest individual share of production volume, accounting for roughly 35% of total output, corresponding to around 200 tonnes per year. Additional products, such as blankets and other textile items, represented a smaller share of activity (around 5%). The remaining 30% corresponded to downcycling operations, applied when textile waste was too mixed or degraded to be reused for higher-value applications and was therefore redirected toward filling materials and general insulation uses.

A defining characteristic of J. Gomes's financial strategy was the systematic reinvestment of profits. Instead of distributing earnings, the company consistently reinvested all available profits into innovation: from machinery, to infrastructure, and even to process improvement, reinforcing its long-term orientation and preserving family legacy. This approach allowed for a certain modernization while limiting dependence on external financing, allowed also for control to stay under the umbrella of the Gomes family, but it also constrained the rhythm at which larger technological investments could be undertaken.

Sales were predominantly oriented towards the Portuguese market, representing approximately 80% of total turnover. The remaining share consisted of indirect exports, as many domestic clients incorporated J. Gomes's recycled yarns and materials into finished products for international markets. Although the company did not operate its own export channels, it was therefore indirectly exposed to international demand patterns and sustainability standards.

Rui Gomes's leadership was deeply shaped by his lifelong connection to the factory. Having grown up within the production facilities, he developed extensive operational knowledge through long-term immersion rather than formal managerial training. Catarina Gomes brought complementary experience. After working in textile factories from an early age and later joining J. Gomes in an operational role, she pursued entrepreneurial activity outside the company. In 2011, she founded Domíniodisseia, a diversified enterprise operating across wholesale textile trade, wool fibre preparation, garment production, textile waste recycling, machinery leasing, and e-commerce. Although Domíniodisseia remained independent from J. Gomes, this experience strengthened Catarina's strategic, administrative, and sustainability-oriented capabilities, which later made decision making regarding J. Gomes much easier.

The next generation, Rita and Pedro Gomes, grew up closely connected to the factory and recognize the company as a central element of their family identity. Despite this emotional attachment, as of 2025, neither intends to assume a leadership role within the business, leaving the question of long-term succession a theme not solved for their parents.

By early 2022, J. Gomes LDA combined a long-standing industrial presence, a family-based ownership structure, and a business model aligned since its beginning with textile recycling and circular practices. Its identity rested on accumulated operational knowledge, stable local relationships, and continuous reinvestment. The fire that would soon interrupt its operations did not emerge suddenly, but rather at a moment when the company was already balancing continuity with the growing demand of a transforming industry.

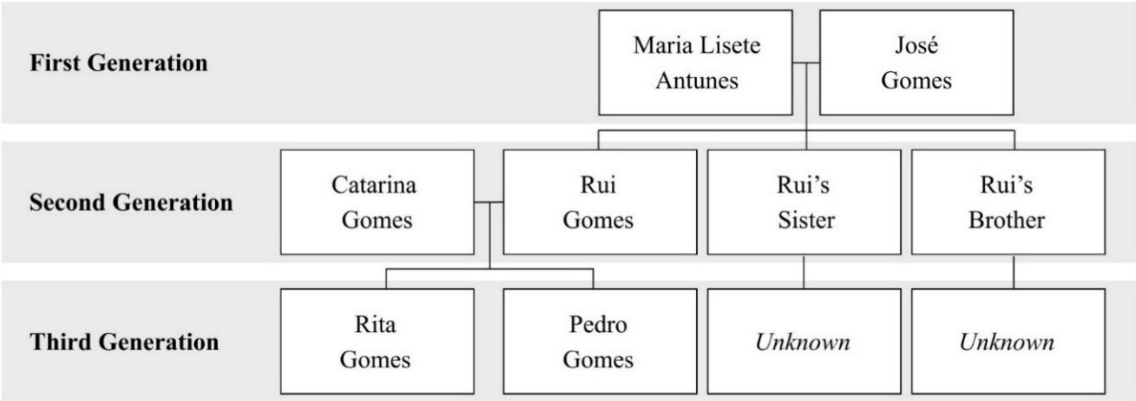

Figure 1: *Family Tree of Gomes' Family.*

4.2.1. Inside J. Gomes LDA: its People, Culture, and Embeddedness

Beyond machinery, processes, and balance sheets, J. Gomes LDA has long relied on a stable and deeply embedded workforce. At the time of the fire, the company employed approximately thirty workers, most of them versatile and with almost permanent status. Some employees had worked at the factory for over a decade, some having entered the company as young adults and remaining throughout multiple phases of ownership and transformation.

This continuity shaped a strong internal culture. For many workers, J. Gomes was not perceived merely as an employer, but as a constant in a region where textile activity had gradually declined. One employee described it simply: "I consider J. Gomes my second home. Every morning, I go from home to home."

The company's leadership style reinforced this sense of belonging. Rui Gomes, who became an adult inside the factory, after assuming a position of leadership, maintained a daily presence on the production floor. Employees constantly referred to his ability to diagnose machine problems by only hearing the different sounds or feeling the different vibrations, knowledge acquired through decades of hands-on experience. This proximity contrasted with earlier periods of more hierarchical and distant management, remembered by older workers as structured while impersonal.

Over time, leadership became more about building relationships with clients, suppliers and, most important, with employees. Catarina Gomes played a complementary role to Rui's one.

She was responsible for fostering dialogue, to motivate employees, and making sure that everyone felt included. Employees described their relationship with the current management in terms of mutual respect and trust. Daily routines, such as the collective 10 a.m. coffee break shared by all workers regardless of their role, reinforced a possible moment for informal communication and helped in the creation of a relationship between all.

The strength of this culture became particularly visible during stressful moments, especially in crisis. On the 25th of January 2022, the morning after the fire, employees arrived at the factory before being contacted, many ready to work as it if was a normal working day. Rapidly became ready to help clear debris, to protect remaining machinery, or to support recovery efforts. Similar dynamics had emerged during the COVID-19 pandemic, when salaries were prioritized and communication remained open despite constant uncertainty.

