

Barbara Murray talks to Etienne Hugel and learns how the resilient Hugel family overcame war, pestilence and competition, and explores the challenges that planning for future generations of Hugel ownership and control will bring to their longevity

Hugel & Fils

By Barbara Murray

ETIENNE HUGEL, 12th generation marketing director of Hugel & Fils wine producers works with his brother, his cousin, his father and his uncle in their family business, where their roots in viticulture can be traced back to the 17th century. All are keenly aware of the trials and tribulations their family has overcome in order to remain family-owned, family-managed, debt-free and in a strong market position. Furthermore, all are determined to make sure that the family keeps a firm hand on the rudder as they settle down into leadership by this team of 12th generation cousins.

Alsace roots

"The business was originally established in 1639 by Hans Ulrich Hugel, who started wine production at the end of the 30 Years' War", explained Etienne. "A dynamic entrepreneur, he soon took over the Corporation of Winegrowers, asserting his influence in the industry by leading this powerful association. He was a very important figure in society at that time, because the region was devastated after the war, and people were looking for stability, employment and security". Hans Ulrich turned out to be a forerunner for influential and entrepreneurial Hugel activity, a pattern which was to be repeated by other Hugels over the generations.

Etienne further added, "To understand our business and our history, you really have to understand the importance of geography to our business. Being in Alsace, close to the Rhine has been a mixed blessing. For example our nationality has changed from French to German, and then back again to French



– numerous times. Sometimes we have found ourselves operating in the southernmost part of German territory and other times we have operated from the north-easternmost part of France. We have been ravaged by wars for centuries, with the result that we have had to reinvent ourselves several times to stay in business."

Of course, few long-established family businesses were unaffected by the two world wars of the 20th century. But in the Hugels' case, the impact of war was felt even from their earliest days with the 30 Years' War, during the

ABOVE:

The Hugel family members directly involved in the family business. L-R: Marc, Jean, Etienne, André and Jean-Philippe.

Napoleonic wars, then again during the Franco Prussian war of 1870-71 when they changed from being French to being German. Alsace returned again to France in 1918 after World War I. Between the World War II years of 1940-45 Alsace was technically located in France but again occupied and under German control.

Dual nationality challenges

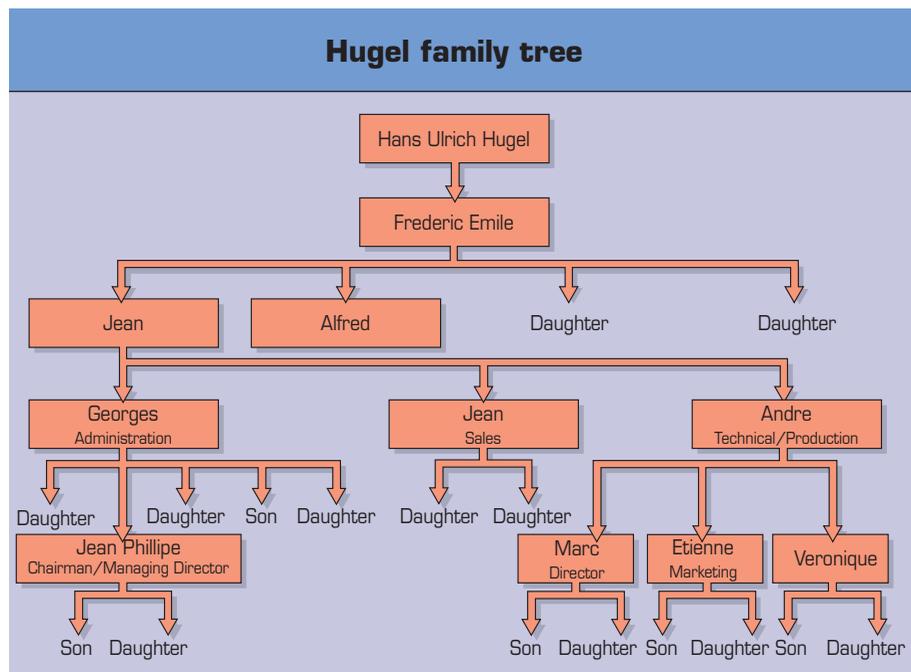
So what challenges did these changes in nationality create for succeeding generations of Hugels? Etienne described the impact on their business: "Basically we lost all our customers every time it happened and had to start all over again. To sell anything at all under the new legislature you had to change all your labelling and learn the new rules of commerce that must be adhered to. But that isn't the half of it. The biggest challenge is getting people to ship the goods in order to enter markets, and to re-create distribution channels time and time again. It wasn't easy because the people controlling these channels in Germany were loyal to their own national customers and did not want to upset them by letting in theoretically new entrants – from what was formally an enemy country – to their own markets, and possibly to export markets. In our case, we were a very long-established and knowledgeable 'new entrant', and we were probably seen as a big threat to their established market players."

