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DE KUYPER ROYAL DISTILLERS: THREE CENTURIES OF SUCCESSION

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Marc de Kuyper left his office at Bickery Food Distribution, pondering his plans for the future. He wanted to join De Kuyper Royal Distillers (De Kuyper), a firm that had been in his family for more than three centuries. Marc was now 31 years old, and though he had spent the last several years trying to plan his career in order to prepare for a role in the family business, he still did not hold a position within the firm. In late 2009, Bob de Kuyper, Marc's father, had retired from his position as managing director of De Kuyper. After a career spanning 32 years with De Kuyper, Bob had decided it was time to retire and pursue his own personal interests.

It had been four years since Marc had first expressed an interest in joining the family business. The family firm's supervisory board had specific conditions for joining the family firm; to the board, business came over family. Marc had known that he had to make some critical career decisions in order to meet the board's criteria. Yet four years later, he was still unsure of his situation, and he still had not received the clarity for which he had asked.

HISTORY OF DE KUYPER ROYAL DISTILLERS

De Kuyper Royal Distillers was the sixth-oldest family business in the Netherlands and produced the largest variety of brands of cocktail liqueurs in the world. The firm was initially founded in 1695 by Petrus de Kuyper and his wife, Anna Custers, in Horst, Limburg. Petrus and Anna began by manufacturing barrels and casks (also known as "kuipen") that were used in the transportation of gin and beer. Realizing that there were better profits to be made with the gin in the barrels, in 1752 Jan de Kuyper, Petrus and Anna's third son, took over a distillery and began to produce Geneva (Dutch gin). Geneva was made from "moutwijn" (malt liquor), which was distilled from barley. The famous Dutch "Jenever" was a combination of moutwijn and juniper berries. Several years later, Jan sold the distillery; yet shortly thereafter, in 1769, Jan's two sons, Johannes and Pieter, purchased a second distillery for moutwijn in Rotterdam, forming the partnership of Johannes and Pieter de Kuyper.

It was during the 17th century that Dutch Geneva began to gain popularity. Compared to many other spirits, its lower production cost and resulting lower price allowed it to be competitive. During the late 17th century and the first half of the 18th century, the primary markets for Geneva were within Europe, in particular England, France and Spain. By the second half of the 18th century, markets outside of Europe opened up, including the European colonies in the West Indies, and the United States. By the late 18th century, 85 per cent of all Geneva produced was exported abroad. The de Kuyper brothers took advantage of Geneva's increasing popularity and expanded, building four distilleries, acquiring two more, and building their own malt house.

Despite Geneva's popularity, the first half of the 19th century proved to be a difficult period for the Netherlands and De Kuyper. With the Napoleonic occupation of the Netherlands, trade with England for both supplies and purchases was seriously disrupted. While the smuggling of alcohol flourished, trade still declined. By this time the sons of Johannes de Kuyper, Johannes and Cornelis Petrus, had taken over the family business, while their uncle Pieter continued to quietly provide advice and guidance. In 1825, the brothers split up the firm; the distilleries in Delfshaven were taken by Cornelis Petrus and sold shortly thereafter. Johannes took over the Rotterdam distilleries and entered into a partnership with his son, Cornelis, forming Johs. De Kuyper & Zoon.

Through the mid-to-late 1800s, the political climate changed once more, but this time for the better: the export demand for Geneva increased substantially and business flourished. While the American Civil War dampened exports to the United States, they grew in both Britain and Africa as population levels there increased by 21 per cent. With the creation of the Dominion of Canada in 1867, De Kuyper expanded into Canada and went into partnership with John Hope & Co. in Montreal. Canadians became quite besotted with Geneva, and by the end of the 19th century Canada accounted for 85 per cent of the De Kuyper turnover. After the early death of Cornelis, his widow, Maria Catharina, and her two sons, Carolus and Johannes, continued to run the business. Exports doubled as new markets opened up, including Belgium, Germany and Java. Profits continued to increase, from 50,000 guilders[1] in 1850 to 450,000 guilders in 1900. In spite of its success, the firm retained its traditional, family-like culture, where staff and owners worked together at the same desks. The de Kuypers and their employees appreciated, respected and understood one another.

