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# The Molecular advantage

**Eric R. Schnur has a plan  
to take Lubrizol's chemistry  
expertise to new heights**



# THE MOLECULAR ADVANTAGE

Lubrizol uses chemistry to change the world.  
Eric R. Schnur wants to take that to the next level.

BY MARK SCOTT | [MSCOTT@SBNONLINE.COM](mailto:MSCOTT@SBNONLINE.COM)

**W**hen Lubrizol Corp. completed the acquisition of Noveon International Inc. in 2004, it was a signal that it needed help in order to diversify its product offerings. Although the company had tried for decades to diversify, about 75 percent of its total revenue in 2003 was lubrication-related additives. “We love that business, but it’s not a high-growth business,” says Eric R. Schnur, who joined Lubrizol in 1987, and now leads the company as chairman, president and CEO. “We had been trying to diversify for a long time — not to diminish the focus on lubrication and lubricant additives, but rather to provide us with other areas that we could focus on.” Noveon was a specialty chemical company with a strong product portfolio in additives and ingredients for the personal care, performance coatings and engineered polymers markets.

“If people think the status quo is acceptable, then nothing different is going to happen. They’ll nod when you talk to them, but come into work the next day and keep working hard at what they have been doing.”

—ERIC R. SCHNUR, CHAIRMAN, PRESIDENT AND CEO, LUBRIZOL CORP.



[www.linkedin.com/company/the-lubrizol-corporation](https://www.linkedin.com/company/the-lubrizol-corporation)

“Buying the Noveon business gave us enough critical mass, talent and product technology capability to be able to build something,” Schnur says. “We know as much as anybody about how to put together an engine oil or a driveline lubricant, but we didn’t know how to put together a shampoo or a printing ink.”

Schnur spent nearly eight years as president of Lubrizol Advanced Materials and played a key role in building this new part of the company. It provided valuable leadership experience that put him in a stronger position to be selected as the new chairman and CEO when his predecessor, James L. Hambrick, stepped down in January.

“For somebody who spent their whole career at one company, going over to the advanced materials business was good,” Schnur says. “It was like leaving the company without leaving the company. I got to see different markets and market

positions, a different customer base, different product lines and technology, even a different culture. We haven’t made it all the same, so there is still value in working in both areas within the company. You get to see a lot of variety.”

In addition to diversifying what Lubrizol can do, the Noveon acquisition sent a subtle, but important message to those who had been with the company for a number of years.

“It stressed to people in the additives business that you’re no longer the only horse to ride here,” Schnur says. “It was never actually said, but we took it as a message that we better get our act together. Now the company could preferentially invest down the street. They didn’t have to put resources into the additives business. In a way, it woke up the core business of the company.”

Lubrizol had taken a big step forward in addressing its need to be more diverse.

The next step would be to improve execution and accountability.

### A new way of thinking

When visitors walk into Lubrizol’s corporate headquarters in Wickliffe, they get an instant history lesson on the business.

A video running on a continuous loop in the lobby takes viewers back to the late 1920s when the company’s first product, a graphited lubricant and applicator marketed under the Lubri-Graph name, had a successful launch. In 1931, Lubri-Graph moved to its current home in Wickliffe and soon became Lubri-Zol and then Lubrizol. Nearly 90 years later, the \$6.5 billion company has 8,300 employees and serves customers in more than 100 countries.

Many of the products and technologies that people use in their everyday lives — electronics, cleaning products, vehicle fluids, medicine and clothes, just to name a few — originated at Lubrizol. It’s a business that has been consistently profitable for nearly 90 years and has the backing of Warren Buffett. In 2011, Lubrizol became a wholly owned subsidiary of Berkshire Hathaway Inc.

While the company has good reason to be very proud of its history and the impact it has had on the world, Schnur says there are always areas to improve. The Noveon deal was a bolt-on acquisition that significantly increased the company’s existing positions in personal care and performance coatings products. It also added new engineered polymers businesses to its portfolio. However, the company’s growth has been flat since 2012.

“We’re healthy, we’re profitable, we’ve got great talent, great resources and with Berkshire Hathaway’s backing, we

have great opportunities,” Schnur says. “We just need to get faster at executing. We’re competing for capital with other businesses that are growing and have different profiles. The reality is the status quo is unacceptable. We can’t have another five years of flat performance. We’ll be profitable, but being profitable isn’t the only issue. Are we getting an adequate return on the capital we have to invest to generate that profit?”

