

Charging toward the future

Stuart Marwell, second-generation leader of Curtis Instruments, is investing in the company while girding for succession.

BY DAVE DONELSON

STUART MARWELL, the second-generation chairman and CEO of Curtis Instruments, knows the advantages as well as the drawbacks of operating a family business. He's also well aware of some of the inherent dangers—and he runs his multinational family enterprise with an eagle eye on all three.

"Being a family-owned company means we don't march to somebody else's drumbeat in terms of near-term performance relative to long-term growth," says Marwell, 64. "That significantly benefits the company, our customers and our people." Even so, he adds, "Other than in the figurative and spiritual sense, I don't operate this as a family company."

Visitors to the gleaming Curtis Instruments world headquarters in Mount Kisco, N.Y., immediately know this is no mom-and-pop affair. The spacious, airy lobby is lined with displays of the high-tech electronic controls the company designs and manufactures. Easels hold reproductions of the company's latest ads—in Mandarin, French, German and other languages along with English. On the walls are photos from conferences around the world in which the company has participated, including a display from the 2010 private summit Marwell addressed in Mumbai, India, with President Barack Obama.

Curtis designs and produces instrumentation for electric vehicles, including golf carts; medical vehicles like wheelchairs and scooters; ground support equipment for airports; industrial vehicles like sweepers and scrubbers; and material handlers such as fork lifts and boom lifts, as well as electric cars.

Stuart Marwell's father, Edward, founded the company in 1960. He named it after his grandfather, Curtis, and a business formed by an early partner, Curtis Beusman, who later left the firm to become a health club entrepreneur. Edward had worked for General Precision Laboratories on air traffic control systems for the Federal Aviation Administration in the 1950s. The company's first products, electrochemical coulometers, allowed customers to schedule equipment maintenance on a use basis rather than according to the calendar.

Curtis's first big customer was IBM. In 1964, Curtis designed a battery monitor for Union Carbide. The next year, the company created lunar module timers for Apollo spacecraft; in 1970 it developed a battery monitor for the NASA Lunar Roving Vehicle. Between 1968 and 1972, Curtis products were launched in 13 different lunar modules.

Curtis was a pioneer in global manufacturing—which was much more difficult in the days before the Internet



'We don't march to somebody else's drumbeat': Curtis Instruments CEO Stuart Marwell shows off a display in the company lobby.

and instantaneous communication. "We had a joint venture with two state-owned companies in Bulgaria in 1990," Marwell points out. "When we formed a company in China in 1995, we were one of the first 30 wholly owned foreign companies licensed there."

The company opened its first overseas facility, a sales and service office, in Northampton, England, in 1974. Today, the company has 1,000 employees in 15 global locations.

The Marwell family controls the company, although there are other shareholders, including employees and others who have invested in the company over the years. Marwell family members deal with resource allocation, governance

and succession issues like most family business owners while generating growth in the face of a teetering global economy and maintaining the company's innovation edge in a technically demanding market.

Straightforward approach

Stuart Marwell speaks in confident, measured tones that match his straightforward, measured approach to both family and non-family issues. When it comes to the big question of money, he says flatly, "Other than myself, no family member makes a living from the company. We don't have disputes about raising dividends or any of that nonsense." His father, Edward, always took only a modest salary and never even drove a company car, Stuart Marwell notes. He emphasizes that the company "is not a piggybank and never will be."

Stuart, the eldest, has a sister and two brothers. The sister, Emily Marwell, is an attorney who serves on the Curtis board of directors and is retired from a long career in public service that included a stint as the acting inspector general of the U.S. Treasury Department and many years working for the Controller of the Currency. Their brother David is the director of the Museum of Jewish Heritage in New York, while brother Josh is president of sales for HarperCollins Publishers.

None of siblings worked for the company in their early years. Stuart Marwell, who joined Curtis 30 years ago, had been a senior staffer in the area of capital planning and construction for Kevin White, the mayor of Boston, for ten years prior to that. He has a bachelor's degree from Columbia University and an MBA from Boston University. He also studied architecture at Harvard for several years.

The company has had a few dips. Curtis endured a tough year in 2000 as the company overextended owing to international expansion, and Marwell says 2009 was a horrible year from which the firm has since recovered. Those setbacks aside, the growth trend has been pretty steady. "Today, it's a much different company than when I joined," Marwell observes. "We have ten times the number of employees and 40 times the revenue." The company doesn't release annual sales figures. "That's one of the privileges of being a private company," Marwell points out. "We don't have to reveal to our competitors, our customers or our suppliers just how big we are."

A big reason for Curtis's growth, according to Marwell, is the commitment to re-investing in the company, a practice that began with his father. Today, Curtis is wrapping up a two-year program to duplicate manufacturing operations around the world, a costly project that few companies answering to quarterly Wall Street earnings estimates would undertake. The investment began some time ago but

was spurred on by disruption of operations from natural disasters like monsoon floods in Thailand and the Japanese earthquake that occurred in 2011. "We can mitigate risk by duplicating our supply chains," Marwell says. "For our major products, we will duplicate the manufacturing, which will also give us local content."

Uninterrupted service is paramount, he adds. "We are a key component supplier to our customers. If we don't supply our products, they can't build their vehicles. Our products are unique, so we are often their sole source. If we fail, they fail."

Marwell says the cost of duplicating facilities will be more than made up for in the long term because the company will retain its customer base and produce locally at lower cost. There will be savings in logistics, too. As he explains, "By making products closer to consumption, you really do take out some costs."

