

**ANDREAS KUSTER: AN ENTREPRENEUR
IN SEARCH OF A FAMILY BUSINESS**

Which is better, securing financial stability or building something in the world? For those with the entrepreneurial gene, the answer is always 'building something.' Good thing Andreas Kuster inherited this gene when he needed to revitalize Europe's oldest cookie manufacturing company.

Andreas Kuster:

Everything was quite messy, probably rather dusty. You couldn't go there with polished shoes, and walk out and still have polished shoes at that time. It was a food production company so it was really, really dusty.

The newest machine was 50 years old. Most other machines are much older than that. But not only the machines were old, but also the maintenance people, the contractors. One was 73, and the other one was 85. These two guys, I asked them, "what is your succession plan?" The 85-year-old told me, "no worries." I said, "yeah, but what does it mean, no worries?" He said, "no worries."

Esther Choy:

In November 2020, United States voters will once again elect the next president. Now, I have a question for our listeners from all over the world, can you think of one product that all forty-five US presidents MIGHT have consumed?

Any guesses? Well, you will find out one possible answer very soon. In this episode of Family IN Business, we're going to do a deep dive into the story of our very FIRST family enterprise leader and his business that's not US based, and not even multi-generational, yet.

My name is Esther Choy, the executive producer and your host of John L. Ward Center for Family Enterprises' own podcast series: Family IN Business. A podcast that features stories of leaders, their families, and the family enterprises they transformed.

Today, we have the opportunity to hear the unlikely and fascinating journey that Andreas Kuster has taken on from donning suits to donning aprons, and leading this 267-year-old company that his biological ancestors did not begin.

But first, let's find out. Who is Andreas?

Andreas Kuster:

My name is Andreas Kuster. I am an entrepreneur, and our company's called Jakob's Basler-Leckerly. The company was founded in 1753. It's cookie manufacturing. Matter of fact, it's the oldest cookie manufacturer in Switzerland, and so the oldest in Europe. The company

was one of the pioneers at the time when cookie production came up. It was not the first one, but part of this first group, and the only one which survived.

If you put that into the historic context, this was before the US Revolution. Or in other words, each of the 45 US presidents could or might even have eaten our cookies.

Esther Choy:

Ah! They might have. That's a very compelling idea. And although we won't be able to prove that, it is beside the point. Because through Andreas' family enterprise story, we get to explore three important and very relevant concepts to family IN Business today.

Number one: passing on the entrepreneurial gene.

Number two: selling off is not necessarily a sign of failure.

Number three: what playing the long game requires.

First, let's hear more of Andreas' story, how he came to own and run the oldest cookie manufacturer in Switzerland, and how come he is actually not one of a long lineage of owners for this legacy brand.

Andreas Kuster:

It was always my childhood dream to have my own company. My grandparents had companies.

In one case, my father's dad, it was easy. The company was not going really well, and so the best decision was to sell it, just to protect the family assets. My mom's dad owned a shipping company. The thinking process was that you need very specific know-how to be successful in a very tough business environment. My grandfather's two sons, nor my mom, none of them wanted to take over this company.

Both companies got sold before I had an opportunity to have a word in.

Esther Choy:

Even though Andreas couldn't and didn't have a chance to inherit one of the businesses his grandparents started, at least he got to inherit their entrepreneurial gene. What's entrepreneurial gene? I'll ask the Executive Director of the John L Ward Center for Family Enterprises professor Jennifer Pendergast, to elaborate, exactly what it is.

Jennifer Pendergast:

Think of it this way. If you grew up in a household where you got used to the security and the idea of what creates safety and financial security for a family is a routine check coming from some large entity, that provides insurance and all these other supporting mechanisms, then that's the framework you view the world. Entrepreneurs have a very different framework. They rely on themselves to generate income, and that's from the beginning. This is different once a

business becomes established, but that initial person takes a risk, and goes out and bets on themselves, and builds something. That to me is the entrepreneurial gene.