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The ninth generation

Overcoming nationalistic barriers to commerce became the trademark of the 9th generation leader of the family business, Frederic Emile Hugel. His mark on the family business was made with a strategy that would protect the family business from the influx of competitors offering inferior quality. He effectively erected a barrier in the form of a "quality standard" that segmented the market by quality. This put Hugel & Fils in a strong position in the quality segment.

This is perhaps a common strategy in business today, but around the time of 1880-1900, Frederic Emile was dealing with a double whammy: the business was just recovering from a change in nationality (again) when the Phylloxera disease was introduced, possibly in ships from the USA using the river Rhine as an artery to the European markets.



Phylloxera virtually wiped out wine production in Europe. Like his forefather and founder Hans Ulrich, Frederic Emile recognised the need for leadership out of the crisis – but his leadership took the form of commitment to the greater good of the industry in the long run. A characteristic of leadership is the ability to recognise moments of crisis and to re-frame them as opportunities to introduce significant changes that would normally be overwhelmed by resistance from those unable to shift from the status quo.

Etienne described his great-grandfather's contribution to the industry as 'visionary': "While many local producers were tempted to switch to planting fast growing disease-resistant hybrid grape species, Frederic Emile gathered together and led a small group of producers who insisted on using quality strains of grapes. These grapes were challenging to cultivate but formed the basis for a superior product, known as "Noble Wine". Under his guidance, the group convinced others in the region to adapt to using "Noble" grapes in their vineyards. He held his nerve during these difficult years, when it was tempting to plant for a short-term return. In doing so he effectively created a niche for premium Alsace wines. This has been good for our family business, good for the region and good for the industry as a whole".

The tenth generation

Frederic Emile had four children – two sons and two daughters. Having created a

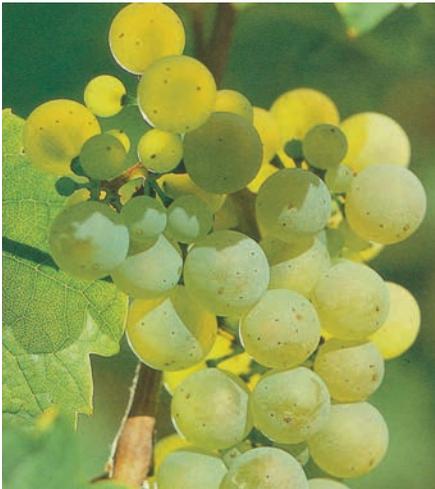
business of considerable mass, he set about transferring it to the next (10th) generation. His second son, Alfred, died at a young age. Because women were not regarded as potential inheritors in those days, the business was transferred to his eldest son, Jean, who carried forward the Hugel tradition of entrepreneurial resilience during his lifetime (1898-1980).

Etienne reflected on the extraordinary contribution his uncle made to the business:

'Frederic Emile's creation of a niche for premium Alsace wines has been good for the family business, good for the region and good for the industry as a whole'

"Jean was another of the Hugel leaders who had to deal with challenges on all fronts: he saw his father manage the business during the challenges of the wars, nationalism and all the resulting problems, and he saw the need for getting a foothold in the market in a different way to his predecessors. His bold move was not just to identify export markets (which no one had really done yet), but also to segment the

FEATURE : *Hugel & Fils*



ABOVE:
Riesling, the oldest Alsace noble grape.

