

Family Business

THE GUIDE FOR BUILDING AND MANAGING FAMILY COMPANIES

Your name is on the door

The chairman and founder of the \$12 billion Huntsman Corporation explains why he's insisted that his company's workplaces be run as 'an extension of a supportive home.'

By Jon M. Huntsman

My brother Blaine and I started the family business in 1970. Huntsman remained family-owned for 35 years, eventually becoming the largest private chemical company in America. Early in 2005, we decided to go public as a way to reduce debt with new capital and increase my wife's and my philanthropy. My family continues to run Huntsman Corp. in a similar manner as we did when the corporation was privately owned because it's still our name.

While we are going down this new road with the best of intentions, it saddens me that today's ownership complexities or a need for additional capital eventually forces many family businesses to face the same decision. This does not mean family enterprises will cease to exist or that change is necessarily a bad thing, but it does cause me some anxiety.

The family is the basic societal unit. As such, it is the foundation for society's prosperity, order, happiness and values. Business is much the same as families. These same aspirations should be found in business "families" as well. This can be more easily accomplished when the business is family-owned, but the wise CEO of a publicly traded company will operate as if his or her last name is on the company marquee.

Some families are large, others are small and some are untraditional, but it is in this setting that one's greatest education is experienced, where fundamental, life-long values are learned. It is not hard to understand why the home is my focus and that key decisions in Huntsman Corp. have been made within the family circle.

Wealth and power are thought by many to be a formula for family divisiveness. This is seldom the case. I saw my grandparents' six children squabble over a \$30,000 estate. Riches have little to do with family cohesiveness.

Each of our children, in his or her own way, has experienced the heartaches, pain and challenges of our business. They have been astute students of life. They have known from the start that there is no such thing as a Midas touch. The realities of this world are hard work, preparation, negotiation, determination, honesty and charity.

Where appropriate, the workplace should be an extension of the family, a place where an appreciation for decency, respect and basic values are encouraged and examples of proper moral behavior are the rule.

Jay Kenfield Morley's description of life sums up how critical it is for the workplace to be an extension of the

home: "The recipe for happiness is to have just enough money to pay the monthly bills you acquire, a little surplus to give you confidence, a little too much work each day, enthusiasm for your work, a substantial share of good health, a couple of real friends, and a wife and children to share life's beauty with you."

My father was a rural schoolteacher in Idaho. Our first two-room home required a 40-foot walk to the outhouse, an unpleasant undertaking in the winter, but typical for a rural family in the late 1930s.

Eventually, my dad went off to World War II like so many other fathers of this era. When he returned, we built a small home in Pocatello. A few years later, we moved to California so he could get his doctorate at Stanford. Our residence for three years was in a campus Quonset hut that was divided into 16 "apartments," each approximately 600 square feet in size and separated by walls made of heavy cardboard. With my parents and two brothers, the quarters were cramped and embarrassing for a teenager, but it was home.

In 1959, I married my sweetheart, Karen, and we had three daughters and six sons. Our home has been a place of comfort, love and tranquility. I observed in my travels many difficult and trying

domestic situations where housing is pitifully inadequate. Families live in boxes, tin shacks, tents or other makeshift arrangements. It is emotionally difficult to visit such places.

I emphasize in employee meetings that families come first. I have insisted our company workplaces attempt to be an extension of a supportive home.

During a recent visit to one of our plant sites in Scarlino, Italy, I underscored to employees that their foremost concern in life was not their jobs, but their families. They listened intently through an interpreter and appeared pleased by their employer's positive expressions about the family. When I finished, they stood and applauded. A cynic might say they did so to impress the boss, that they would have cheered if I had read them Shakespeare. I don't think so. They appeared deeply touched as I went from one to another, giving small hugs or handshakes.

When I recently gave a similar speech in Malaysia, all 800 employees clapped and seemed pleased. They love their children just as much as I love mine. Their families are as high a priority to them as mine is to me. They understood precisely what I was saying and why I was saying it.

The same is true in China, South Africa, Armenia, Australia or in any of the 43 countries where we conduct business. It makes no difference where one lives. Everyone wants to feel noticed, respected and valued. Unfortunately, large corporations tend to be run by the book. They frequently are perceived by employees to be sterile and uncaring. Running a business as if you own it prompts a more personal touch.

Employees want to be assured the owner or CEO truly cares about them. How can one convince employees they are valued if their families are omitted from that concern?

Most employees like to hear directly from the owner or head of a company. The first thing I underscore is their preeminent responsibility to families and loved ones. If there is success within the walls of our homes, we will do better in our vocational pursuits. We work safer in a happier work environment. If we are at peace in our personal lives, we are more successful and find more satisfaction in our work.

