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Linking Strong Organizational Values to a Century of Company Success:

How the Smuckers Steer their Family Company

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ABSTRACT

The J. M. Smucker Company is a publicly-held, family-controlled, food products company, that has been owned and led by heirs of the founder for more than 100 years. It has been profitable and grown as a company, and established a reputation for honesty, fairness, quality and respect for people. This case will look at the evolution of the ways that they demonstrate how their values are part of the internal operations, and how they are sustained by family stewardship and governance. Finally, using the company's 2002 merger with the Jif and Crisco brands of Procter and Gamble, we will look at how the company has made its values the centerpiece of the process of successful merger integration. This case provides an exploration of how family involvement and clear governance can set up and sustain a powerful corporate culture, based on a set of values first defined by the founding family.

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Values and Organizational Vitality

In a time when the trust between the public and corporations has been severely tested, the credibility of all corporations has been called into question. Claims of profitability, quality and fairness are routinely distrusted by shareholders, employees and the public. This climate leads us to pose some important questions:

- How can a company be trusted to act ethically in the light of the many temptations to the contrary?
- What can be done to foster an internal environment where a company can be ethical, and also remain competitive and successful?
- What does it take for a company to generate and sustain an environment where the people in the company do not just act in compliance with the law and regulations, but go further to try to do what is best for the public no matter that it may cost the company?
- If such a company does indeed exist, does such an orientation make a company ethically advanced, but hardly competitive with companies who are not so value-based?

This case will present a company that has put its values and ethics up front in more than a century of profitable operations and regular growth. We will look at the elements of culture that have been put in place to sustain this unique culture, that seem to have helped it to adapt and thrive in an environment that sometimes seems to demand the opposite. The story of the J. M. Smucker Company suggests how difficult it is to set up and sustain such a culture. But their experience also suggests the pay-off in terms not only of human capital, but also of trust, credibility and business success that can stem from the commitment to values at the core of the organization.

While strategy guides **what** an organization does, values guide the **way** that organizations do things. Values define many of the informal aspects of an organization—how people treat people, how they work together, and what they consider important. In the past few years, values have been invoked as central to organizational integrity and effectiveness, but it sometimes seems very vague, even naïve, to ascribe values as the basis for decisions in a company. While many companies place their value statements on the wall, in an their annual report, it seldom seems like the values have any life or relevance to the real life and activities of the company. What does it look like when the values of the organization really matter, when they are taken seriously and decisions are made in line with them? Does their presence as an active force really make a difference in how well the organization functions?

A company always has values that guide employee and company behavior. But in most cases they are far from clear and explicit. They may even contradict explicit values. For example, a company may have an ethics policy or value statement, but have an informal expectation that revenue will be booked at all costs, that products ship on time no matter what the quality, that employees are expendable, or that an individual customer isn't very important. These implicit values are part of the company's culture, as they are reinforced

by promotion, compensation and the example of the leaders. The rise of whistle-blowers, employees who feel compelled to report on company misdeeds, suggests the difficulty that many companies have in acting ethically. But, there is a counter-trend of companies explicitly defining their values and ethics, and holding each employee and the whole company accountable for them. But even people who admire these actions secretly question whether positive values really contribute to the corporate bottom line, or whether they are just a good thing for a company to do.

To explore this issue, we offer the example of a company that has been successful for more than a century, whose fundamental behavior is closely guided by an explicit set of core values. The company has put into place many internal mechanisms that teach, support and reinforce the values. The story of The J.M. Smucker Co. shows how values, especially when they evolve and are tested over many years, can be a source of enduring competitive advantage for a company. It centers on the family who has led and had the largest ownership stake in the company. In fact, the long-term perspective and the insistence that values are essential to success, stem from the fact that one family has had the patience and will to retain its leadership over the whole life of the company.

This case presents the operative elements of the family's vision and values that co-CEOs Tim and Richard Smucker attribute to their company's success. We interviewed Tim, Richard, and several key executives of the company, as well as Rushworth Kidder, who has helped the company over many years.

