Captain High Liner

By Stephen Kimber

Henry Demone transforms one of Canada's most storied "production driven-harvester" fish companies into "North America's leading value-added seafood supplier"

At first blush, Henry Demone's name probably would not have topped any outside observer's list of most likely candidates for the job. It was the late summer of 1989. The board of National Sea Products Ltd. had just fired its high-profile president and CEO, and was desperately seeking a replacement who could save the floundering, 90-year-old fish company from what Demone himself now calls its "fish company mentality." Henry Demone? He'd been marinating in that fish company mentality – the traditional notion that fish companies exist simply to sell the catch their fishermen land at the local wharf – from the day he was born.

His father, Earle, had been a Lunenburg, N.S.-based high liner captain who'd gone on to run National Sea's fleet and whose own life was so bound to the sea he didn't talk about being born; he claimed he'd "made land on October 11, 1924." Earle's father had been a fishermen. And his father before him. And...

Henry had grown up in the business too. From the time he was 15, he spent school vacations as a deckhand on his father's trawlers. During university, he worked in the local National Sea fish plant. After graduating in 1977 (he studied science, not commerce, at Acadia University), Demone joined National Sea's export division. Though he did, brief ly, escape his roots to take a job in Europe in the early 1980s – in a seafood-centred company, of course – he and his Lunenburg-born wife decided to return to settle in Nova Scotia in 1984 because they wanted to make sure their first daughter "got to know her grandparents and the community she came from."

Boyish looking and only 35, Henry Demone did not seem seasoned enough for the man-sized job of turning around a company in serious need of turning around.

And it was. By the mid-1980s, National Sea, which had started life as a fishermen's grocery store at the turn of the 20th century, had grown by mergers, acquisitions, takeovers, reverse takeovers, government policies and even government bailouts to become one of the world's largest vertically integrated fishing companies. It employed 7,000 people, owned a f leet of 59 fishing vessels and operated 14 fish processing plants from Newfoundland to Florida.

But the fish business, dependent as it was on harvesting un-penned fish from a vast ocean, was tumultuous. "Every seven or eight years," NatSea's then-chair, Bill Morrow, was fond of saying, "the industry just seemed to go bust. And always for a different reason."

In 1984, in the midst of one of those calamitous collapses and under threat of nationalization, the company had hired its first outsider – a Toronto turnaround consultant named Gordon Cummings – to run its business. Things had gone well at first, and then they had gone spectacularly badly.

After five years of continuous expansion, the company suddenly had to permanently shutter its Lockeport, N.S., fish plant, temporarily close seven others and tie up four of its trawlers. Worse, its key American sales strategy was a dismal failure. The company was on target to rack up $40 million in operating losses that year and was staring down the barrel of a $200-million debt.

Perhaps not surprisingly, the company's board of directors decided to fire Cummings. But who should replace him?

While Bill Morrow, a grandson of one of the company's founders, could temporarily step in as CEO – a job he had held for many years before Cummings' arrival – he was already past retirement age and looking forward to a less hectic pace of life. He would need a president to do what everyone understood would be the necessary corporate dirty work.

The choice to promote Henry Demone, then NatSea's vice president, international and trading, turned out to have been much more obvious to those inside the business than outside. And especially to Bill Morrow, who'd known him since he was an infant.

"[Henry] had good genes," jokes David Hennigar, the chair of the company's executive committee and its largest shareholder. "Back in 1984," Hennigar says, "I had a chat with Billy Morrow about his succession. We'd been watching what Henry had been doing in France" – he was running a Volvo-owned fish marketing company there, which he had successfully turned around – "and we decided to bring him back to help with the [NatSea] restructuring. So he was in the bullpen, if you like, from that point on. And we liked what he'd done with international trade. So when the time came, he just seemed to us like the right choice." He laughs. "And he turned out to be."

Demone, for his part, took some time to mull over Morrow's unexpected offer. He clearly understood it would mean presiding over the dramatic downsizing and retooling of the company. He'd have to fire people he'd known since childhood; the job losses would be in the thousands. And he'd be the public face of a company responsible for pulling the economic underpinnings out from under rural communities all over Atlantic Canada.