Karen and I started including our children in the discussion of the family business as early as elementary school, but we insisted on two rules:

Rule 1: In a family business, check your ego at the door. There is no room for self-aggrandizement or self-promotion. In a family business, everyone knows the abilities and shortcomings of the others. There are no secrets. The success of family businesses relies on trust, respect and love.

Rule 2: Be a cheerleader for each other. Seek good fortune for the other person first. Most family businesses end up in disarray because of the selfish interests of one or another sibling.

Effective communications are essential. Parents must talk to each other openly and honestly about the business—and especially about estate planning. Parents, in turn, must help educate their children in those areas. Secret wills and selective entitlements upon a death almost always result in family feuds or lawsuits.

I assured my children, even after most of them started working in the family business, that I am a parent first and chairman of the board second. Family enterprises careen off the road when parents place business ahead of parental nurturing.

Sharing the wealth

Employees must be treated as equals. When a company is financially successful, it ought to share its bounty with

employees, the community, and customers the same as it does with owners or stockholders. The marketplace appears to be getting less considerate on this point, with the obvious exception of pay packages for top management, which have been increasing four to five times faster than compensation for their rank-and-file employees.

Whether one runs a family business or is CEO of a public company, ways must be identified to recognize and give credit to others—at all levels of the organization. The surest path to success is one where others walk with you. Plants and equipment can be replaced easily; hardworking, loyal employees are as valuable as precious gems. They are critical to any leadership success. If CEOs are the soul of the organization, employees are the heart.

When unethical or immoral behavior occurs within an organization, be it a business, charity, church or team, it greatly impacts everyone, similar to the effect a prodigal son or an unfaithful spouse has on a family.

If top executives fail to follow their moral compasses, how can one expect those they lead to adhere to moral values? And if employees in the workplace do not care about ethics or morality, how can they expect their children to be any different? Everyone loses.

That's why it is especially critical that employees understand the company's values. Employees ought to know, for instance, that a corporation's philosophy dictates that a sizable portion of the profits is to be returned to society, and why. They must understand the true measure of success, for them individually as well as the company, is not only how much one acquires, but also how much one gives back.

The corporate climate

I remember visiting a Huntsman plant in

eastern Canada several years ago. I had just left a church meeting, and my thoughts were centered more on the message I had just heard than what I was going to say to our people, so I opened by reminding them that we walk by faith, not by sight.

I explained that if we had faith in fellow human beings, there would be fewer accidents and safety violations. If we had faith in each other, brotherly love and joyous association would follow. If we each had true faith, we would not need sight. We would be lifted up by loved ones and would become stronger and more effective people. We would not display self-pity or extravagances. Our needs would be met.

When I finished, I realized I had not mentioned a word about the company's productivity, costs or sales. In a way, though, what I said indirectly covered those operating areas. Realistic goals are achieved when those responsible for meeting them are committed.

Moreover, everyone wants to know the true feelings and heartstrings of their leaders, along with news on how the organization is faring. In truth, though,

you can't get a good read on the organization without knowing the feelings of the person who is leading it.

The climate created by a CEO and his or her management team has more impact on employees than we generally realize. People bring out the best in themselves when they hear and see the best in their leaders.

Over the years, we have given out thousands of scholarships to the children of our employees. It has been a joy to meet many of these students and to receive invitations to their high school or college graduations.

When we become a part of the employees' families, morale is at its highest. Who isn't excited when their children succeed? And when someone is feeling good, his or her workplace productivity shows it.

Starting a new chapter

As Huntsman Corp. begins its new chapter as a publicly traded company, some of the family atmosphere may well disappear.

Many public shareholders aren't as altruistic as they ought to be because

they only want a quick return on their investment. That's a pity. The greatest dividends are those paid to hardworking men and women through bonuses, gifts, scholarships and praise.

As long as I am chairman of Huntsman Corp., and my son Peter is CEO, every effort will be expended to run the company as if it were a fully committed family business. After all, our name is still on the door.

All companies—public or private—must create a culture in which employees come first and are treated royally. Believe me, they always return the favor.

*Jon M. Huntsman is chairman and founder of Huntsman Corp., based in Salt Lake City, Utah. He led an IPO of the company in February 2005. Excerpted with permission from *Winners Never Cheat: Everyday Values We Learned as Children (But May Have Forgotten)* by Jon M. Huntsman. Published by Wharton School Publishing (May 2005), www.whartonsp.com.*

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