The values have helped guide the development and culture of a company where commitment, information and responsibility are broadly shared, in service of the vision of quality consumer products that are market leaders in their categories. Many family businesses are closed systems, where information and power is not shared with employees, and discipline is in short supply. Not so at Smucker. Even before they went public, Tim observes, openness, egalitarianism and shared commitment was part of their culture. "This is the business and work ethic of all the mid-western towns and communities my grandparents grew up in. Our structure today was instilled from the start. We always ran this way even when we were private. We were from a small town; everybody knows you in the town, that helps. My dad and myself, our kids, all went to same public high school, grade schools, and my grandson is going to same grade school. We haven't forgotten those values."

Bob Ellis, who came to the company 25 years ago to help them develop core training programs which reinforce their values-based culture, and is now their Vice President for Human Resources, observes, "What differentiates us from other organizations—since most have a strategy and mission statement on their walls, is that we attempt to have people really understand what the values are and mean to them, and put these basic beliefs into action."

These values apply not just to their products, but to the relationships between management and employees. For every year that it has conducted the survey, the

company has been listed as one of **Fortune Magazine's "Best Companies to Work For."** This year it is # 8. Ellis observes that it is more than just a good company to work for, employees view them as a good company to have a career with.

One of the greatest challenges to any business is sustaining vitality and innovation in their vision and strategy. Smucker has done this successfully for several generations. While the values are a foundation, and family leadership has been consistent, the company has grown through an aggressive growth and development strategy, guided by their strong business vision. Their vision and strategy add direction and content to the foundation of their five basic values.

Richard explains, "We break the vision into two things—a vision of where we want the business to go, business issues, which change; and our basic beliefs, the values on which company is built, which are continuous. Competitive issues may change, but our values and beliefs are constant." Their basic beliefs have been important in their consistent growth. They see growth as not only financial, but also by developing new ideas and individuals.

Tim notes, "Our operations and acquisitions are all driven off a strategy developed in late 70s which is updated annually. We had to grow and we had a number of ideas. Our strategy was driven according to specific avenues of growth, a disciplined strategic plan, financial goals about profits, returns, etc. We created a list of strategic issues we have to address to reach these goals. These issues change, but it is a way for all of us to keep aligned. We are a pretty disciplined organization, with a pretty clear direction. We are also very open in our communications. People know where they stand and what we are trying to do."

Overview of the Company

The J. M. Smucker Company was founded by Jerome Monroe Smucker in 1897, in the mid-western farming community of Orrville, Ohio. Initially, the company pressed locally grown apples into cider and butter. Over more than a century, while still headquartered there, the company has grown into a leading global brand of high quality fruit products.

The J. M. Smucker Company is a manufacturer and market leader of fruit spreads, ice cream toppings, health and natural foods beverages, and natural peanut butter. It has over 2,000 employees worldwide, 12 manufacturing plants, four fruit processing facilities, and distributes products in more than 70 countries. Smucker's, which has been public since 1959, is growth-oriented, with a long record of profitability and shareholder return. In 2002, they completed a merger of the Procter & Gamble brands of *Jif*® peanut butter, the top peanut butter brand, and *Crisco*®, the top shortening and oil brand, which roughly doubled their revenues to \$1.3B. They have cash for further acquisition of key products which have synergy with the company's core brands.

Even though it is a public company, Smucker remains at its core a family enterprise, operating by the guiding principles developed and sustained over four generations of leadership by the Smucker family. Their five Basic Beliefs—**quality, people, ethics, growth and independence**—are a major source of their strength, durability and longevity. As we will see, these values are visible in everything they do, and known and practiced by every employee. From their first day of work, employees learn that they are to be taken seriously and adhered to. They receive support in how to apply them explicitly in decisions, and they see them reflected in promotions, leadership and the products.

The Smucker Company balances many seemingly contradictory elements. It is a family company that lives by its family legacy, but has been successful at growing in a competitive marketplace. It has had four generations of family leaders at the helm, but it attracts and retains the best executive talent. The family retains control, despite holding a minority stake, but it is respected by analysts as a strong value stock.