A lot of kids from an early age are sent the message, "you should do something that will ensure financial security. You should do something that will minimize risk," versus, "you should go out and you should build something."

I've heard these tones in the conversation with him, "I always thought I would own something. I always thought I would build something." That's not something you hear from everyone as a young person. Somewhere, that idea came that, "I always thought I would do this."

Andreas Kuster:

Six years ago, my wife Charlotte and I, we moved back to Basel where we both were born and raised.

Esther Choy:

That's Basel, Switzerland, where the company is headquartered in.

Andreas Kuster:

And then I told her, "now I will start to realize my childhood dream, and I will look for a company which we could possibly develop together." At that point, I had an incredibly cool position at Swiss Re. That's a leading reinsurance company. It was pretty big change when I start looking. About three and a half years ago, we took it over. Since then, we have been developing it.

Esther Choy:

By 'it', of course Andreas is referring Jakob's Basler-Leckerly, the oldest cookie manufacturer in Switzerland. With such a long and unique history, I imagine it had to have a lot of interested buyers. So how did Andreas become the ultimate winning bidder?

Andreas Kuster:

To be quite honest, this company was completely run down by the time we found it. We did not even know exactly the history of it and everything. We had some bits and pieces, we had some fragments, and we knew that the owner ... we had the impression that the owner was older.

She was in a final stage with three other interested parties. One was a member of a very, very fortunate family in Switzerland who planned to acquire this company, probably as kind of a hobby for his wife. Another one had a food production company, and just wanted to get access to this brand. They have incredible distribution terms. They could have made a beautiful company out of it as well. The third one more had a background like I have. He was in the IT industry, linked to food, but he wanted to go back to basics, and was looking for something similar to what I wanted to develop.

And one day, it was on March 5, 2016, Charlotte told me, "just call her. She cannot more than hang up the phone. But you might be sad if it gets sold before you called." So, I picked the phone, and I called the owner, and I told her, "I hope that I'm not too aggressive, but I would like to ask if you are interested in selling." This was after about two years of looking for companies and contacting many people.

Then this lady says, "yes. Why are you calling?" Then I got so nervous. I had expected all kind of bad words, but I didn't expect just a straight yes. We were on the phone for about half an hour, and then we fixed an appointment. I think that was the key moment, this first appointment. I ask Charlotte to join this first meeting, because as I said just before, I had a really cool position at Swiss Re. I earned a lot of money. I had a lot of fun. It was really cool. I told her, "if we are successful and we acquire this company, our family life will change, so you need to join me. I need to be sure that you are standing behind it."

So, we walk into this company, and the previous owner fell in love with Charlotte.

Esther Choy:

Yes, the previous owners fell in love with Charlotte the first time they met. Charlotte was also pregnant with their child. So, the previous owner said...

Andreas Kuster:

She said, "I have seen so many people who would like to have my company, but there was never anybody coming as a couple. And my husband and I, we were leading this company as a couple. You are demonstrating that you could potentially preserve that."

Esther Choy:

What the previous owners so wished to preserve is the company stay family owned, and that the company's legacy and people working for it be protected no matter what big changes the new owners have planned going forward.

Andreas Kuster:

This is why we got the company. It was not a money game. We weren't better equipped.

Esther Choy:

Looking back, Andreas has really benefitted from not having a say in his grandparents' decision to sell off their companies. And this is the second important and relevant point we're extrapolating from Andreas' story. Why is the decision to sell off businesses not a sign of failure?

Andreas Kuster:

This was a good decision. You'd rather pass on money than a company nobody really wants to lead and develop. And then give the freedom to every family member to do with this money what they would love to do.

Esther Choy:

Hard to argue against that logic. In this case, should we still consider Andreas' family, his parents and grandparents a family IN business?