He discussed the options with his wife – but not with his father. Earle Demone had retired earlier that year as vice president of the fleet for what his son now delicately describes as reasons that "weren't entirely disconnected" from the company's financial troubles. "It would have been too painful for him," he says.

It was painful for Henry too, but the alternative seemed worse. "As much as you empathize with people and their situation, it would have solved nothing for me to sit there and wait for the axes to fall."

He took the job.

But at the time, no one – including Demone himself – knew the real scope of the challenges he would face in the years to come. "I expected it would be a turnaround – with fish," he remembers. "And then the fish disappeared."

During the course of the 1990s, thanks to government moratoriums and decimated North Atlantic fish stocks, the company lost access to 95 per cent of its traditional raw materials.

"The first few years were total survival mode," Demone admits. "And then, around 1994, we looked around and realized we had survived. Now what? It was like you were a cancer patient and the doctor suddenly said you were cancerfree. What do you do with the rest of your life?" That analogy is personal; Demone survived his own melanoma scare at around the same time. And he, like his company, is healthy today.

What Demone did with his corporate life, after NatSea had survived the worst nature and the changing global marketplace tossed its way, was to lead the company through what would turn out to be less a corporate turnaround than a massive cultural transformation.

Today, nearly 23 years after his surprise appointment as company president – he officially added CEO to his title in 1992 – National Sea is no longer even National Sea. In 1999, it changed its name to High Liner Foods Inc. to better reflect its evolution "from production-driven harvester to a consumer-driven branded company." Whereas the company once caught 80 per cent of the fish it processed, it now buys 90 per cent from suppliers worldwide. While the company has shrunk – there are now just over 1,000 employees and it no longer boasts its own fishing fleet – its bottom line is healthier than ever.

And, thanks to a string of recent acquisitions – in 2007, High Liner bought former Newfoundland rival FPI's North American marketing division, along with processing plants in Newfoundland and Massachusetts; in 2010, it took over Viking Foods, a competitor in the American institutional market; and, in 2012, it swallowed Icelandic Group's formidable American and Asian operations – High Liner now boasts the tag line "North America's leading value-added seafood supplier."

The key to High Liner's phenomenal recent growth, Demone says, has been its ability to successfully integrate those acquisitions into the larger company.

That started with choosing its dance partners carefully. "We needed to be sure we were strategically and culturally aligned," he explains. "And then, we had to make sure we didn't disappoint our customers, particularly in the first six months. That's when you're in the spotlight, when your competitors are telling your customers, 'They took on too much. High Liner's going to mess up.' And we didn't."

At the same time, Demone adds – using the same clear-headed calculus he brought to cutting NatSea's fishing losses in the nineties – he sent a message to those in the new companies that positions in the merged enterprise would be based on "meritocracy and not politics. Sometimes, people think, 'oh, we bought the company, so we get the jobs.' But if you do that, talented people will leave and there's a huge impact on morale." He pauses. "I can only think of two people [from acquired companies] we tried to keep, and didn't."

With FPI, he says, the integration process took 10 months, with Viking, four. He predicts integrating Icelandic – which was only acquired in late 2011 and is much bigger than the other two – will require 16 months.

Even with all of that, High Liner is projecting 2012 revenues of close to one billion dollars with "healthy margins." All of which also helps explain why Atlantic Business Magazine's panel of CEO Hall of Fame inductees chose Henry Demone as this year's CEO of the Year.

How did he do it?

Demone, still boyish-looking but now greying at 57, is self deprecating. "Awards like this," he allows, "are only given to successful companies, so it's not just the CEO. The CEO often isn't even a big part of it." He considers the question. "What did I bring? I'm pretty good at seeing the big picture and translating that into actions. 'The world looks like this and here's what we should do about it.'"

Despite his relative youth and inexperience in 1989, Demone also knew — even then more clearly than most — the shape of the fishing world of the future. His four years in Europe coincided with the fallout from both Canada's imposition of a 200-mile fishing limit and the Icelandic cod wars. Demone had a frontrow seat as traditional European fishing companies came to terms with – or didn't – the sudden elimination of their own raw materials. Those that survived and thrived focused on adding value.

"My job was to motivate people to become more focused on the value-added side," Demone explains.