Since 1981, when they took the reins from their father Paul, the company has been under the shared leadership of 4th generation co-CEO Smucker brothers Tim, 58, who is Chairman, and Richard, 54, President. While their recent acquisition has reduced the family's ownership from 32% to 13%, the family remains firmly at the center of its operation. Five members of the 5th generation currently work in the business. If they have the capability, family leadership could continue into their generation.

Evolution of their Values-Based Culture

The Smucker family wants every employee to be proud that their products are on every family's table, as they have always been. Quality and pride in the product were there from the beginning. J.M. signed each jar of preserves, taking on an obligation to make sure customers were satisfied. Each generation takes pride in that and feels the same personal responsibility for their products and what the company does.

In this way, the company has always led not only in performance, but in benefits and commitment to its employees. Now, these would be hollow cliches, if the actual behavior of the company did not so clearly and explicitly reflect and live by those values.

While their basic beliefs weren't written down until late 70s they were always there. Following the example of the founders, people just naturally lived them. J.M. began the company with a vision of commitment to quality and a work ethic, with a basis of mutual respect and reward.

Rushworth Kidder, a consultant and ethicist who worked with Paul and later his sons to develop a program to support ethical choices in the company, remembers Paul as a remarkable man. He met Paul when they both were part of a school reform group that was seeking funding for an initiative to teach values to young people, and got to know each other. Rush remembers Paul as a person who deeply believed in some very simple, old-fashioned ideas about business. “He held an old-fashioned understanding that the purpose of business, the effect of a business on the lives of people in it, is to produce a decent living, not extravagant, and not to harvest the profits for the family as may have been done in other family businesses. He believed in caring about people and product, a sense of responsibility to the community which is very much part of the small town mid-western ethos. He built these into the company, as his father and grandfather did before him,” Rush observes.

Tim summarizes the company’s core beliefs and values as simply the Golden Rule, treat people the way we want to be treated. Tim says, “Dad (Paul) always said you don’t do anything inside the company we wouldn’t be willing to go on national TV about.”

As the company grew, there was a need to become more explicit about them. Richard recalled, “When father passed on, we were looking through some of his papers and came across a letter to employees he wrote in the early 80s, that concerned ‘Our commitment to each other’ (reprinted as Figure 1). We put them into a training, so people could begin to apply them to every area of their work.”

The values have not changed, but they have evolved, adapted and become more explicit as the company has grown. Tim recalls, “In late 1978, we were a small company shifting from dad’s generation to ours. We needed a strategic plan, and also to look back at our basic values. We wanted to put dad’s style on paper, which became the five basic beliefs. With this process we moved from the intuitive to the intentional. Since these are basic beliefs, we need to spend a lot of time so that employees understand and buy into them.”

In 1982, they worked with Ben Tregoe, a noted business visionary, who was a long-time outside director in the company. Tim recalls, “We did a strategy session with Ben, where we talked about basic beliefs. When we (Tim and Richard) became involved we felt as the company grew we had to articulate our strategy throughout the company. As we had more products and divisions we needed to be more explicit,” Tim recalls.

“In those strategy discussions there were about a dozen of us--dad, me and Richard, five outside officers, and three inside directors. We developed a plan. One element was to reinforce the basic beliefs. I remember it was easy to develop the concepts. But to articulate them into words took a lot of time. Since then we have revised them to make them more understandable. The essence came from J.M. As they have begun to take on a life of their own, some employees may think they were written

by J.M. himself. People will believe that. They were part of who he was if not explicitly.”

