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How does sustainability help a company prepare for leadership succession, especially during economically tumultuous times?

One of the largest and oldest family-held companies headquartered in the US, J.M. Huber Corporation (Huber) had strategically repositioned itself several times since its founding in 1883 as a dry-colors business. Visionary family leaders who handed the reins down through the generations and a committed senior management team had transformed the company from a single plant in Brooklyn, New York, into an international player operating in more than 20 countries. This diversification, with multiple businesses in very different end markets, helped the company remain stable amid the COVID-19-related turbulence. Despite the effect of the pandemic on operations and markets, Huber stayed focused on advancing its multi-year sustainability strategy.

A key element of Huber's long-term success was its smooth leadership transitions. Mike Marberry, Huber's president & CEO since 2009, had begun working in 2016 with the Huber Board to plan for his eventual retirement, set for 2022. The pandemic chaos presented unique challenges in executing this transition.

At a glance

- » The origins of the Huber family's dry-colors business date back to 1765.
- » For over 120 years, numerous family members have worked at various levels in the company.
- » To this day, Huber has maintained a strong culture centered around the Huber Principles: Environmental, Health & Safety Sustainability, Ethical Behavior, Respect for People and Excellence.
- » Gretchen McClain was selected as the seventh person to lead the company, effective April 1, 2022.



While the family’s financial investment in the company naturally becomes diluted as each successive generation grows, we have seen a steady and enduring psychological investment in the business. For the fifth generation, pride of ownership is king. The fifth generation has used the Huber Principles as a rallying call and helped voice the need for initiatives like diversity, equity and inclusion.

Molly Heaney (b. 1980, fifth generation)

FAMILY GOVERNANCE

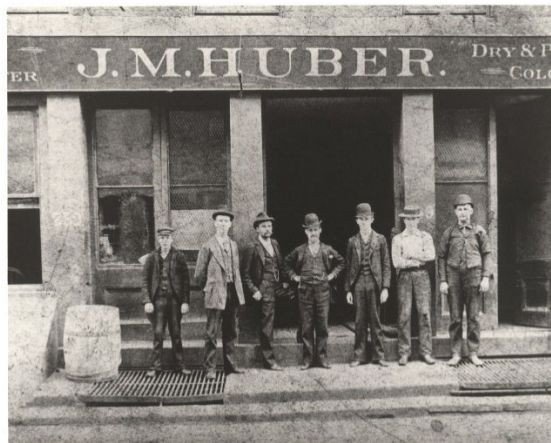
Even though Huber had restructured its operations and organization many times in its 139 years of existence, the company remained fiercely independent and fully private. Nonetheless, the family stood out for its particularly inclusive nature, with descendants

of the founder freely passing ownership stakes to their children and spouses, a rather unusual practice among family businesses. Granting shares of ownership to spouses and children helped bring the number of shareholders to nearly 300 by 2020.



and a family directory. Employment within the company, let alone board positions, was not automatically offered to family members and was instead merit-based.

A strong focus was also put on the family’s education, which stood at the heart of the family’s sense of belonging. In 1985, “Huber University” was established to educate the owners on the company’s history and heritage, business matters and responsible ownership. Designed as a key pillar of family unity, the family annual meeting weekend known as “HUBERpalooza” is



Joseph Maria Huber (third from left) with employees sometime before 1894.

A challenge with such a large base of owners was ensuring that everyone’s voice was heard in the decision-making process, with enough opportunities for maintaining and enhancing the engagement of interested family members in company affairs. A tremendous amount of work went into defining the relationship between family members and the business. This was accomplished via a dedicated Family Council that was created in the late 1980s, coupled with the adoption of a set of family goals in 1992 and the publication of an owner’s manual

so integral to the family and the company that it was still held during the COVID-19 pandemic in 2020 and 2021, albeit in a virtual format.

PRINCIPLES AND SUSTAINABILITY

The company culture was enshrined in four core values known as the Huber Principles: Environmental, Health & Safety Sustainability; Ethical Behavior; Excellence; and Respect for People. In the spirit of these Principles,



Huber's four core values

the company had developed a reputation for being an enterprise that takes care of both the environment and its employees, rewarding them for their hard work and dedication.

When it expanded into the southern US, at a time when racial segregation was in full force, the company defied local customs by assigning worker housing by seniority rather than race. It also instituted a pay scale in which black and white employees were compensated equally. Huber was an early adopter of employee benefits programs and still offers profit sharing to its eligible US employees, a rarity in American businesses, especially for those of Huber's size.

Huber was cognizant of its impact on the environment long before such matters were a concern to most companies. Starting in the 1950s, the company took steps to limit air pollution from its operations and initiated reseeded efforts to restore the landscape at its disused kaolin clay mines. Huber's timber division was a pioneer in selective timber harvesting, as opposed to clear cutting, which enabled forests to regenerate faster and better protect watersheds, including improving water quality and providing diverse wildlife habitats.



Historical photo of a Huber Oil & Gas operation in the American West.

NAVIGATING A SUCCESSION DURING COVID

Competent leadership, a cohesive family, and upholding company values had helped Huber confront extreme challenges over the years. After the Great Recession of 2007-2009, Huber went on to prosper like never before. The year 2020 began with one of the company's strongest first quarter financial performances on record. By the end of March, however, the COVID-19 pandemic was in full swing. The speed at which the virus spread, leading to stay-at-home orders, travel

restrictions and supply chain disruptions, left Huber bracing itself for one of the deepest and most sudden economic recessions in history. This crisis arrived just as Marberry was nearing the final stages of planning for his own retirement.

The company's strong commitment to sustainability helped it navigate these doubly challenging times. Rigorous safety standards helped keep employees safe; the Huber community engagement program made a special donation to charities near Huber office and plant sites to help mitigate the social and economic impacts of the pandemic. Despite the disruption from COVID-19, Marberry led Huber to achieve and sustain its strongest revenue growth and earnings performance of any time in the company's history. This financial strength enabled the company to reinvest in its portfolio businesses at an unprecedented level, thereby strengthening its competitive position and enabling it to pursue new growth opportunities. As an expression of appreciation for their work to maintain business continuity and keep one another safe during the COVID-19 pandemic, the company also approved a one-time special bonus for all employees globally in 2021.

DID IT WORK?

Huber's integrated global response to the pandemic played a central role in the company receiving the 2020 IMD-Pictet Sustainability in Family Business Award. This prestigious honor served as confirmation to the company and the family leaders that it was on a promising course as it endeavored to build a more sustainable enterprise for future generations to inherit and lead.

By 2021, Huber had become one of the key players in hydrocolloids, specialty chemicals, minerals, agriculture solutions and engineered wood products, with overall sales approaching US\$3.5 billion, and with about half of its 4,100 employees based outside North America.

After a thorough assessment process, the board unanimously chose to invite Gretchen McClain – a member of Huber's corporate board since 2016 – to take on the role of CEO. McClain was well-known within the Huber family since she had served as the board's liaison for shareholder relations. With a diverse background in business and government service, including prior CEO experience, she became the seventh person to lead the company, effective 1 April 2022.



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