Importantly, employees were not against change. Many expressed to be proud of the company's role in the textile recycling and sustainability topics and even welcomed visits from clients or institutional partners as opportunities to demonstrate their work. Nevertheless, this openness was accompanied by a quieter concern: that increasing automation and digitalization could eventually displace the knowledge obtained from experience that had been accumulated over decades.

In this sense, the workforce embodied the central tension facing J. Gomes. Employees supported the company's evolution towards circularity and modernization, however remained deeply attached to the practices and identity that had defined their work. Their engagement reinforced the company's resilience but also raised a critical question for management: how far transformation could go without altering the social fabric that sustained the business.

4.3. Industry Context: The Changing Textile Landscape

However, the company's strategic options that ranged from investment capacity to long-term viability were increasingly shaped by external forces transforming the textile industry not only in the European level, but also in the Global one. For J. Gomes, being able to understand this broader context was an essential element that would allow to master the pressures that framed the company's decisions before and after the fire.

By the time the fire occurred in early 2022, the textile sector (including both production and recycling) had already entered an era of rapid transformation. In Portugal, generating around

€6 billion in annual exports and employing almost 127,000 workers[1], textiles remained one of the country's most export-oriented manufacturing industries. Yet, behind these aggregate figures, the operating conditions for firms were shifting at a fast pace. The regulatory environment had changed. The market had changed. Customer expectations had changed.

Positioned as a producer of recycled yarn within the textile recycling industry, J. Gomes operated in a segment gaining relevance under European circularity policies. At the European level, sustainability and circularity had moved from aspirational concepts to formal policy priorities. The European Union's Strategy for Sustainable and Circular Textiles emphasises the need for textile products that are durable, repairable, recyclable, and supported by improved information systems (enhancing traceability), while also driving waste reduction and competitiveness in the sector[2]. New requirements associated with themes such as environmental reporting, digital product passports, and even textile-waste management affected directly firms involved in recycling and regenerated fibre production.

As consequence, clients progressively demanded transparency regarding materials, processes, and even environmental impact, particularly at the level of fibre origin and yarn composition. Certifications such as GRS (Global Recycled Standard) and RCS (Recycled Claim Standard), and also traceability systems, and verifiable sustainability data were becoming essential and were seen as baseline expectations rather than differentiating features for companies. However, this shift exposed a persistent contradiction. While sustainability featured prominently in client discourse, purchasing decisions continued to prioritise price. Sustainability aspirations in the textile sector often conflict with actual market behaviour, placing pressure on firms attempting to invest in responsible practices while remaining competitive[3].

For SMEs, these changes expanded far beyond the production stage, requiring resources, capabilities, and strategic investments that many found difficult to secure. Investments in more modern machinery, environmental and quality certifications, and digital monitoring systems was rapidly becoming a vital element for competitiveness. Larger firms, often supported by greater financial capacity, adapted more quickly. Family-owned SMEs, by contrast, faced tighter financial and organisational constraints. Entrepreneurial barriers, particularly financial

[1] (AICEP Portugal Global, 2024)
[2] (European Commission, 2022)
[3] (Niinimäki et al., 2020)

limitations, capability gaps, and structural rigidity, significantly worked as an obstacle for SMEs' ability to transition towards more circular business models[4].

In Portugal, these pressures unfolded within a sector marked by tradition and reinvention. Northern regions such as Covilhã, Braga, and Guimarães experienced significant restructuring over recent decades. Many factories closed or were relocated, others repositioned themselves in niches such as technical textiles, advanced materials, and sustainable fibres. Institutions such as ATP and CITEVE[5] played an important role by supporting firms through accreditation, testing, and innovation guidance, although the pace of adoption varied widely depending on firm size, access to capital, and leadership orientation.

Positioned within the textile-recycling segment, J. Gomes operated in a field gaining strategic relevance under European circularity policies. The company's focus on fibre regeneration and waste recovery aligned with the direction of regulation and client demand. Yet meeting these expectations required continuous investment, organisational adaptation, and compliance with increasingly complex standards, challenges that weighed heavily on a small family-run firm.

At the same time, firms that integrated environmental and social practices tended to exhibit higher innovation performance, and this relationship was particularly pronounced in family businesses due to their long-term orientation and commitment to family values[6]. For J. Gomes, this created both opportunity and tension. Sustainability allowed for a plausible path to differentiation, but it also intensified financial pressure in a market that continued to reward lower prices.

As Rui and Catarina often reflected, the company operated according to a principle that guided them on their decision-making process: "Even if we cannot improve the world, at least we will not leave it worse than we found it" (Rui and Catarina Gomes, Family Owners).

This belief anchored the firm's identity. Yet, it was not sufficient to reduce the complexity of navigating within an industry in which regulation, market dynamics, and competitiveness were changing simultaneously, a tension that would become even more pronounced in the aftermath of the fire.

[4] (Saharan et al., 2024)
[5] ATP (the Portuguese Textile and Apparel Association) represents Portuguese textile and apparel companies, while CITEVE (the Technological Centre for the Textile and Apparel Industry) provides technological, innovation, and certification support to the sector, together promoting competitiveness and sustainability in the industry.
[6] (Barguilla Sanclaudio et al., 2025)

4.4. The process: From waste to a new Product

“Living with the notion of social and environmental responsibility, J. Gomes LDA. has a production culture aligned with the quality and sustainability of the environment” (J. Gomes LDA., n.d.). Values that Catarina and Rui described as having existed long before sustainability became a formal term in the industry.

The production cycle at J. Gomes reflected both its historical roots in textile recycling and reuse, and its commitment to preventive environmental practices. Since its creation, the company has built its activity around the transformation of waste generated by textile and clothing manufacturers across Portugal. What initially began as the simple reuse of discarded materials became more structured in 2002, with the installation of a spinning line that enabled the production of yarn directly from recycled fibres. This development represented a natural step toward the company’s mission of transforming textile waste into something valuable, positioning recycled yarn as its core product and primary source of value creation.