Sustaining the Values Throughout the Corporate Culture

A company culture is sustained by how its values are institutionalized in the fabric of the company. Several areas of policy, practice and behavior support Smucker’s unique, value-based culture:

- The continuing example of the family leaders.
- A policy of promoting from within the people who succeed in both performance and living the values.
- The hiring process, which they carefully selects people who embody their values;
- Continual, extensive training in applying the values; and

The company supports the values by reinforcing them in many contexts. The way that the family leadership visibly live the values is a foundation that emphasizes their centrality. New employees, and even family members entering the company, are selected in part because they already live by those values. They have discovered that it is far easier and wiser to find people who already share their values and invite them in, then try to change a person’s values after they are hired. These people in turn, support and strengthen the company’s commitment to the Basic Beliefs. They are not abstract, but are applied to every decision. Whenever they make a key decision, a key criteria is whether the decision fits with the values.

For example, Tim explains, there is a quality mindset not just in their products, but in all aspects of work. “We see quality as a broad perspective but as everything we do. In accounting it relates to how we pay attention to the numbers, how accurate they are, how timely. Each label is accurate and legible, and we are always close to consumer. It means we not only choose the right ingredients, but also how people approach their individual job. It’s about the culture, not the strawberries.”

Tim continues, “We are honest, simple, what we say we will do. We live our basic beliefs, and we hire very well. Our employees are incredibly loyal, and they are our greatest asset. We never think for a moment that we have a corner on those values. What we remember about people is the kind of values they have.”

There are various ways that the culture reminds people of the basic values. One activity that has taken root is the telling of “tribal stories,” that exemplify the values, as a spontaneous part of meetings. Richard recalls, “In his book **Leadership is an Art**, Max DePree talked about tribal stories, stories that illuminate the deeper essence of what a company is about. So, for example, on Monday morning we have a staff meeting. At 11 am we start the meeting with last weeks sales reports, then any manager can give an update on their area if they wish. Every once in a while

someone says they want to tell a tribal story, one that supports what we all believe. We have a lot of fun with that.”

Promotion and Retention. Most top management, and current officers have been promoted from within. They hire people with a good background and experience and then promote from within to top positions.

As a result of this and other factors, their employees are loyal. They pay well but are not trying to match all the perks of compensation of other firms. Richard says, “We pay competitive salaries and benefits, but we don’t necessarily lead in this area. There are many other reasons people come and work here.”

Their retention rate is high compared to other companies; people want to stay there and have a career. This is partly because they have been selected to value that, and partly because people feel good about working there. The emphasis on values and ethical decision-making leads each employee to feel that he or she can do the right thing, and that their action will be supported, even praised by the company. This creates a great sense of personal responsibility for quality and performance in each individual.

Richard continues, “People know it’s a family business, and that they probably won’t become CEO. People here get excited when they see their coworkers doing well. It is not a dog eat dog world, people work hard because it is the right thing to do! It is the relationships that people value about working here. We get performance by working with people, and nurturing these relationships.”

Hiring. Human resources VP Bob Ellis explains, “Our most important hiring criteria is not how well an applicant can perform the job skill-wise, but do the individual’s basic values fit with ours. If so they will be happy and do a good job. Throughout the job interview our focus is on getting to know the person—does their approach fit our basic beliefs. We talk about the beliefs with them, and ask the applicant to self-evaluate themselves on each one. When they get hired, our people say that everyone they talked to mentioned the basic beliefs, relating them to the job. Our New Employee Orientation and all of our training reinforce them.”

Tim adds, “As individuals, we don’t have any particular corner on those values that we espouse. We embrace them. The only way they can be implemented is that other people embrace them. We attract those who have similar values.” They feel the key to their success is taking the time to find people who have not just capability, but who already share their basic values. Then, they can create a place where they can be easily expressed in action. Richard reflects, “We don’t hire talent only, but we look for their values as well. We spend a lot of time making sure we are hiring the right person, so we have the right people to start with, people who share our basic values.”

He continues, “Our beliefs are so basic that you can’t train people to have them, you have to find the people who already have these belief systems. We take a lot of time and care to hire people who tend to share these beliefs. When they join us it reinforces and builds upon this structure, because they bring their values with them. You can’t change people once they get to you. But people need the latitude and encouragement to build on them. A lot of intentional time is focused on the beliefs in all contexts; it is part of everything we do. Every one talks about basic beliefs of company.”