Andreas Kuster:

I think sometimes you see families which are for generations governmental officials, or army officers, or factory workers, or whatever. But there are also families who are for generations entrepreneurs, who come out with new ideas for generations. Sometimes it skips a generation. For example, my father, he wasn't an entrepreneur, he was a lawyer. Difference between a lawyer and an entrepreneur, a lawyer sees risks and an entrepreneur sees opportunities. So sometimes it skips a generation. But ultimately, when you have this idea of creating something new ... and even a lawyer, he's not creating something new, but he's at least preserving wealth, usually quite well. If you have a family who does that for generation, I think this is a family in business which just see this entrepreneurial aspect little bit.

Everybody helps for generations, and they build up wealth. This is what we do here. Our families are here in Switzerland for many generations, and build up different companies. Some of them still exist, others don't.

This is, for me, a family IN business.

Esther Choy:

So, the decisions for both sets of grandparents to sell off turned out be very, very beneficial. And yet, sometimes that kind of decision can STILL be difficult because of the perception of failure. Here, Jennifer explains why this view should be shifted.

Jennifer Pendergast:

Business needs to be relevant to the marketplace and relevant to the family. What I mean by that is, what if we're no longer the best person to provide this product or service to the market? Or, what if the market no longer values what we do? That's relevance to the marketplace. I've often heard people say it this way, "Are we the best owner of this business?"

But, relevance to the family as well. What if this is no longer a business that anyone in the family is very excited about, maybe it would be better off held by someone else. The good news is that, by creating that business and owning it in the first place, you've generated some wealth. So, is it a failure to sell that and take that wealth as a family, and redeploy it elsewhere? I would venture that it's not. There are lots of families who choose to exit businesses, but then either redeploy that money into new enterprises, or take the money and invest it in different ways, or become very philanthropic. Those all could be a way of fulfilling the purpose of the family.

So, the purpose of the family could be broader than just owning this business. It could be contributing to communities. It could be ensuring that all the family members are secure. It could be ensuring that family members have the opportunity to fulfill their passions, which could be as missionaries around the world, or as school teachers, or whatever that may be. So, if you think of the business as a means to an end, rather than an end in and of itself, then it's a tool to accomplish your purpose. You could do that one way by continuing to own it, but maybe it could generate more value by someone else owning it.

Esther Choy:

The decision by Andreas' two sets of grandparents to sell their respective businesses was separate and independent from each other. And yet, they had a POSITIVE consequence of generating more options and freedom for their children and grandchildren. Andreas and Charlotte became direct beneficiaries even though his grandparents were not around to witness the benefit of their wisdom.

In fact, thanks to them, in 2017, their grandson, Andreas Kuster, was off making his childhood dream a reality. A reality that's mixed with plenty of ups and downs.

Andreas Kuster:

It's like falling in love. You only see the upside. You have no clue about the challenges, how complicated it is to fix these things. The fear came much later. In the beginning, it was like a honeymoon. Then, suddenly we realized that we have a really ... it's not the nicest environment, after two, three months, we started to figure out all these challenges, how complicated it is to find somebody who can repair machines.

Everything was quite messy, probably rather rusty. You couldn't go there with polished shoes, and walk out and still have polished shoes at that time. It was a food production company, so it was really, really dusty.

The newest machine was 50 years old. Most other machines are much older than that. But not only the machines were old, but also the maintenance people, so the contractors. One was 73, and the other one was 85. These two guys, I asked them, "what is your succession plan?" The 85-year-old told me, "no worries." I said, "yeah, but what does it mean, no worries?" He said, "no worries."

It's difficult to recollect exactly the sleepless nights, but we lost about 10% of revenue in the first 10 months, compared to the previous owner, and we were thinking that we are improving, really, big time. On one hand, so we were losing our revenue, and on the other hand, our investment costs were just much higher than expected.