The process began with the collection of textile waste using the company’s own fleet of vehicles. J. Gomes collected yarn, fabric, and knitwear residues directly from industrial partners across the country, often providing on-site containers that were collected once full. This service-based relationship allowed client firms to comply with waste-management and certification requirements, while integrating J. Gomes directly into their sustainability strategies.

Once materials arrived at the facilities, they entered a structured sorting phase, where waste is separated according to fibre composition, quality, and colour. This step was central to the company’s environmental approach. By sorting materials chromatically, J. Gomes was often able to produce coloured yarns without additional dyeing, significantly reducing water consumption, chemical use, and energy intensity, a practice aligned with circular-economy principles promoted at the European level[7].

Following sorting, the materials proceeded to the mechanical recycling, where fibres were regenerated and then prepared for spinning. Accordingly to the technical requirements of the final yarn, recycled fibres might be blended with virgin fibres to ensure both durability and performance consistency. The spinning phase represented the core industrial activity of the company. J. Gomes operated two carded spinning lines, producing approximately 200 to 300 tonnes of recycled yarn per year. Although the factory currently operates at around 70% of its

[7] (European Commission, 2022)

installed capacity, it retained the technical ability to expand production through additional shifts if market conditions justified it.

The output of this process was recycled yarn supplied primarily to textile manufacturers, including knitting, weaving, and technical textile firms. Finished textile products were not produced internally. Instead, blankets, scarves, knitwear, and socks were manufactured through long-standing partnerships with specialised Portuguese firms. Blankets and woollen products were produced in collaboration with Burel Factory (in the region of Manteigas), knitwear with Malhas Pinto Lucas (Loriga), and socks through several specialised hosiery manufacturers that also operated as direct clients of J. Gomes' recycled yarn. The mentioned partnerships permitted the company to prove the versatility of its yarn and to participate in circular-economy projects, without redirect investment away from its core industrial focus.

Throughout the entire production cycle, J. Gomes adopted a preventive environmental approach, continuously seeking to minimise energy consumption and operational waste. Investments in photovoltaic panels and electric vehicles had reduced energy-related costs, while internal practices emphasized transparency regarding health, safety, and environmental impacts. Employees, suppliers, and service providers were expected to comply with internal environmental and safety standards, reinforcing sustainability as an operational norm rather than a marketing claim, a distinction increasingly relevant in circular textile value chains, where minimizing waste and integrating environmental practices across production stages is critical[8].

By being able to close the loop between textile waste and regenerated yarn, J. Gomes operated as a central party within the complex circular textile ecosystem. Its process reflected not only technical capability, but also a strategic intent that allowed them to remain competitive as a recycled-yarn producer in a sector where circularity was no longer optional, but increasingly a condition for companies to be able to participate in this competitive market.

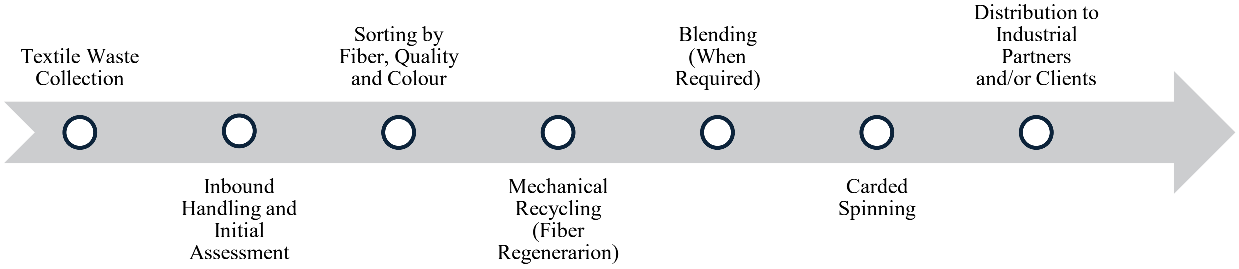

Figure 2: *The Production Process at J. Gomes LDA.*

[8] (Jia et al., 2020)

4.5. The Turning Point: The Fire, Reconstruction and Rebirth

When morning arrived, the factory looked unfamiliar. The smoke had thinned, but the silence remained. What had once been a place defined by constant movement and sound now stood still; its interior exposed in ways no one had ever seen before. The recycling and carding lines were almost entirely destroyed. Sections of the roof had collapsed, and the machines, once the centre of daily routines, were reduced to twisted metal and ash.

Employees arrived one by one. Some came before being contacted, unsure of what they would find but compelled to be there. No one spoke much. One employee later described the moment simply: “It was a shock. I cried when I saw all of that destroyed.”

Inside, the air smelled of burnt cotton and damp smoke. Every step raised a thin layer of grey dust. Melted cables hung from the ceiling, and the familiar layout of the factory no longer made sense. For those who had spent years, sometimes decades, working among those machines, the scene felt unreal, as if a known world had been abruptly replaced by another.

Rui walked through the remains quietly. He knew the factory by heart, from where each machine had stood, where each worker preferred to be positioned, to where the noise was loudest. That knowledge, built over a lifetime, now had no physical reference points. The floor beneath him was foreign. “It was hard to see the place I know by heart in flames.”, he later recalled; “but we knew we had to start working.”

4.5.1. The First Decisions

The days that followed were marked by urgency rather than clarity. There was no formal strategic plan, no time for extended analysis. The immediate questions were both practical and pressing: to secure the site, to assess the damage and to understand what could be saved. Within the two weeks that followed the fire, heavy equipment entered the premises with the aim of removing the collapsed walls and unstable roof structures. Burnt fibre, damaged machinery, and fragments of what the factory had been cleared away.

Employees helped without being asked. Each action seemed driven less by instruction than by a shared sense of responsibility. Machines that had survived were carefully cleaned and wrapped. These gestures carried weight beyond their technical function, they were acts of preservation, of respect for what remained.

At the same time, a more difficult conversation was unfolding within the family. Insurance coverage had been confirmed. Financially, it was possible to walk away: accept the compensation, close the chapter, and start elsewhere. The option was real, and it was discussed.