Training. The company spends a lot of time and effort in training. They believe that training starts at the top and works down, so all the officers will go through every new training program first. The way they design training is not as an indoctrination, but as a process of dialogue, where important insights and values are put into action.

One criteria for any training program is that it reinforces the basic beliefs. They always tie them back to the beliefs. They create their “trainings” organically, from their beliefs. For example, a few years ago, in a factory training program, they simply talked about what they focused on in their work, and recorded these on a flipchart. It turned out that the basic beliefs were the center. They were talked about and reinforced in behavior. As a result, they added training exercises on how do you demonstrate basic beliefs on the job, as well as sharing of how to do that.

One of their most important training programs, given to all employees, has to do with ethics. They worked with Rushworth Kidder of the Institute of Global Ethics in Maine to link Kidder’s ethics program with the company’s basic values. Every employee must complete this program soon after they come to work there. There are also refresher and more advanced courses. The day-long basic ethics program begins with the small group getting to know each other by talking together about moral awareness, how an individual personal ethics have impact on society, and why people need to be ethical.

Next they explore the ethical basic beliefs they demonstrate in their work group. At the end they capture the top few values from each group. There has been a consistent set of values that come up in their discussions--honesty, quality, fairness, respect, loyalty, and commitment. These are very similar to the basic beliefs.

Following that they learn how to do a values analysis of common ethical dilemmas. The few that are simply right vs. wrong are easy to identify. The harder ones are right vs. right. All things seem equal, but they face two choices. The program teaches four sets of opposites Kidder has identified—truth vs. loyalty, individual vs. community, short vs. long term, justice vs. mercy, that underlie such choices. They talk about those in context of work and society. Individuals come in with ethical dilemmas and talk about them.

The last section is values resolution. They learn three decision rules to help them sort out ethical dilemmas: Ends-based, rule-based, and care-based choices. This ethics training gives employees a tremendous tool to use in work and in life, better understanding of what ethics means and challenges personal values. For example, if they have a tough personnel decision, they learn to step back and reflect on what their values are in that area. It helps simplify a hard decision.

The training calls on the participants to draw on actual ethical dilemmas they are facing at work. Rush remembers one manager who shared a story of one such decision. “There was some suspicion that some peanut oil had contaminated a batch of fudge. A minute amount, and there was no certainty that it had happened, and the cases of fudge were ready to go. He was concerned about people who might have peanut allergies, that it might pose even the slightest risk to them. It was a tough call, but he decided not to ship the cases and take the hit. The program provided a way to think through that kind of decision process, that they wanted to make sure nobody got sick. This ethos goes through the company. It provides a deep sense of personal responsibility to make such decisions throughout the company,” Rush reflects.

The training has another effect on the culture. By reinforcing that employees are responsible for ethical and value-based choices, the program and the culture also says that employees are empowered to do the right thing. This has a general effect of leaving all employees feeling that they can do what is right for the customer, the product and the company. This produces an environment where people are able to ask questions, where they make suggestions, and feel comfortable challenging the prevailing wisdom and leadership. They do this in a respectful and thoughtful way, but the atmosphere values participation and making the right decision. This leads to what has been characterized as an open and learning-oriented culture. While this is not one of the values, it is clearly an effect of them in practice.

Four Generations of Family Stewardship

Smucker employees and shareholders agree that the presence of family members in management and leadership is one source of competitive advantage. While the average tenure of a CEO is quite short, Smucker has had only 4 CEOs in 106 years! This provides their vision with a continuity across generations, which doesn't occur in most publicly traded companies. Family members, through their presence in management and on the Board, insure that the company keeps the values in the foreground, and that major decisions reflect not just sound business strategy, but also the principles that they believe should be part of every business.

J.M. had two sons and two daughters. The sons went into the business, with Willard serving as CEO. Willard had a daughter, Marcella, and a son, Paul, who became the next CEO. Paul and his sister inherited equal shares, a large percentage of which was placed in a trust and voted by Paul. Paul had three children, Tim and Richard,

who now serve as co-CEOs, and their sister, Susi, whose husband also worked for the company. (See Figure 2 for a graphic family tree.)