I got home at 8:00 in the evening, and fell asleep while giving the milk bottle to our baby. The baby was crying because I was falling asleep, holding the baby in my hand. My wife was mad that I wasn't giving milk, and she had a tough day as well. Then I woke up at 1:00 in the morning thinking about all these challenges, how we can possibly fix this company. It was a pretty tough time, during the first 10 months-

And then, suddenly growth kicked in. We were completely surprised by the Christmas business. The first 10 months, we lost revenues, and then we finished a whole year with 25% ahead of the previous owner. So basically, for two months, we had an incredible season. I had sleepless nights because we didn't know how to satisfy demand. It was a new challenge, so extreme from my emotional perspective, from not knowing to whom I could possibly sell, and how can I possibly deliver.

So today, it's a completely changed company. We have a lot of safety features, and machines that are really maintained. It looks different, it feels different, but that was really challenging in the beginning.

First year, despite the great Christmas and the growth revenue increases, we still had considerable loss. Second year, we broke even, and then the third year was a really good year.

That was 2019, so we put some money into the bank. Unfortunately, like everybody, we got surprised by COVID-19.

Esther Choy

Argh... Things were looking so good for the business throughout 2019. Then, COVID-19 hit.

Andreas Kuster:

But as our third year was really good year, we are now prepared to survive such a situation.

In 2020, we started really incredibly well, which helped us. January and February were unbelievably good months for us. And then suddenly, in the beginning of March, all clients started canceling orders. From a big book of orders to just really literally zero. This was really tough, because all our major distributors, several of them were even closed, and no events took place where they needed or required giveaways. So, we reduced production. First, we built up stock. In February, I said, "there is something coming. Let's build up stock. Because we can keep our cookie easily for about four or five months, so let's build up the stock in case somebody gets sick, that we have enough in our work stock." But then demand broke away, so we have this huge stock and didn't know how to sell it.

Esther Choy:

Up and down, up and down. In some ways, Andreas's story is a fairly typical entrepreneurial story. But in a way, the essence of his story is really about being born into a family IN business that has positioned him to set the right mindset so he can play the long game.

And that's the third important and relevant concept to Family IN Business today. Yes, the global pandemic has put an unfortunate break on his growth trajectory. But Andreas maintains a long-term view.

Andreas Kuster:

One thing we did well at that point is we followed Professor Rebelo's advice with our clients.

Esther's narration

That's Sergio Rebelo, professor of international finance at the Kellogg School of Management where Andreas received his Executive MBA.

Andreas Kuster:

Some of the customers called when the cookies were ready to be shipped, special packaging, and they canceled the order. We told all of them, "no worries. You can cancel your order. There are no fees we will charge you." We were just really, really nice. This strategy, I think, paid out big time, because there was, for example, this one client. He ordered 108 boxes. We were just about to ship it, and he called in and said, "may I still cancel, or could you ship it to different place and I will figure out to whom I could donate?" We said, "certainly you can cancel. No worries. We very well understood your situation." I had no clue how we will figure out our situation, but I can certainly understand your situation.

But I knew that this particular client, they usually order about 1,000 boxes for Christmas, and we were never asked to pitch for that order. So, I told him, we would like to pitch for Christmas. He said, "that's not in my hands, but I will certainly put a good word in." By now, we won the Christmas pitch. These are not 1,000 boxes, but 1,400 boxes. So, we canceled for complimentary 100 boxes, and now get 1,400 boxes. This strategy really pays out. If people are troubled, just be nice with them, and then it pays out in the long term.

If you go back in history, our country was occupied by Napoleon. We had all kind of sickness, including the Spanish Flu, and cholera before that.

Esther's narration:

Swiss history in the past few centuries was filled with foreign occupations, civil wars and economic depressions. For example, in 1798, forty-five years after the company was officially founded, France invaded Switzerland and occupied the city Bern, which is just about 60 miles south of where the cookie manufacturer is located. According to Encyclopedia Britannica, "the French treated Switzerland as a vassal state, plundering it and making it a battlefield in their conflicts with their Austrian and Russian enemies."