Yet the decision to rebuild emerged on the same week of the fire, almost instinctively. It was shaped by loyalty to employees, attachment to the place, and the feeling that leaving would mean abandoning more than a business. As Catarina would later admit, the choice was not the result of a fully formed strategy, but of momentum and responsibility.

4.5.2. Rebuilding the Structure

Only after this initial decision did reconstruction begin. It was one month after the fire, with the site cleared, that the new structures slowly started to rise. Metal beams were installed, foundations recast, roofing sheets put in place. The factory took shape again, not identical to what had existed before, but recognizable enough to feel familiar.

Machinery arrived later. Some pieces were entirely new; others were rebuilt from salvaged components. When the parts of the reconditioned carding machine were delivered, workers gathered around them in silence, as if welcoming back something that belonged.

Support came from unexpected places. Former employees offered help. Long-term suppliers called to check in. Members of the local community showed up without being asked. These gestures confirmed something Rui and Catarina had long sensed but rarely articulated: J. Gomes mattered beyond its operational role.

4.5.3. A Reconstruction with Shadows

Outwardly, the factory was being rebuilt. Inwardly, uncertainty remained. The speed of the initial decision left little room to reflect on *how* the reconstruction should have taken place. Questions surfaced gradually, often late at night or between operational tasks: What did it mean to rebuild? To restore what had existed before? Or to take advantage of the disruption to do things differently? (As this moment could be seen as an opportunity to transform the company into a role model for the others in the industry).

These questions did not stop the reconstruction, they followed it. New equipment was installed, but its implications were not fully resolved. The factory was returning to life in a context that no longer resembled the one it had left behind.

Only months after the fire, by May 2022, as the costs accumulated and when the structural reconstruction of the factory had already been completed, the weight of the decisions taken months before fully emerged and Catarina reflected on the moment when the decision to rebuilt took place: “If I knew what I know today, we would have taken the insurance and moved on.” The decision had been made quickly, in the days immediately following the fire, under intense emotional pressure and with limited information. On those days, the priority had been continuity: to protect jobs, honouring commitments with clients and preserving the legacy of the family and the business itself.

4.5.4. Rebirth, With Questions Attached

Some machines were turned on again even before neither the floor nor the roof have been completely rebuilt. On the 28th of September 2022 the recycling line started again. On the 4th of October, the mechanical recycling was back. The first order of recycled material was delivered exactly 9 months after the fire. One year later, in January 2023, when the machines were all turned on again, the factory regained its sound and the first recycled yarn after the fire was produced. Its sound was different; sharper, more modern, but familiar enough to feel like home. Workers paused to listen. Some smiled. Others remained still.

From the outside, J. Gomes appeared restored. But inside, the fire had left more than physical damage. It had unsettled assumptions and exposed choices that could no longer be postponed.

The company was alive again. What it would become remained uncertain.

4.6. The New Challenge: Modernization, Circularity and Technology

As the factory returned operations after the fire, Rui and Catarina were rebuilding within an industry that had changed significantly from the one in which J. Gomes operated for decades. Topics such as circularity, traceability and environmental reporting were no longer emerging topics, but definite requirements increasingly embedded in procurement processes across the textile sector.

Clients that had historically valued J. Gomes for reliability and long-term relationships were now soliciting certifications and measurable environmental indicators. Requests related to recycled content, traceability of fibres, and compliance with European sustainability standards became more frequent, reflecting the vast regulatory developments such as extended producer responsibility schemes and forthcoming digital product passport requirements. For J. Gomes, these demands represented a qualitative change in how competitiveness was defined: compliance and transparency were becoming an obligation rather than option.

However, these expectations were followed by a persistent contradiction in market behaviour. Sustainability increasingly framed initial conversations with clients, yet price remained the dominant factor in the final purchasing decisions. As Catarina frequently observed, clients expressed strong environmental commitments while continuing to negotiate aggressively on cost. This detail placed companies like J. Gomes in a difficult position. Were expected to invest in new systems and certifications but were rarely compensated for with higher margins.

At the same time, pressures related to competitors intensified at the Global level. Producers operating in countries such as Bangladesh, Turkey, Pakistan, and China supplied large volumes at prices European firms could not match, while benefitting from lower labour costs and much less stringent regulatory environments. Even when international buyers emphasized traceability and social standards, cost competitiveness remained central to the sourcing decisions. For a small family-owned firm operating within the Portugal textile industry, this imbalance further constrained the already considered small strategic room for manoeuvre.

Within J. Gomes, the challenge was not a lack of ambition, but feasibility. Catarina consistently explored opportunities to modernize processes, improve sustainability performance, and position the company more strategically within the circular textile value chain. Yet numerous initiatives required levels of investment that exceeded what the company could comfortably support. Quite a few ideas remained not implemented, not due to lack of relevance, but due to financial limitations.

For Rui, modernization raised a different concern. New machinery, automation, and digital monitoring systems implied translating decades of hands-on, experience-based knowledge into formalized and data-driven processes. His ability to detect irregularities by sound or vibration, knowledge accumulated through a lifetime on the factory floor, was different from replicating it through sensors or dashboards. Beyond financial risk, modernization carried cultural implications, potentially altering long-established relationships between workers, machines, and tasks.

The employees, many of whom had actively participated in the reconstruction after the fire, were aware of these changes within the company. While there was no clear resistance to modern technologies, the arrival of modern equipment was accompanied by a quiet awareness that the nature of work could change. The skills that had defined pride and mastery for decades could gradually be reconfigured, raising questions about how much transformation the company could integrate without modify its identity.

An additional layer of complexity concerned the future governance of the company. Rui and Catarina's children, Pedro and Rita, had grown up around the factory and recognized its central role in the family's history. Both acknowledged the emotional importance of J. Gomes, yet neither currently envisioned assuming leadership roles. Although succession was not an immediate operational issue, the absence of a clearly identified next generation introduced long-term uncertainty. Strategic decisions about investment, scale, and transformation could not assume continuity of family leadership in the future.