In 1981, Tim became President and Richard, EVP. Working together easily, they set the tone for a family team effort. At that time their father Paul was CEO. In 1982, the CEO title was dropped, and Paul became Chairman. In the late 1980's, Paul became Chairman of the Executive Committee, Tim Chairman and Richard President. Paul passed away in 1998, and in 2001 the brothers decided that they both would use the designation co-CEOs.

Tim says, "We concluded that co-CEOs was the best way to go forward. It was not planned, it just evolved. People make assumptions, and we wanted to make this message clear to the outside world." The notion of co-CEOs is frowned upon in the corporate world. Several high profile co-CEO pairs have ended acrimoniously, with one leaving the company. But in family businesses, while also rare, a team of family members can provide strength, balance and breadth to leadership. The temperament, respect and capability that can create a family leadership team is rare.

Around 35 family members own stock in their own names or in trusts. The family works hard at keeping a consolidated family group. The brothers have learned to listen carefully to their family shareholders. Richard observes, "We need to keep family shareholders unified as a constituency. Like institutional investors, we need to keep them informed. With the immediate family we can do that over the dinner table, or picnic. Normally it is informal, but once or twice a year we get together as a broader group, with spouses, to review where we are." His own branch of the family consists of his brother and sister, and their children, several of whom have entered the business. His aunt Marcella and her three children have a professional manager overseeing their investment who they meet with regularly.

The next generation is ready for their role in the company. There are 8 fifth generation heirs in Paul's family branch; Susie has four, Richard has one, and Tim has three. Five of them now work in the company. Four of them have an MBA or other advanced degree. All eight had summer jobs with the company when growing up. They created an internship program for them, rotating them around the plant.

After college they were expected to work for someone else first, and they all followed that path. Tim and Richard didn't do this, and they each admit to some regret about that. This helps them build self-esteem, learn responsibility and develop a sense of their strengths and weaknesses.

Tim started in marketing; Richard in finance. Employees welcome family members, and respect their talents. The current acquisition offers opportunity for growth and leadership in a lot of employees, as well as family members.

Family members have to ask for and apply for a job in the company. When they enter the company with the expectation of a career, they first rotate through different jobs in the company. Once in, a family member has to perform. They are under the spotlight more than others, and lack of performance would stand out. While the successors know there is a commitment to having a Smucker running the company, succession is not insured. When Tim and Richard leave, capability will determine who steps into their slot.

Paul Smucker remained chairman until he passed away in 1998, at age 81. But unlike some other family business fathers, he was hands-off once he passed authority to his sons, and everyone loved him. He had a great sense of humor, gave others credit, so it was easy to have him around, even when the next generation was at the reins. But Richard and Tim have decided not to stay until they die!

Tim says, "What was instilled in my father, brother and I and our kids, is that we've been fortunate that we are a family public company we are part of. As we establish more responsibility we want to establish the Smucker name as one point of our success. Grandfather never told dad and he never told us that we would be top management. He said if that is where it naturally evolves great.

"We've always taught everyone they had to earn a leadership position. We have 5 next generations working here. My son Mark has been VP of our International division for 2 years. We ask that generation to get advanced degrees and work outside first. My nephew is VP of food service and has been there longest, in marketing and new product development. Another just started, and she is in marketing. I hope they will stay with company and move into leadership. We will see how it evolves. It is helpful that the 5th generation are in different areas and feel they can develop on their own."

Board Governance for a Long-Term Perspective

As a public company, Smucker has a majority of non-family directors. Family ownership and control have been further diluted by the recent acquisition. They have a small board of ten members, and want to keep it to that. Richard and Tim are on it, two other officers are inside executives, representing their consumer and specialty businesses. They have six independent directors, a majority.