In 1830s and 1840s, Swiss people had to contend with civil wars fueled by religious conflicts and then in 1870s, economic depression. And then of course, in the first half of the 1900s, we had a global depression and two world wars and the list goes on. All the way to the present day 2020.

If the company you own and run has lasted 267 years, it has seen quite a few crises, even if you personally haven't done so. So, having this long view gives Andreas confidence.

Andreas Kuster:

At one point, after all these crises, first World War, second World War, and other crises, the world goes on. I don't believe that there will be a period of 30 years of depression. I don't believe that. And even if that is the case, there will be ways that we can navigate through. So just continue to do what is right, and then you will survive, even in these challenging times.

Esther Choy:

What are the right things to do? In other words, if Andreas were to pass this oldest cookie manufacturer to his daughter, what would he advise her to do when she encounters another

global crisis such as the business challenges that result from the current pandemic that he's still battling at the time of this conversation?

Andreas Kuster:

If you believe in the company, if you believe into the market that you have a good product, and that you have a stable environment, just continue. Make sure that you have some money in the bank that you can invest, but just continue.

We will survive it. It hurts a little bit. We didn't stop any investments into infrastructure, for example. We just said, "let's go on. Let's invest into the infrastructure. Let's invest into building capacity, that when the party starts again, that we are ready."

Esther Choy:

By now, I hope it's quite obvious that by entrepreneurial gene we don't mean biological gene. Rather, it's ALL about the behaviors. And these behaviors can be passed down. Here's Jennifer again.

Jennifer Pendergast:

There are a number of different ways that you can pass it down. You can pass that down through the stories you tell about the founders of the business. You can pass it down through behaviors and watching and observing people. You can also be more proactive in later generations in passing it down, by creating structures and systems to do that. Maybe creating an investment fund that next generation members could apply to for money to try something new on their own.

But the key is to remember for families, that the history was about trying new things and adapting until you got it right, and taking risks. Because a lot of people, once they get secure in a business that's larger and generating income, then they become more risk averse, or they look to the legacy and they say, "well, this is who we are. This is what we do." But truthfully, that changed a lot in the early years, to figure out the formula to get it right. So, how do you tell the stories about the family's entrepreneurial gene, and the willingness to take risks and adapt?

Esther Choy:

Great question, Jennifer. How do you tell those stories about the family's entrepreneurial gene? That will be in a dedicated episode in season 2.

For Andreas and Charlotte, they have a young child and a budding business enterprise. They're more than busy enough. How do they tell the stories about their family entrepreneurial gene? You don't need to be a great writer or even a great storyteller to do so. But you do need time to reflect on your stories. Here's how Andreas does it.

Andreas Kuster:

The cookie we are producing today is a very typical cookie from our region. It's a little bit of a gingerbread type cookie. It contains about 40% honey, but then it contains also candied lemon and oranges, plus it contains some spices.

As a little boy, it was a family tradition that the men in the household have to produce this type of cookie. So, it was my brother and my father who baked these cookies, every year around Christmas season. And then, when Charlotte and I got married, I told her that "now we are just the two of us, you have to help me." That was the moment where our cookies became much better. Our cookies got much better than everybody else in the family.

Because Charlotte brought in the love and, I don't know, some special spices or something.

Esther Choy:

Or something...

This something as you've heard through Andreas' story are his grandparents' wise decision to sell off, passed on capital, as well as an entrepreneurial gene to their descendants, and he and, together with his wife Charlotte, taking risks, believing in the market and products and maintaining a long-term view of the business and its future.

That wraps up our episode this month. Thank you again, Andreas Kuster, proprietor of Switzerland's oldest cookie manufacturer, Jakob's Basler-Leckerly.

Thank you for tuning into Family IN Business, a podcast sponsored by the John L Ward Center for Family Enterprises at Kellogg School of Management. Our show is supported and advised by Dr. Jennifer Pendergast. Kane Power is our audio engineer. And, I'm Esther Choy, the executive producer, your host, and author of the book *Let the Story Do the Work*.