Despite these constraints, the company also stood at a strategically relevant position. In the year of 2021, the one prior to the fire, J. Gomes processed close to one million kilograms of textile waste, reinforcing its role within Portugal's emerging circular economy ecosystem. The demand for recycled fibres was increasing, driven both by regulation and brand commitments, as well as the company's expertise in sorting and fibre regeneration that allowed it to position it favourably within this trend.

Yet, the sense of opportunity and risk were tightly mixed. Every potential upgrade required essentially capital, new skills, and new routines. Each step toward compliance and modernization moved the company further away from the operational model it had rebuilt after the fire. In practice, each step towards modernization required reconfiguring processes, redefining roles, and moving away from the informal, experience-based coordination that had long characterized J. Gomes. What had been rebuilt quickly and pragmatically after the fire now faced demands for both greater structure and formalization. Survival had been achieved. The question that has now emerged was more complex.

As the factory recovered its rhythm and the new machines, and even the recovered ones, became part of daily routines, Rui and Catarina stood at strategic crossroads. Remaining unchanged was no longer viable, but transformation carried not only financial and cultural, but also generational implications that could not be easily reversed.

The challenge ahead was no longer only related with the rebuilding or surviving itself but about deciding how far J. Gomes was willing, or even, able to evolve.

4.7. The Dilemma: What should they do?

By June 2022, when the reconstruction was underway, Rui and Catarina had gathered most of the information they needed to understand the magnitude of what lay ahead. In February 2023, the factory was fully operational again. The machines were running. Employees had returned.

Yet, the context in which J. Gomes now operated was considerably different from the one that existed before the fire.

Clients were increasingly demanding certifications such as traceability, sustainability, and transparency regarding materials and processes. Regulatory pressure at the European level was intensifying. At the same time, price sensitivity remained high, limiting the company's ability to pass on the costs of innovation. Internally, financial resources were constrained, and all profits were already being reinvested to stabilize operations and modernize gradually.

It was against this setting that Catarina began to put into words a question she had never fully allowed herself to explore before. Rather than simply restoring what had existed prior to the fire, could this moment be seen as an opportunity to reposition J. Gomes more confidently within the circular textile economy? Was the company capable to move beyond survival and become a reference in both recycled yarn production and sustainable textile practices? And not only locally, but at a national or even at an international level?

The idea was as ambitious as it was risky. Pursuing a more advanced circular and digital strategy would require more than expected, from additional investment to new competencies, and organizational change. It could alter long-established routines and redefine roles inside the factory. It might also push the company further away from the model Rui had known since childhood, built on tacit knowledge, proximity, and gradual evolution.

At the same time, maintaining the pre-fire operating model was not without danger. The textile sector was evolving rapidly. Regulation, customer expectations, and competitive dynamics were shifting.-Simply rebuilding the past could leave the company increasingly exposed in a market that no longer rewarded stability alone.

As Rui and Catarina reflected on the months that followed the fire, it became clear that the decision ahead was not merely operational. It was a strategic one. It involved trade-offs between, as an example: identity and adaptation, financial prudence and long-term positioning, continuity and transformation. The choice they made would shape not only the company's future, but also the legacy they would leave behind.

The fire destroyed the past. Reconstruction had secured the present of 2025. The future, however, remained unresolved.

In December 2025, nearly four years after the fire that had devastated J. Gomes LDA, Rui and Catarina stood by the office window watching one of the newly installed machines run at full speed. The factory was operating again. Production had stabilized. Clients had returned. Yet, the memory of the 24th of January 2022 night remained clear in their minds for what had been lost and for the questions it had left undecided.

Now that J. Gomes has been rebuilt, what should it become?

5. Teaching Note

5.1. Case Overview

This teaching case presents a decision situation faced by J. Gomes LDA., a Portuguese family-owned textile recycling company, following a major operational disruption caused by a fire in January 2022. The mentioned incident destroyed most of the company's recycling and carding infrastructure, that forced a rapid decision to rebuild and resume operations.

At the time of the fire, J. Gomes had been operating as a producer of recycled yarn, processing close to one million kilograms of textile waste per year and generating roughly €2 million in revenue. The firm reinvested its profits entirely into operations and innovation, reflecting the long-term orientation characterised of family-owned SMEs. Regardless of the company's technical relevance within the emerging circular textile world, the company came across growing pressures. From regulatory change to international price competition and even increasing client demands for traceability and sustainability.

The case places decision-makers Rui and Catarina Gomes, the owners of the company, at a strategic decision point. Following the reconstruction, they must define the company's future in a sector characterized by both accelerating circular-economy requisites and demanding technological change, while operating not only under financial constraints, but also organizational, and succession ones.

5.2. Pedagogical Purpose and Learning Objectives

The case was designed with the purpose of supporting the following learning objectives:

- <u>Strategic decision-making under uncertainty:</u> To examine how firms respond to external shocks that accelerate strategic tensions that had already been detected rather than create entirely new ones;
- <u>Circular economy execution in SMEs:</u> To analyse the practical challenges of adopting circular business models in SMEs, particularly under resource (financial, organizational and/or succession) constraints;

- Family business strategy apart from succession: To explore how not only family ownership, but legacy, and identity influence strategic choices even when a clear next-generation successor is non-existent;
- Balancing continuity and change: To evaluate the trade-offs between maintaining the organizational identity and being able to pursue technological and organizational transformation;
- Decision-making with fragmented information: To encourage analytical reasoning in contexts where data is not completely available. Where outcomes remain uncertain and become a reflection of real-world managerial conditions.

5.3. Target Audience and Course Context

This case is suitable for Bachelor's, Master's-level, and Executive Education courses in areas such as Strategic Management, Family Business, Sustainability and Circular Economy, and Entrepreneurship and SME Management.

For Bachelor's and Master's-level students, the case supports the development of analytical skills related to strategic decision-making, sustainability pressures, and organisational trade-offs in SMEs. In Executive Education settings, the case is particularly suited to discussions around leadership under uncertainty, post-crisis decision-making, and balancing innovation with identity in family-owned firms.