Schnur is focusing on three key points to drive meaningful innovation and execution in the years ahead at Lubrizol. Three points that will enable the company to take events like the Noveon acquisition and maximize the potential of those deals to boost performance and profitability.

The first item is to stress that the status quo is not acceptable.

“Within everybody’s individual responsibility, everything might seem fine. It feels the same as it did five years ago or 10 years ago,” Schnur says. “If people think the status quo is acceptable, then nothing different is going to happen. They’ll nod when you talk to them, but come in to work the next day and keep working hard at what they have been doing.”



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One of the problems companies often face in trying to transform a workplace culture is that people believe they are working hard and doing everything they can possibly do to make their company stronger. That leads into the second of Schnur’s points: Results matter.

“It isn’t about working hard,” Schnur says. “We have to have people working hard and have a lot of good activity. But if the results don’t come from that, then we’re not doing the right thing. It isn’t about activity. That’s necessary, but it isn’t what drives results. If you have a list of things you do in your job and you do those things, it’s not always obvious to everyone how that ties to bottom-line profitability. Everybody impacts the bottom-line profit of the company in some way whether it’s helping to sell more, helping to make more of what we

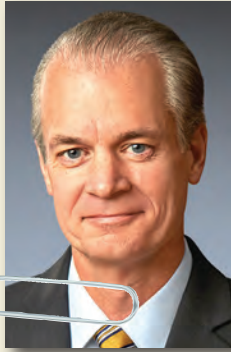
sell or reducing costs to make us more efficient.”

In order to drive better results and get out of the status quo, mindsets and behaviors need to change.

“Everybody agrees that somebody else should be working harder and generating better results,” Schnur says. “We need to first think about it as it relates to you. Until you change your mindset, it’s not going to change. We try to communicate where we’re at, why that’s not acceptable and what we need to do about it.”

Once you convince people that they can’t do it like they’ve always done it before and you demonstrate the critical importance of driving results, the third and final point makes a lot of sense. You need an external focus, a platform on which to take that energy and commitment and take steps to grow your business. You need to understand your end user and use that knowledge to create a product that people need and want to buy.

“We are pretty good at the technology,” Schnur says. “But we’re not so good at translating that into what’s the benefit to



## THE SCHNUR FILE

**NAME:** ERIC R. SCHNUR

**TITLE:** CHAIRMAN, PRESIDENT AND CEO

**COMPANY:** LUBRIZOL CORP.

**Education:** Bachelor’s degree, chemical engineering, Penn State University, State College, Pennsylvania; MBA, Case Western Reserve University.

**Is there one person who has played a key role in the type of person you are today?** It would be my dad, Bob. I told him last year, ‘You taught me two things: the importance of hard work and treating people the right way.’ At the end of the day, that’s all that really matters.

**How often do you talk to Warren Buffett?** We talk regularly, probably once a month. He doesn’t require any frequency. He’s always available, which is a tremendous resource. He doesn’t know anything about chemistry, so he can’t help on certain things. But in terms of his experience and his advice, he’s been very helpful.

the end user. The end user is ultimately the one that decides whether this is of any value and whether there is any demand. We’ll sell it to a customer, we’ll sell it to the people who are the big brands that the consumer knows — oil companies, personal care companies, paint companies — but we have to understand how that happens.”

### Take the next step

Schnur says a significant percentage of the people who work at Lubrizol have a technical degree in chemical engineering, mechanical engineering, chemistry or physics. Not many people can do what they do. But that expertise alone isn’t what will define Lubrizol and shape its future in the years ahead.

“Everybody in our industry has chemistry,” Schnur says. “You wouldn’t be a chemical company if you didn’t. But chemistry is of no value to you. What do you do with it? If I showed up with a little vial of chemistry and said, ‘Hey, guess what, we made this in the lab today. What do you think?’ That doesn’t mean anything.

“Whether it’s paint, shampoo or engine oil, all of these products have different ingredients. Not only is there skill required to generate chemistry or synthesize and generate a molecule,

there’s as much skill, if not more, in balancing the ingredients you put together so you can impact performance. So there’s chemistry and there’s also applications. We sell a molecule that a customer then formulates with a whole bunch of other things to make shampoo or printing ink or paint. We’ve built up that capability over time.”

There’s a still a gap, however, in making connections with those crucial end users.