The board acts as an agent of values as well as the traditional areas of strategy and accountability for performance. As they do with employees, they look for board candidates who understand the values. Tim says, "We have independent-minded responsible directors. The company has a uniqueness that is part and parcel of our whole being. We look for directors who understand this."

They have only three board committees--audit, executive compensation and corporate governance, all chaired by outsiders. The Board meets four times a year, which is less than many companies. But they meet more frequently if needed, as

they did during the acquisition talks. They have had different directors with many different skills. For example, outside director management consultant/entrepreneur Ben Tregoe worked with the company in developing strategy. They want the board to emphasize strategy, not detailed operational issues.

The company has moved between several models of different classes of stock to recognize the family's special role, and to support the values of long-term owners. In the mid 1980s they adopted two classes of stock; when they recapitalized in the 90s the company returned to one class. For most voting issues, like new directors, all owners have one vote per share.

In merging the *Jif* and *Crisco* brands from Procter & Gamble in 2002, they created a unique shareholder voting arrangement when they recapitalized and restructured the company. Every owner gets ten votes per share, but as shares trade the new shareholder gets one vote for the first four years of their ownership. After four years, they receive ten votes. The intention is to give voting power to those with a long-term interest in the company, such as the Smucker family members. The time-phased voting kicks in when there is a change of control. This keeps the company in alignment with long-term focus of the family.

Only four other public companies have such a provision, which can only be adopted when a company goes public for the first time. They first adopted this system in the mid 1980s, and their new structure reaffirms it.

Growth Through Acquisition: Transferring Values and Vision to Acquired Companies

One of the tests for a culture like Smucker, that thrives on continuity and tradition, occurs when it grows by acquisition and merger. Historically, most mergers are not successful in bringing about the expected value because of issues that arise in integrating different cultures, and creating a unified whole out of disparate parts. In Smuckers' case, the test occurred in 2002, when the company merged with two successful brands of Procter and Gamble. How could they successfully integrate people from P&G, another successful culture with a different but equally strong set of values? In fact, they carried out the merger integration process thoroughly in line with their core values, and it has been largely successful in reaching their business goals for the combined entities.

By adding *Jif* and *Crisco*, they doubled the size of the company, adding brands that are a clear strategic fit with their products. What could be more strategic than adding a leading peanut butter to their core brands of jelly! The new product possibilities are clear. But their acquisition was also guided by their core values and beliefs. Richard continues, "For us to go forward we have to grow. That drove our vision and strategy. Before the merger we grew our market share for 20 years. We felt these brands are leaders, and we would have the opportunity to do the same thing with them.

“Our strategy is that we will own or market #1 food brands, emphasize North America, and increase market share of current categories where we are leader in niches. We will grow through new products and acquisitions. 1/3 of our growth will come from each of these three avenues.”

One of their values is independence. “We had someone make a run at the company, in the early 80s, which tested our ability to stay independent. How far would we go? We all felt we cannot be part of a bigger company and live by other beliefs, so we stayed independent,” Richard recalls. This meant that they had to grow themselves, by developing new products or acquiring them. That is what they are doing.

“In deciding on the merger,” Richard observes, “our biggest concern was voting control. Our (the family’s) voting control was 55% even with only 30% ownership. Our biggest discussion was about ownership dilution and what it would mean. We talked to the family about this. It would be a great merger, but we had to respect the wishes of all the stakeholders—not just shareholders, but family, employees, communities we work in, suppliers. Was it good for all these groups? We looked at public companies, how much ownership did families need to have for effective control. We read an article in **Fortune** about families that owned only a small slice still controlling companies. While control was a big factor, ultimately long-term we feel you have to perform, and this acquisition was a great one. The market has liked what we have done; our stock has doubled in the last two years.”

Mergers and acquisitions often fail because of difficulties in integrating the old and new cultures. They had to make sure not only that they were getting the right brands, but that the new employees and production facilities would share their values. They have taken immediate steps to make sure that the vision and culture take root in the new enlarged company. The day after the merger was announced, Tim, Richard and several other key executives went to Lexington, Kentucky, and Cincinnati, and met with all the new employees. They talked about their culture, history and heritage to the former P&G employees. “Since our sales went from \$650M to \$1.3B, we can’t be everywhere. Now we have 18 plants. We get to all of them every year for an employee meeting. But we also have great managers that instill these beliefs whether or not we are there,” Richard observes.