The case is best positioned after students have been introduced to foundational concepts in strategy, sustainability, and organisational change, allowing it to function as an integrative application exercise.

5.4. Case Design and Structure

The case alternates between narrative and analytical sections:

- Narrative elements (the fire contextualization, the reconstruction phases, employee reviews) are used to engage the reader and bring contextual richness to the case;
- Analytical sections (company background indication, the industry context, production process phases, and strategic challenges of the company) provide the factual basis that will be required for students to be able to conduct informed decision-making choices.

The case deliberately avoids presenting explicit solutions or recommendations. The strategic dilemma is introduced only after all relevant information has been provided, in accordance with the principle that effective teaching cases should facilitate, rather than resolve, managerial decision-making[9]. This structure is intended to mirror real managerial contexts, where decisions must be taken without full information or predefined solutions.

5.5. Key Empirical Facts

For teaching classes discussion, instructors may highlight the following facts:

- Annual revenue: roughly €2 million;
- Core activity: recycled yarn production (200 to 300 tonnes per year);
- Textile waste processed: approximately 1 million kg annually;
- Workforce: 30 polyvalent employees;
- Capacity utilization: 70%;
- Profit allocation: 100% reinvested in innovation and operations;
- Reconstruction cost: €4 million, from which €2.5 million covered by insurance and the rest by own capital of the owners;
- Succession: Absence of confirmed family successor.

These data points are intentionally provided to enable students to practice strategic reasoning within realistic financial and operational constraints, rather than to support exhaustive analysis.

5.6. Central Decision Question

The primary decision question guiding the case discussion is: **Now that J. Gomes has been rebuilt, what should it become?**

The open formulation is intentional, and the question itself avoids implying a correct answer and encourages multiple defensible interpretations.

5.7. Theoretical Linkages

The case can be linked to analytical lenses commonly used in teaching on:

- Barriers to circular business model implementation in SMEs, particularly financial and capability constraints;
- The relationship between ESG practices and innovation in family-owned firms;
- The role of legacy and identity in shaping strategic decision-making under uncertainty.

These perspectives are intended to support classroom discussion rather than theoretical development.

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9 (Corey, 1998)

5.8. Teaching Approach

In order to prepare for the case discussion, it is recommended for students to read the case in full and to become familiar with the following key concepts that are related with:

– Circular economy and recycled-material value chains;

– Sustainability-driven regulation in manufacturing industries;

– Strategic decision-making in family-owned SMEs;

– Post-crisis organisational transformation.

The teaching plan was structured to be approached in the following discussion phases:

1. <u>Context and Facts</u> – It is essential for students to understand the company in question, the industry in which it is inserted, and the timeline of events;

2. <u>Analysis</u> – The identification of tensions, constraints, and strategic trade-offs will allow them to decide on the best strategic choices;

3. <u>Decision-Making</u> – By evaluating alternative strategic paths and their implications, students will become familiarized with the multiple options companies can face whenever a decision needs to be undertaken.

5.9. Roadmap for Discussion

The roadmap that will be presented below is designed for a ninety-minute class, composed by twenty-five to fifty students.

Part I | Case Comprehension and Issue Identification (10 to 15 minutes)

The instructor will briefly summarise the case timeline and confirm if students were able to correctly understand the following topics: the fire and reconstruction, the current industry context and the strategic dilemma faced by J. Gomes.

Part II | Analytical Discussion (50 to 65 minutes)

The discussion part will be guided by the assignment questions that will encourage students to integrate themes such as industry dynamics, firm-level capabilities and constraints, family-business considerations, sustainability and circular-economy requirements within the context of the J. Gomes scenario.

Part III | Conclusions and Learning Outcomes (15 minutes)

The instructor will then synthesise the key insights and highlight transferable lessons for SMEs navigating sustainability-driven transformation challenges.

5.10. Case Analysis & Class Discussion

- *Question 1: How would you characterise the strategic position of J. Gomes as of December 2025? Which strengths and vulnerabilities emerge from the case?*

Key answering points: Operational recovery has been achieved, with stable recycled-yarn production; Strong positioning within circular textile recycling; High employee loyalty and long-lasting operational knowledge; Financial fragility due to high reinvestment needs after the fire and limited margins; Dependence on external partners for downstream products.

- *Question 2: What external pressures (regulatory, market, competitive) are shaping the company's decision context? Which are most critical for J. Gomes?*

Key answering points: EU circular-economy regulation and traceability requirements; Client demand for recycled fibres and certifications; Persistent price pressure from global low-cost competitors; Technological acceleration favouring larger and capitalised firms.

- *Question 3: How do internal factors, such as financial constraints, organisational culture, employee loyalty, and family ownership, affect J. Gomes' ability to modernise?*

Key answering points: Strong identity and culture based on experience and proximity; Leadership tension between innovation and preservation; Financial constraints limiting the pace of investment; Absence of a clear successor, which increases the perceived irreversibility of strategic choices.

- *Question 4: What are the risks of maintaining the current operational model? What are the risks of pursuing deeper technological and organisational transformation?*

Key answering points: 1. Maintaining the current model: Risk of regulatory non-compliance; Gradual loss of competitiveness; Dependence on informal coordination. 2. Pursuing deeper modernisation: Financial overextension; Cultural disruption; Loss of tacit knowledge and employee identification.

- *Question 5: If you were advising Rui and Catarina, what strategic direction would you recommend, and why?*

Students should be encouraged to propose reasoned recommendations, such as: Selective, phased modernisation; Focused investment in traceability and compliance; Preservation of core yarn-production expertise; Strategic partnerships to share risk. There is no single correct answer, the value lies on the articulation of trade-offs and the justification of their decisions.

- *Common student responses and discussion dynamics:*

In classroom discussion, students often polarise around two positions: those advocating rapid technological modernisation to ensure regulatory compliance and competitiveness, and those favouring continuity in order to preserve organisational identity and financial stability. A frequent but incomplete line of reasoning is to assume that compliance with sustainability and traceability requirements automatically translates into long-term success, underestimating the cultural, financial, and organisational constraints faced by small and family-owned firms.

