



## CAN YOU OVER-COMMUNICATE WITH YOUR STAKEHOLDERS?

LESSONS FROM J.M. HUBER CORPORATION'S NON-FAMILY CEO AND  
CHAIRMAN

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In 1881, Joseph Maria Huber went to America to develop new markets for the Michael Huber München Farbenfabriken and founded his own dry-color business in 1883 in Brooklyn, New York. Still 100% family-owned more than 130 years later, the J.M. Huber Corporation has grown into an international portfolio of businesses focused on specialty engineered materials. Today it welcomes its sixth generation of family members, bringing the total family membership to over 200. As one of the largest and oldest family-held companies in the US, the firm, headquartered in Edison, New Jersey, has become one of the key players in hydrocolloids, specialty chemicals and minerals, and engineered woods. Huber operates as a portfolio management company (PMC) and in 2013 it booked sales of USD \$1.89 billion. A true global player, the group operates in more than 20 countries around the world and about half of its 4,000 employees are based outside the US.

### **The challenges**

Times were not always kind to Huber. In 2004 the company looked for ways to open up a new world of opportunities and turn into a true global player and took a big gamble by acquiring CP Kelco, a world leader in the production of xanthan gum and pectin. At more than USD \$1 billion, it was the biggest acquisition Huber had ever made.

Only a few years later, in 2007, the economy took a turn for the worse and the financial crisis quickly put the firm under pressure. This global downturn had a massive impact on Huber's engineered woods business, which was focused on the US residential housing industry. Huber's energy business was also struggling with declining production and structural changes in the natural gas markets, which caused gas prices to fall dramatically. With the joint collapse of the housing and natural gas markets, group revenues dropped rapidly. Fortunately, sales from its newly acquired business, CP Kelco, were less impacted. This "dangerous combination of events" put the whole family system to the test, with a real danger of having to cut the dividend for the first time since the Great Depression.

In the midst of the crisis, Huber faced another significant milestone: Peter Francis, fourth generation CEO and Chairman, had announced back in 2004 that he planned to retire in 2009. He was well aware that leadership succession was one of the most delicate moments for a family business, even at the best of times. The long-planned CEO transition came at the worst time imaginable and the board was rightfully nervous about that change. However, it did not shy away from the process and selected a non-family executive, Mike Marberry, as the next CEO. Mike took the reins in the midst of the global recession and was aware that he needed to win the owners' trust and convince the family to rally behind the company and turn this difficult moment into an opportunity to show its mettle. When Mike took the position in June 2009, he knew he had inherited a board and family who were concerned, not least about the alarming media headlines on the economic outlook. Businesses were closing down left and right, and real-estate markets in the US and abroad were in total shambles. Taking over during such a treacherous time was going to be a challenge at best, a nightmare at worst. Difficult decisions had to be made, and the new captain needed to know he could steer the boat decisively.

### **The approach**

The corporate slogan, "J.M. Huber, A Family of Solutions," which was introduced in the mid-1990s to reflect the organization's family ownership, entrepreneurial roots and innovative thinking, reminded the owners that providing solutions has always been at the core of the company's mission and genetic code.

Sharing information and ideas in the most timely and transparent manner is fundamental for fostering a shared sense of commitment and purpose for the business and for the family. Given the tough economic times, communication between the new CEO and the owners was absolutely critical. To set up a communication pathway that was strong and could nurture respect and trust between all parties, a co-chairmanship arrangement was introduced. For the first time in its history, the Huber family placed board leadership into the hands of not just one but two non-family members. Lee Nutter would focus on supporting the new CEO on the business side, while Maria Lilja would liaise with the family shareholders to provide clear communications between the board and the family during this time of transition and change.

Mike had to address this tough challenge even while dealing with the typical concerns of a new CEO to get employees comfortable with his leadership. His roadmap was clear but it was impossible to know how long the downturn would last. He had to manage through that uncertainty, increase the profitability of the portfolio and exit businesses that would not support profitable growth. Cash management also required careful handling and he needed to reduce the debt to a sustainable level. But to initiate this ambitious agenda, it would first be necessary to earn the unqualified trust of the family. Maria Lilja explains:

**“During this time of crisis, Mike and I built on Peter’s practice of communicating regularly with shareholders. We picked up the pace, conducting even more town hall meetings with shareholders and arranging visits to smaller groups of Huber family members. Our goal was to over-communicate to help the family gain confidence that the company was in good hands during the global financial crisis. There’s simply no substitute for building trust and transparency.”**

Huber had been divesting itself of timber, coal and energy properties for years. One of Mike's first strategic proposals was therefore to finalize the divestment out of the forestlands owned by the company. This was not just a portfolio realignment decision – it cut to the core of the firm's values and beliefs. Mike was all too aware of the emotional sensitivity of this decision for the family, which had strong commitments to sustainable forestry and took great pride in its timber business. A family board member stated:

**“Mike worked closely with the family directors and the co-chairmen to prepare the ground for the decision. He deeply valued the personal contact with the owners, so he partnered with Maria on road shows and town hall meetings in Atlanta, Edison and Boston. He and Maria would meet with the family community to explain the strategy and answer questions directly. He also continued the regular teleconference meetings during which family members could dial in and discuss business topics with him. He also devoted one of his letters to the owners to explain this decision. While all of these activities were done previously, this was new in that both the chair and CEO roles were held by non-family members and, like the board, the family was justifiably unnerved by the effect of the economy on the company.”**

“Looking back,” explains Mike, “I intentionally over-communicated during my first year as CEO to build the family's trust and confidence and my credibility during such a critical phase, as it was key to a successful transition”. He sensed how important it was to continually strengthen the bonds between the family and the employees: “Knowing the owners, putting faces to the names and knowing they are present makes a whole lot of difference”.

*The authors of this article, IMD Professor [Benoît Leleux](#) and Anne-Catrin Glemser, [Family Business Research](#) and Program Manager at IMD, won the "best of the best" distinction in the 2014 EFMD case writing competition.*

*They were given the prestigious award for their case "J.M. Huber: A Family of Solutions". The case examines the J.M. Huber company's trajectory since its founding in 1883, how it weathered the 2007 financial crisis, and how it has successfully handled challenging leadership successions.” The next upcoming family business programs at IMD are: [“Leading the Family Business”](#) in Lausanne, from October 25 to 29, 2015; [“Leading the Family Business” as part of IMD’s Orchestrating Winning Performance](#) in Singapore, from November 16 to 20, 2015; [“The Next Generation”](#), from March 7 to 17, 2016; and [“Leading the Family Office”](#) in Lausanne, from May 9 to 11, 2016.*

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