Our next episode will be released in mid-November. This one will be a very special one. We have assembled a collection of leaders from very different family enterprises who have all studied and worked with John Ward, our Center's co-founder, the renowned researcher, scholar and teacher, and the person now the Center is named after, the John L. Ward Center for Family Enterprises. Each of our guests will share one specific thing that they have learned from professor Ward and how it has impacted them, their families and their enterprises. Professor Ward is retired. Whether you had a chance to work with him or not, this next episode will be packed with gems that you won't want to miss. We're SO excited for this last episode for the season and we can't wait to share it with you.

See you in November!

Esther Choy is the President and Chief Story Facilitator at Leadership Story Lab, where she teaches storytelling to institutional and individual clients who are searching for more meaningful ways to connect with their audiences. Leaders, in turn, use their stories to

communicate authentically, inspire others and create lasting impact that they previously considered out of reach. Since 2010, Esther has combined the science of persuasion and the art of storytelling to help her clients gain a competitive edge.

Since launching Leadership Story Lab, Esther and her team have served clients such as Allstate, BP, Eli Lilly, Northwestern Memorial Hospital, the Chicago Mercantile Exchange Group, Roosevelt University, Brookfield Investment Management, US Cellular, Kraft, SC Johnson, Roosevelt University and the Robert R. McCormick Foundation.

Esther is the author of the book *Let the Story Do the Work: The Art of Storytelling for Business Success* and her work can be seen regularly on forbes.com, virgin.com, entrepreneur.com and ama.org.

An alumna of Kellogg School of Management at Northwestern University as well as Texas A&M, Esther holds both an MBA and an MS in Higher Education. She is a lecturer with Northwestern Kellogg School of Management and the University of Zurich, and was recently a keynote speaker for United Airlines. She spent nearly half of her life in Hong Kong, the other half in the US, and has relatives on three continents. She lives in Chicago with her husband and two daughters.

Established in 1999, the John L. Ward Center for Family Enterprises (CFE) pioneered much of what is known about the collective challenges that family businesses and their leaders and owners face, making CFE synonymous with new ways of thinking about the ownership and leadership of family enterprises. Professor John Ward, along with founder Lloyd Shefsky and numerous faculty and staff aligned with CFE, developed CFE into a world-class teaching and research center that provides cutting-edge thinking and guidance for family business purpose, vision and strategy, governance, leadership, succession, entrepreneurship in family business, family engagement and cohesion and family business culture.

CFE has built a collaborative family business "community" among Kellogg students, faculty, alumni and family business scholars, and has developed a global network of successful business families who can learn from - and connect with - each other to generate innovative solutions to current and emerging challenges faced by family enterprises. CFE also creates unparalleled executive programs and conferences to drive strategic conversations about innovations and best practices in the field of family enterprise.

Renamed the John L. Ward Center for Family Enterprises in 2020, CFE today is in a unique position to transform the decision-making and strategic thinking of future generations of family enterprise leaders. CFE is dedicated to producing rigorous and relevant research into the unique demands, strengths and evolutionary paths of family enterprises. Results of this research are delivered in the classrooms to all ages of family business leaders.

In addition to our focus on the complexities of family enterprise leadership, governance and strategy, we integrate Northwestern University's and the Kellogg School of Management's authoritative expertise into our curriculum to create a world-class, comprehensive,

cross-discipline family enterprise resource. Our fusion of this deep academic capability with knowledge gleaned from our global community of high-impact business-owning families helps create CFE's unique theory-driven, evidence-based frameworks.

CFE has a three-pronged approach:

- Providing MBA curriculum and programming for students who are part of a family business, as well as students interested in the fields of private equity and venture capital;
- Offering executive education courses such as "Leading Family Enterprises," "Governing Family Enterprises," and "Family Enterprise Boards: A Program for Current and Prospective Directors";
- Conducting groundbreaking research to better understand the challenges facing business families.