It was not just a fly in/fly out visit. They each held one-on-ones with each executive, to talk and get to know about them. It was similar to their hiring interview, en masse, demonstrating in behavior the importance of what they are about. Bob Ellis recalls, “After these initial meetings, we initiated several other steps in the transition to becoming a Smucker employee. They had meetings with our best and brightest employees. They were very impressed with seeing how they were treated. After they formally joined there was another ‘Welcome to Smucker’s /Good-bye to Procter & Gamble’ dinner. Through the transition period all of the new employees go through all the relevant training programs. In this way they get exposed to the thinking behind our values and beliefs.

“So far our voluntary turnover rate is very low in today’s terms, 5-6%. The top level our officer group have very little turnover. Our top ranks are entirely grown by promotion from within. The merger provided a unique situation for us. In both of the new plants we promoted plant managers from within the Procter & Gamble group using our value criteria. The people we picked were somewhat less analytical than was typical at P&G, but both have been happy with our style. They have said, ‘We are like P&G was 20 yrs ago,’ Ellis notes. “With the merger, in the plant or with key staff members, in the first year there has been no turnover.”

They were very sensitive to how they brought in new managers from P&G. Even before the merger, they brought all of them in to several meetings. Even though the deal didn’t close until June, they brought top managers to their yearly 4-day management meeting. Several managers came from P&G to meet Smuckers’ 180 top managers, and to hear the Smucker story. Such thoughtfulness and care is not usual behavior by acquiring companies. Maybe for this reason, the merger has gone extremely well. Richard says, “We told them (the P&G managers from *Jif* and *Crisco*) that it was a win/win choice. We would love to have them with us, but they could also choose to stay at P&G. These are two great companies, and they had to choose.”

Conclusion

This case has offered the outline of the growth and development of a values-based culture in a family business. It has not detailed specific management decisions, or moments in time for the Smucker. It does not offer a clear decision point for discussion, but rather, raises more general issues about how to design a culture and the role of values in determining company behavior. The application of this case lies in considering how the example of Smucker can be applied to other companies, that do not have such a long-term tradition or core values. How can the leadership—whether entrepreneurial leaders or family heirs—instill a set of values into their companies? How can family businesses that have had an implicit set of values make them clear and explicit as they go through their own succession transitions? These are areas of current concern for discussion and application to the experience of other family and non-family companies.

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Figure I:
Our Commitment to Each Other

As Smucker's experiences growth in the 80's, we need to insure that we retain one of Smucker's most cherished goals -- the mutual respect of our fellow employees and an atmosphere that makes people proud to work here. This same commitment can be enlarged to include our customers, suppliers, and shareholders.

Here are a few basic thoughts, when put into our everyday lives, that can help:

Thank you for a job well done -- This small recognition shows that we notice and appreciate the efforts of our fellow employees.

Listening with your full attention -- By giving our undivided attention, we are showing that there is nothing more important at that moment than what is being said.

Looking for the good in others -- By seeing the good in others, we are demonstrating our respect and confidence in their intentions to do what is right, and we are developing an atmosphere where we can grow and learn.

Sense of humor -- Our work efforts are important; that is how we set the example and take the lead. Our sense of humor is also important, for that is how we maintain our perspective to our work. Humor, not at the expense of others, but as a brief relief from difficult tasks, can make our working atmosphere more pleasant and enjoyable.

By keeping these few thoughts in our minds every day, we can build a bridge of understanding that will nourish the atmosphere in which we work and our mutual respect for each other. I ask for your commitment to these thoughts; I ask for your commitment to each other.

Source: Paul Smucker, sometime in the 1980s

Figure 2:
Abbreviated Smucker Family Tree