5.11. Concluding Remarks

The aim of this case study is not to provide definitive answers. Instead, it aims to offer a realistic, data-informed context in which students must confront ambiguity, competing priorities, and balance strategic choices. The case allows students to explore how sustainability-driven transformation in family-owned SMEs is experienced not as a purely technical problem, but as a strategic and organisational dilemma shaped by identity and constraints. Its value lies in helping students reflect on how real strategic decisions in family-owned SMEs involve trade-offs between identity, responsibility, and economic survival, rather than clear-cut optimal solutions.

6. Conclusions, Limitations & Future Research

This teaching case was developed to allow students to be placed inside a real and unresolved managerial dilemma faced by a family-owned SME operating in a traditional industry under pressure to transform. The case aims to invite readers to engage with uncertainty and competing priorities, instead of offering clear solutions, conditions that resemble those faced by managers in practice.

The experience of J. Gomes LDA highlights that strategic decision-making in family firms is rarely driven by purely economic logic. Topics such as identity, legacy, employee relationships, or even local embeddedness play an important role in shaping what is perceived as possible or too risky. The case allows students to explore how responsibility and circularity can represent opportunity, while generating tension when financial capacity and organisational routines are at stake.

From a pedagogical perspective, the value of the case lies in its ambiguity. Instead of asking students to optimise a model or apply a formula, they are asked to weigh different paths forward, each involving gains and losses. The absence of a clear family successor further deepens the discussion, forcing reflection on time horizons, irreversibility of decisions, and the meaning of continuity in family-owned enterprises.

As with any teaching case, this work has limitations. The case centres around a single organisation and in a specific moment in time. The information provided is intentionally selective to support discussion rather than exhaustive analysis. This design choice reflects the pedagogical purpose of the case: to prioritise engagement and decision-making over empirical generalisation.

Future work could expand this case through comparative teaching cases in other circular-economy sectors or by following J. Gomes' trajectory over time to reflect on how strategic intentions translate into outcomes. More broadly, the case leaves space for further pedagogical exploration of how small and family-owned firms navigate disruption without losing the identities that define them.

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Appendices

Appendix 1: *Primary Data Collection*

For confidentiality reasons, the transcripts of the interviews are not included in the appendix but can be made available upon request.

Interview Number	Interviewee(s)	Employment Type	Data Type	Date	Duration
1	Catarina Gomes	Family Owner	Video Interview	03.10.2025	1 h
2	Catarina Gomes	Family Owner	Video Interview	08.10.2025	20 min
3	Maria Nunes	Employee	In-Person Interview	05.11.2025	20 min
4	Carlos Raposo	Employee	In-Person Interview	05.11.2025	25 min
5	Júlio Cruz	Employee	In-Person Interview	05.11.2025	25 min
6	Nuno Marques	Employee	In-Person Interview	05.11.2025	10 min
7	Rita Gomes	Family Owner	Email Interview	10.11.2015	-
8	Pedro Gomes	Family Owner	Email Interview	10.11.2015	-
9	Catarina & Rui Gomes	Family Owners	Video Interview	25.11.2025	50 min
10	José Pinto	Employee	Video Interview	25.11.2025	30 min
11	Catarina Gomes	Family Owner	Video Interview	11.12.2025	45 min

Appendix 2: *Interview Guidelines*

1. Interview Guidelines for Management and Family Members (Catarina and Rui Gomes)

- How would you describe the origins of J. Gomes?
- What values or principles guided the family when they decided to acquire the company?
- Why was it important to keep the name “J. Gomes” instead of creating a new brand?
- In what way does the company’s history still influence current decisions?
- Does the factory’s history influence how you face new challenges or think about innovation?
- How do you define the company’s identity: more traditional, innovative, or a combination of both?
- What motivated the family to acquire and later rebuild the factory?
- How did the transition process unfold: were there external pressures, risks, or emotional factors?
- How was it to balance family concerns with business objectives during that period?
- When you need to make decisions quickly or deal with unforeseen events, how does the family decide what to do?
- Can you give me an example of a situation where it was necessary to decide without time to plan?
- How has leadership evolved since the acquisition?
- What challenges arise from combining family logic with professional management?
- What does sustainability mean for J. Gomes, in practice?
- When did you start implementing sustainable or circular economy practices?

- What are the main advantages, and also the main challenges, of these practices?
- Is being sustainable financially viable for an SME like yours?
- Were there moments when economic pressures forced you to rethink sustainable investments?
- Does the company's location and its connection to the community influence how you decide to be more sustainable or innovative?
- How has technology changed production or management processes at J. Gomes?
- What role does innovation play in maintaining the company's competitiveness?
- Do you consider digitalization compatible with the company's artisanal and traditional character?
- Does the size of the company influence the ability to invest in innovation?
- Can you recall a moment when an innovation or new technology generated internal resistance? How was that situation managed?
- What lessons did you take from the fire and the reconstruction process that followed?
- What was the role of employees and the community in the recovery?
- Did you have to make difficult decisions, for example between paying salaries and investing in modernization?
- How do you usually deal with unexpected situations: crises, technical or economic problems, when there is no time to plan?
- Looking back, what would you have done differently?
- How do you imagine the future of J. Gomes in a sector that is constantly changing?
- How is it possible to maintain family identity while adapting to new market demands?
- What legacy would you like this family business to leave for future generations?
- If you had to describe the essence of J. Gomes in one word or phrase, what would it be?
- What was the company's annual turnover in the last 5 years, and what was the impact of the fire on that year?
- How is turnover distributed by product categories, and what is the average gross margin?
- How much did the factory reconstruction cost, how much was covered by insurance, and how much fell on equity?
- What percentage of turnover is reinvested annually in machinery or innovation, and what are the monthly operating costs in periods of crisis?
- How many kilos of textile waste does the company process per year, what is the factory's maximum capacity, and how many kilos of yarn are produced annually?
- What is the average processing time from the arrival of waste to finished yarn, and how many days/weeks was the company stopped due to the fire?
- What percentage of turnover comes from externally produced products, and what are their profit margins?
- Which factories/partners produce these products, and what types of products do they make for J. Gomes?
- Who are the main types of clients, how many active clients are there, and what is the market split (national vs. export)?
- What is the share of the 5 main clients, and what criteria are most valued by clients?