BELOW:
The Hugel yellow label in 1921.



Preacher of the Alsace gospel

Having thus made his mark, in the fullness of time, Jean became preoccupied with the question of succession. He had three sons and divided the business equally amongst the three, all of whom worked in the business. In so doing he created what appears to have been the first sibling partnership in the history of Hugel family entrepreneurship.

The Hugel family enjoyed the ideal textbook scenario of sharing ownership control of the business equally, and having three sons working as a sibling alliance in their own areas of the business using their complementary skills: eldest Georges in administration, Jean in sales and marketing and André, the youngest in production and technical management of the business. Eleventh generation Jean, the middle son, emerged as the next typically resilient Hugel entrepreneur. Named the “preacher of the Alsace gospel”, Jean began a crusade in the 1970s and 1980s culminating in The Hugel Law for late harvest Alsace wines, eventually accepted by all levels of authority concerned, including local viticulturists, CRINAO, INAO, Brussels and the Ministry of Agriculture. It was finally published in the *Journal Officiel* in March 1984 after a 9-year campaign.

‘By dividing the business equally among his three sons, Jean Hugel created what appears to have been the first sibling partnership in the history of Hugel family entrepreneurship’

Etienne’s uncle Jean described the cause for which he fought passionately throughout these years: “My idea was to propose a text for a law which would govern Vendange Tardive and Selection de Grains Nobles wines. Legislation insists that the conditions of production must be defined by a legal text whenever a laudatory term is used. The law contained many innovations for Appellation Contrôlée wines, and at my proposal, all the winegrowers concerned decided unanimously that each wine, in bottle, must pass a severe blind tasting test, at least fifteen months after the harvest in order to be approved and sold as Vendange Tardive or Selection de Grains Nobles. The



LEFT:
The most popular Hugel wines – shown here with an appropriate accompanying dish.

Four centuries of challenges faced by the Hugel family

Date	Period	Gener- ation	Notes
1639	30 years' war	1	Hans Ulrich Hugel settles in Riquewihr, Alsace.
1672		2	Becomes leader of Corporation of Winegrowers.
1789	French revolution	5	Wine production of Alsace in decline as exporting via Rhine artery decreases.
1870 -71	Franco-Prussian war	8	Alsace goes under German rule.
1890s			Phylloxera disease threatens European viticulture.
1902		9	Frederic Emile Hugel moves to new property in Riquewihr. Focus on high quality, disease-resistant traditional grape varieties to create a new category of 'Noble Wines'.
1914 -18	World War I		Alsaces still under German rule. Returns to French rule at end of World War I (1918).
1920 -40		10	Development and segmentation of export markets.
1940		11	Alsace is reoccupied and under German control (until end of war in 1945).
Present day		12	85% wines exported to over 100 countries.

Family sustenance

The Hugels have made a habit, even a tradition, of creating the conditions for sustainability in their industry that put the long-term benefits of the region and the industry ahead of the short term gain of local production. As a family business, though, to what extent are they creating the conditions for sustainability of family ownership and control for future generations? As with all family businesses who shift from unitary control by a controlling owner to shared control by siblings and then to cousins, different conditions need to be created by and for each generation to provide them with the best prospects for survival and growth as a business and as a family.

Etienne explained how this is being taken care of in his generation by a mix of family traditions and the requirements of French company law. "Our predecessors may have believed that women should be committed to raising their families, ruling them out as people able to commit fully to the family business. We do expect that to change in the future. It is of utmost importance that the name on the label must be carried by a family member, so obviously if shares had gone to an aunt from an

number of producers of these wines has grown considerably, and winegrowers have been galvanised by a spirit of pride and friendly rivalry. Moreover, Alsace wines have never been mentioned so frequently in the press since this law was published. Alsace has served as a model and above all, the income of those Alsace winegrowers

who have followed my example has risen considerably."