Another key to its success, he adds, is that High Liner's board – and National Sea's before it – has always understood the value of strategic planning. No matter how badly the day-to-day business might be doing – and, in the early nineties, it often teetered on the edge of the abyss – senior executives would escape the office routine each year in late spring to "get away with a good facilitator" and talk about their goals for the long term and the next three years, then figure out what they needed to do in the next 18 months to achieve those grander objectives.

They weren't always right, of course. High Liner, Demone jokes, bought a U.S. pasta business a year before the Atkins low-carbohydrate diet fad swept North America.

But they were right far more often than they were wrong.

Change was painful, often wrenching, particularly for Demone, whose family fishing roots are so deep. But as difficult as the nineties' downsizing was, Demone insists, it was necessary. "The company's survival depended on it. And, in their hearts, I think that people understood why we had to do it."

More difficult emotionally, he acknowledges, was High Liner's 2003 decision to sell off the last of its fishing fleet. "It was a strategic decision," he says. "The company was making money. We were turning our backs on 100 years of fishing history."

And personal history. None of Demone's own three grown children have ended up in the fishing business. "We put zero pressure on them," Demone says proudly. "We just said get a good education and pursue your passion."

But Demone's father, who is now 87, is still passionate about fishing. "It was hard for my father to watch," Demone acknowledges. "He loved fishing. Even when he was the vice president of the fleet, he'd say, 'Yes, that's great, but I'd rather be out fishing.' But I admire him for the way he handled it. He never let it come between us. And it could have."

But High Liner's history-abandoning decision to jettison its fleet, of course, created the "pristine balance sheet" that has enabled the company to move into its current value-adding, growth-by-acquisition phase.

That phase isn't finished. "There are still opportunities," Demone says simply. He sees the potential "to double sales and earnings over the next five years without changing our strategy." Although some of that will come from internal growth, most will be the result of new acquisitions, plucked primarily from its North American seafood competitors.

The seafood business, Demone says, is "fundamentally different" from other protein foods like beef, pork and chicken. The American consumer market for those products is already dominated by a few big players. And consumers happily buy those products as unadorned, "chilled" commodities from the supermarket shelves. They don't expect much more than wrapping.

By contrast, 85 per cent of seafood bought in the United States is imported. There are dozens of companies from dozens of countries competing to sell dozens of different fish species to wary consumers. "And then there's the fear factor, which you don't get with beef or pork or chicken," Demone says. "For whatever reason, many consumers are concerned about how to buy seafood and how to cook it properly. That makes brands – and value-added – much more important. And, frankly, that's what we're good at."

Although he allows that its success might make High Liner itself a takeover target one day, he isn't particularly worried. "We're public so it can always happen. But we have one big shareholder – the Hennigar family, through Thornridge, which controls 40 per cent – so Canadian corporate law says you can't force a takeover or merger with a 40 per cent shareholder."

The company's largest shareholder shows no signs of dissatisfaction with its investment, or with HighLiner's CEO. As much as he was a fresh face at the time of his appointment, David Hennigar says it's experience that makes Henry Demone so valuable these days. "He has a great team, but he isn't captured by them. He's able to see the big picture, to make strategic decisions."

The company's biggest challenge now – in addition to growing and managing that growth – will be to orchestrate a generational shift in corporate leadership over the next decade. Thanks largely to the upheavals of Demone's early years – "we didn't hire a lot of people in the early nineties," he jokes – there's a missing generation in the executive suite. "At the management committee level, four o the six are in their fifties. In the key business units, Canadian operations and U.S. operations, it's not quite so dramatic but there are no small numbers of fiftysomethings. So you have to say that in next 10 years, there needs to be a new leadership group."

As for his own future, Demone says he has no plans to retire. He insists he's "not a workaholic." He likes to exercise, sail (he competes at Bluenose regattas off Nova Scotia during the summers and sails competitively four or five times each winter off Miami) and travel. Although he has a personal bucket list of adventures he wants to accomplish before he dies – hiking the Camino de Santiago in Spain, for example, and watching the white sharks off South Africa – he's in no hurry.

"I like to work. I don't dread Monday mornings. When I'm not working, I'm thinking about working." He smiles. "I took one of those 'personal directions' personality profile tests. The results showed I'd be a great executive, but a lousy retiree."

Source: Atlantic Business
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