- Have you lost or gained clients due to environmental requirements, and what new client types have emerged in the last 5 years?
- What is the price range per kg of yarn, and what are the main cost factors including energy costs trends?
- How often are prices renegotiated with clients?
- Who are the main domestic and international competitors, and what differentiates J. Gomes from them?
- Does the company track competitors' prices, and what are the main competitive threats perceived by management?
- How much is invested annually in technology, machinery, or innovation, which machines were replaced or acquired after the fire, and what modernization projects are planned but not yet implemented?
- Which digital tools does the company currently use, and which certifications are most requested and most difficult to obtain, and why?
- What are the main obstacles to modernization?

2. Interview Guidelines for Third Generation Family Members (Rita and Pedro Gomes)

- Tell me a bit about yourself: what do you currently do and how do you relate to the family business?
- What memories do you have of J. Gomes while growing up?
- Did you accompany your parents to the factory during holidays (and beyond)? Do you remember any particularly meaningful moment at the factory?
- How would you describe your personal relationship with the company: closer, distant, curious, responsible…?
- Do you think J. Gomes is part of your family identity?
- How do you see the role your parents have played in the company?
- What do you admire most about the way they manage the business?
- And what do you think has been most difficult for them?
- In your opinion, what distinguishes J. Gomes from other companies, what makes it "unique"?
- Do you think the way the company was built (family-based, local, artisanal) influences the decisions your parents make?
- Have you ever felt expectations, from family, employees, or the community, to continue the business?
- Can you describe how that expectation (or lack of it) was communicated?
- What led you to not want to follow that path?
- Was it an easy or difficult decision? What factors weighed most heavily (personal interests, lifestyle, future vision, etc.)?
- Do you think it is possible to maintain a connection to the company without working in it directly?
- If one day your parents decided to sell the company, how would you feel?
- What does the company represent to you within your family's history?

- Do you believe the company should remain in the family, or is it more important that it continues to exist, even if managed by others?
- Do you think tradition and modernization can coexist at J. Gomes?
- How do you imagine the company's future in 10 or 20 years?
- Do you believe the connection to the territory and the local community should be maintained at all costs?
- What do you think could be done to attract the new generation (yours or others) to become more involved in the textile sector and, more specifically, with J. Gomes?
- Are sustainability and innovation topics that personally interest you?
- Do you think J. Gomes has been keeping up well with this transformation?
- Do you see value in investing in circular and digital practices, even if they require changing traditional processes?
- How can family values, such as commitment, resilience, and care for others, remain alive in a more technological and globalized context?
- In your opinion, what must not be lost in this transition?
- Have there been conversations in the family about the future of the company and what will happen when your parents stop managing it?
- How do you (siblings, family) feel when this topic comes up?
- If you had to make a quick decision about the future of J. Gomes: continue, sell, or transform, which do you think would be most coherent with the family's values?
- Can you recall a moment when you felt proud of the company, or, on the contrary, a moment of concern?
- If you had to describe the essence of J. Gomes in one word or phrase, what would it be?
- What do you think the name "J. Gomes" represents for people living in the region?
- Do you think this heritage should be preserved even if no family member continues to manage it?
- What message would you leave for your parents about the future of the company?

3. Interview Guidelines for Employees (Maria Nunes, Carlos Raposo, Júlio Cruz, Nuno Marques and José Pinto)

- What is your name and what position do you hold in the company?
- When did you start working at J. Gomes?
- What was the company like at that time?
- How would you describe the work environment and company culture back then and how is it today?
- How would you describe a typical working day at J. Gomes?
- Do you enjoy what you do? Would it be an exaggeration to say you see J. Gomes as your second home?
- Do you consider working here different from working at another textile company? Why?
- Do you think the history of the factory or the fact that it is a family business influences how you work or how you face challenges?
- How did you experience the change in ownership and leadership?

- Did you notice differences in management style before and after the transition?
- What do you think remained the same, which values never changed?
- How do you see the role of the family in the company today?
- Can you give an example of a decision or situation where you felt the influence of family values?
- What is the relationship like between employees and management? Is there closeness, dialogue, trust?
- When it is necessary to make a quick decision in day-to-day operations, how does that happen in the factory?
- How are sustainability and circular economy practices reflected in your daily work?
- Have you noticed changes in how materials, waste, or energy are managed?
- Do you believe these practices make the company stronger or more respected?
- Are there times when sustainability goals seem difficult or expensive to achieve?
- Have you ever participated in a change or improvement related to sustainability or innovation? What was that experience like?
- Do clients or partners visit the factory? What is it like for you to show them what you do?
- Do you think the company's connection to the local community influences how you work or the decisions that are made on a daily basis?
- What do you remember about the fire and the reconstruction process?
- How did employees react and how did they support the company during that phase?
- Do you remember any striking moment during that reconstruction period, something you will never forget?
- What was the atmosphere like among employees during that time?
- Did you ever feel uncertain about the company's future?
- How was communication between management and employees during those periods?
- And during the pandemic: what was it like to work (or not work) during that period?
- What lessons do you think the company learned from those experiences?
- When unforeseen events or emergencies arise, how are decisions made within the team? Can you give an example?
- What makes J. Gomes special to you?
- How would you describe the team spirit within the company? Is there mutual support?
- Do you think the company values the effort and dedication of its employees? Can you give an example?
- What are you most proud of in your journey here?
- How do you see the future of the company, and your role in that future?
- What do you think makes J. Gomes continue to thrive despite difficulties?
- If you had to describe the essence of J. Gomes in one word or phrase, what would it be?
- And if you had to describe J. Gomes to someone who had never heard of it, what would you say?