“We’ll run every single test and do all the formula and validation work for different certifications that you need to sell an engine or a driveline lubricant,” Schnur says. “We will provide that to our customers, but we still have limited visibility to the end user. What is that fleet owner doing with that heavy-duty diesel engine? What value do they get out of different maintenance intervals? What value do they get out of fuel efficiency? We think we know, because some of it, you can do the math. But what is the actual practice?”

Some of the data can be gathered from the customers that Lubrizol deals with, but that provides limited information that doesn’t always represent the view of the market as a whole.

“This isn’t about going around a customer,” Schnur says. “It’s about being able to take technology and



commercial opportunity to the customer. If we can combine the chemistry and the applications and get really good at understanding the end user in a way we haven't before, not that we're going to reclassify us as something other than specialty chemical, but we'll be different than most other specialty chemical companies."

That ability to aim higher and deliver a product that customers may not even know they needed is what drives growth.

"It's not like we're just wanting growth because we can't think of anything else to aspire to," Schnur says. "If the company doesn't grow, people don't get opportunities, you don't get to invest in other cool things and support the community the way you would like to as a healthy company. Everybody recognizes we need to grow. Sometimes they just can't see how what they do impacts that. We're trying to make that clear."

### Create more accountability

Schnur wants everyone at Lubrizol to be clear about how they can impact the company's financial status.

"How do you make money?" he says. "Either you sell more product and make more on what you sell so your margins are better, or you spend less money making and selling the product, get more efficient and reduce your costs. Everybody, no matter what they are doing, can impact this in some way. Telling people to think about that doesn't necessarily solve the problem."

Accountability can help in that effort. So the company began what Schnur describes as "a fairly rigorous process of defining accountability for everybody."

"We take pride in the small company feel and being informal and that has persisted over the years," Schnur says. "But we've outgrown the point where you can just tell people to go work together

"If people are really clear about what they are accountable for, and they are really clear how that ties back to the results of the business, they are going to be more engaged in helping us to be successful."

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and get it done. We have to define who is accountable for it. That gets a little bit scary because accountability to some people is trying to find someone to blame for things. But if you do it well, or even if you don't do it well, you just do it somewhat intelligently, it's all about speed and efficiency. You're responsible for making that decision. So good, bad or otherwise, make the decision. If it's the wrong decision, you're responsible for helping us learn from it."

When employees understand what they are accountable for and have a clear sense for what the company is trying to accomplish, the path forward becomes easy to see.

"Why does a job exist?" Schnur says. "It's really basic, but people haven't thought of it that way. Ultimately, within a fairly short period of time, if people are really clear about what they are accountable for and they are really clear how that ties back to the results of the business, they are going to be more engaged in helping us to be successful."

This review of accountability includes everyone from the top down, Schnur says. One thing he doesn't want to be, as the company analyzes its processes, is a bottleneck to growth and progress. Earlier in his career at Lubrizol, he spent time working at the company's Singapore location.



“We need to empower people more, particularly in the growth regions like Asia,” Schnur says. “They can’t wait for people at headquarters to make all the decisions for them and we can’t do that anyway. There was a time when that happened 20 or 30 years ago. Today you can’t. I was one of those people working in Asia. I know what it felt like to have to go back to headquarters when you needed support. Now we’re putting a lot more of that capability out in the region. I can identify why that’s necessary and why that’s needed.”

One thing he has learned as a leader is the higher you go, the less you do and

the less hands-on you are in your work.

“That’s a balance everybody struggles with,” he says. “You don’t want to appear uninterested. I’m still ultimately accountable for everything that happens in the company. I can’t just take off and say, ‘Good luck, I’ll see you in a few months.’ You have to be involved. But you don’t want to limit other peoples’ opportunities to grow and learn.”

If Schnur can find the right blend of empowerment and involvement with his team, he’s confident Lubrizol will be well-positioned to achieve consistent growth in the years ahead.

“It’s not a huge high-risk proposition to try and put that capability in place,” he says. “It’s just a different skillset that we don’t have at the moment. We have to make it work really well with the applications and technology capabilities we have. Three years from now, I know what that needs to look like and what impact that should have on our success of bringing new solutions to market. Our customers should be making more money off of what we bring, so we should be making more money off of what we bring.” ●

How to reach: Lubrizol Corp., (440) 943-4200 or [www.lubrizol.com](http://www.lubrizol.com)

## Takeaways >>

Never stop looking for ways to grow your business.

Understand the needs of your end users.

Empower your people to maximize their skills and talents.



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