When asked to comment on other means of quality control in French wines, Jean Hugel has been quite unequivocal: "I am not against great wines". He adds "However I think it is not possible to have great wines every year, even in Grand Cru vineyards".

BELOW:

Left: The Hugel & Fils headquarters in the centre of Riquewihr which is situated in the Alsace region of France. Right: A scenic view of Riquewihr surrounded by vineyards.



FEATURE: *Hugel & Fils*

earlier generation we would have lost the family brand name that we had worked so hard to develop. The majority ownership therefore has always gone to the males, as equally as possible with token holdings going to the females. My uncle Georges, for example, set up a trust that is managed by my cousin Jean-Phillipe, who is also Chairman and Managing Director of the company. My uncle Jean has two daughters, but the majority inheritance has gone to the branches of his two brothers Georges who had three daughters and two sons, and to André, my father who has a daughter and two sons."

As in many family businesses where the philosophy of active ownership is so strong, the Hugels have little concern for the monetary value of ownership and the power linked to ownership proportions because real control is exercised everyday in the business by family members working together at the helm. Etienne is currently taking over from his uncle Jean as sales and marketing director, and Jean still plays strong ambassadorial and mentoring roles to this day, not interfering but being available as an overseeing guide to the emerging cousins' consortium. As with the previous generation, the distribution of ownership amongst cousins sits alongside their complementary roles and talents in the business. Etienne's older brother Marc is Director of Production and, along with Jean-Philippe who manages the finances, they are indeed the "team at the top".

Future challenges

Looking back over generations of resilient, entrepreneurial Hugels, the challenge for the 12th generation of cousins may well lie within the family and the family business – as opposed to those challenges they have become accustomed to outside the entity in the shape of wars, disease, nationalism, legislation and globalisation of industries.

All contemporary family businesses sooner or later have to deal with balancing the different needs and expectations of non-working owners, the role of women in the family business, the need for governance processes and

structures, and the sometimes thorny topic of creating a compensation system that is both fair and equitable. The current generation of Hugels seem happy with the way they are controlling things, but already there are six cousins (three males and three females) in the next generation, and Etienne's sister, first born Veronique, has two children.

Currently, Etienne feels that there is no need for the kinds of formality that other family businesses at their stage of ownership may use, because they do, in fact, have relatively few family members

avoid conflict about differentials in reward. Although this has, in many other family businesses, most often eventually created the very conflict the Hugels wish to avoid, Etienne says they are confident that this will not be the case with the Hugel cousins as long as their commitment to the business remains absolute and equal.

It is interesting to speculate what form of 'mark' Etienne's generation will in fact make on the Hugel family dynasty. In these days when all businesses have access to the same technology, management expertise and sources of capital, what differentiates winners from losers is said to be how the people side of the business is managed, so a different variety of Hugel entrepreneurial resilience may well be required. This is never more true than in a family business, especially when it has successfully evolved to the cousins consortium stage. The Hugel next generation of cousins (6 so far) will be coming up the family business escalator, possibly in search of ownership and/or management careers within the next 10 years or so.

Etienne, his brother and his cousin recognise that a more formal approach to governing the family business will inevitably be needed to control family, ownership and business interests in the next generation. In the past, the visionary Hugel leaders set about creating external conditions for sustainability in the market, and were lucky enough to have simple successions along the eldest male lines. Etienne's generation, though, may find themselves having to focus on creating internal conditions for family business sustainability, such as an appropriate governance structure and processes that enable family members (both genders) who are either active or inactive in ownership and / or management to give the Hugel family the best prospects for continuity as custodians of this remarkable legacy. ■

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working in the business. Family members outside the business are kept informed in an informal way about the business, so it is felt that a family council, ownership group or formal board would be too unwieldy for their current size and stage. Every Monday, the three directors stay behind after work to debate all aspects of family business strategy and operations under the watchful eye of Uncle Jean. This "board of family-owner-directors" does not include non-family directors or advisers. Family members working in the business get paid equally, in order to