Another large, long-term investment has been in a sophisticated ERP (Enterprise Resource Planning) system that will allow real-time monitoring of every transaction at every facility around the world. That will produce savings in two ways, according to Marwell. "An end-user order coming into our company in Sweden may be warehoused in the U.K. but actually produced in China," he explains. "If you go back five years, you'd find a lot of intra-company transactions that don't add value." With the ERP system, all those intra-company activities are now automatically managed. What's more, he says, "We've been able to handle a lot more business with the

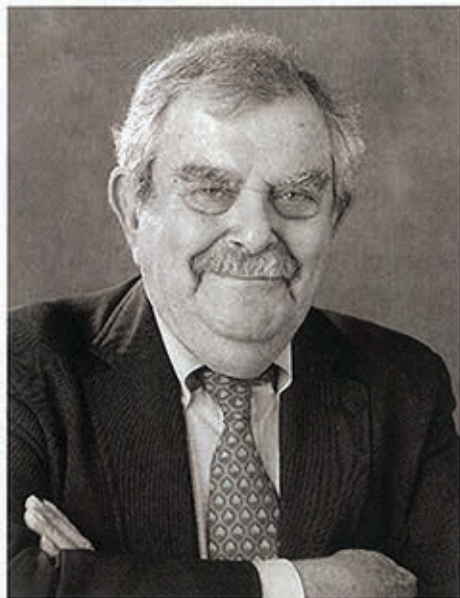
same number of people because they can handle situations remotely that they couldn't before. The real value for me is that I can know, hour by hour, what my revenue is, what my backlogs are, what my inventory positions are."

Preparing for transition

Marwell is now turning his attention to management and ownership transition. "Succession is a tough question," he says. "We don't have a formal plan, although we probably should. The funny thing is, I realize now that I'm the same age as my father was when he felt the need to bring another family member into management."

Curtis has a 15-member board of directors with five representatives each from management, the family and independent outsiders. The board meets quarterly, and independent members handle compensation, audit and corporate governance.

"My focus going forward is working on succession planning—not just for me, but for my senior management team," Marwell says. "Over the next ten years, I'll be making sure we bring in some new blood and develop existing people." Stuart Marwell has two children who were



Curtis co-founder Edward Marwell passed away in 2010.

recently named to the board of directors. His son, Nicholas, 32, works for the World Bank. His daughter Elizabeth, 29, worked for nearly seven years as the collections manager for the corporate and family art collections at Forbes Inc. and is now going to cooking school in Ireland. (The other family board members are Stuart; his wife, Vicky; and his sister, Emily.)

"I would love it if one or more of my children joined the business, but I don't want them to feel it's an obligation," Marwell says. "It would have to be something they would really want to do, and they would have to be able to make a contribution." Even if they do join the company, he says, there would be no guarantee that one of his children would be his successor. "They'd have to earn that over a long period of time and earn the respect of the people in the company," Marwell says. "And there might be other people who are better skilled."

Other members of the third generation are in school. The youngest cousin is now six years old, and the oldest is working on a doctorate in economics.

Marwell says he would like to avoid the difficulties that arose when he took the reins from his father. "God willing, I intend to stay on for at least another ten years," he says. "My dad stayed on until he was 85, but he shouldn't have stayed that long." Edward Marwell passed away at age 88 in 2010.

"The early years were quite good," Stuart Marwell says. "We really complemented each other, since I had a skill set my father did not have. That was building out our international presence and developing many of the subsidiary companies that we have today."

Marwell joined the company as vice president of administration and finance. "My dad's skills were in marketing and sales but he hated finance," Marwell says. "He

was an engineer by training, so he understood the development process. He was a well-known raconteur.

"As time went on, he aged and the company grew, and you needed a different kind of management," Marwell reflects. "Not quite such a seat-of-the-pants, intuitive approach to doing business. It's easy to build things, but it's not necessarily easy to manage them. That's where my skills set became important, but at that point, it became quite stressful for me and my management team."

Marwell explains that "the building out of the company" led to tension between him and his father. "We became quite financially overloaded in the late '90s and paid the consequences a few years later," he says. This coincided with the management transition from Edward to Stuart, which only added to the stress. "We managed to pull ourselves out of the abyss, so I've been very focused on building a capital structure that allows us to sustain operations."



Edward Marwell (left) with Curtis Beusman, an early partner in the company. Curtis Instruments' first big customer was IBM.

During the downturn in 2009, Curtis cut staff from 1,200 to 900, instituted some pay cuts and furloughs, and took other steps in response to the global economic slowdown. "Our people made deep personal sacrifices, but we promised that we would restore everything we took away," Marwell says. "We've done that and more. Last year, the company had its best year ever." According to Marwell, Curtis is currently debt-free and intends to remain that way.

Edward Marwell retired as president and CEO in 2001 and as chairman in 2002. Stuart's sister, Emily Marwell, says the transition was difficult but not impossible. "Once my dad made the break," she recalls, "he frequently told me how proud he was of Stuart—although I don't know if he told Stuart. As invested as my dad was, it was almost an impossible job to be the one taking the reins from him."

Though company leaders are beginning to contemplate management transition, no big changes are expected on the ownership side. "The intention is to keep the company within family hands," Emily Marwell says. "We grew up with Curtis, and we're all very tied to it."

Stuart Marwell adds another reason for continuing as a family business. "When you have 1,000 employees, it's a huge responsibility to make sure they're taken care of," he says. "That's one of my concerns about change in the company. How do you make sure that goes on and on and on? One of our primary objectives is to remain private and independent so we can control our culture, not only for our success but for the wellbeing of our employees."

Dave Donelson is a business writer in West Harrison, N.Y., and the author of the Dynamic Manager Guides and Handbooks.

Over the next ten years, Stuart Marwell plans to bring in new people and develop current staffers to prepare successors for himself and his senior management team.