The beginning of the 20th century and World War I brought considerable changes. While the Netherlands remained neutral during the war, supplies were rationed and production and sales declined. Post-war sales rose, yet soon thereafter Prohibition was declared in the United States, Norway and Finland, and for a short time was also applied to Canada, once more dampening sales. Searching for new initiatives, the company purchased another distillery and began producing liqueurs. The variety of flavors slowly expanded, and De Kuyper strategically formed partnerships at the end of Prohibition with distillers in Canada and the United States.

By 1930, when the son of Carolus, Paul de Kuyper, was running the family firm, De Kuyper was producing almost 20 different varieties of liqueurs, including apricot brandy, cherry brandy, triple sec and crème de menthe. Once more though, the environment turned, and the Great Depression, which had started with the crash of Wall Street in 1929, was soon felt in the Netherlands. Production quotas were applied to Dutch distilleries to counter price reductions. In turn, De Kuyper set up its own production facility in Canada, which was overseen by Henry de Kuyper, Paul's son, making Canada once again the most important source of profits. In 1934, De Kuyper formed a distribution agreement with the National Distillers Products Corp of New York to sell products in the United States; soon thereafter, they established a joint production facility in New Jersey called John De Kuyper & Son USA Inc.

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[1] *The guilder was the Dutch currency until 2002.*

World War II brought great change to the Netherlands; unlike World War I, the country was very much involved in the Second World War. De Kuyper was significantly affected both by the rationing of supplies and the inability to export. It began to innovate with new recipes and alternative, readily available raw materials. Reluctant to dismiss employees in spite of the decrease in production, personnel were quietly allowed to take off several hours daily without wage disruption. This was done to ensure that employees would not be sent to Germany for forced labor, as would be the case if the Labor Offices discovered that the company had excess labor. Meanwhile, in Canada, Henry de Kuyper continued to oversee operations and was able to carry on activities at reasonable levels, as was the United States' subsidiary.

Following World War II, trade and industry began once more to expand rapidly. Businesses, homes, and roads all needed to be rebuilt in Europe, and demand increased. It was during this time that Paul's youngest son, Remy, joined the firm. During the post-war years, the firm mainly promoted the sales of Geneva, but by the 1960s, the production of liqueurs had overtaken that of Geneva. Drink tastes had changed and the use of liqueurs in cocktails had gained popularity; the American custom of "having cocktails" had been quickly imitated in Europe. In spite of several oil crises and major recessions during the 1970s and 1980s, De Kuyper continued to prosper. On December 31, 1985, De Kuyper sold its 30 per cent share in the joint venture John De Kuyper & Son USA Inc. to National Distillers, who became the sole owner. Several months later, National Distillers sold its entire liquor division to Jim Beam, who retained the right to manufacture and market the De Kuyper brands in the United States under a perpetual agreement.

In 1995, on the occasion of the family business's 300th anniversary, Queen Beatrix of the Netherlands bestowed the title "Royal" on the firm, and the company name changed from Johannes De Kuyper & Zoon to Koninklijke De Kuyper (De Kuyper Royal Distillers). The company received this honor because of its long, rich history in the Netherlands, and the success of the family business. By 2009, De Kuyper was the largest brand of cocktail liqueurs in the world. With its history and its innovative, entrepreneurial spirit, the family firm had developed a very successful and strong global presence.

Over the past decade, De Kuyper had been involved in a number of acquisitions of local brands. There had also been interest from competitors, private equity firms, and investment funds to purchase the firm, yet the family had never responded to these advances. By 2010, De Kuyper had annual sales of more than 60 million bottles and exported to more than 100 countries. The company was well known for its wide range of De Kuyper Cocktail Liqueurs and brands such as Peachtree, Warnink's Advocaat, and Mandarine Napoléon (see Exhibit 1).

Since its founding in 1695, De Kuyper Royal Distillers had been fully owned by the de Kuyper family. The family business had grown from a small manufacturing firm to a professional, global, stable company with sufficient cash on hand to continue its steady growth over future generations. The de Kuyper family had the characteristics of a conservative Dutch family, with a strong hierarchy and a modest style of living. While the family had sufficient wealth to live an extravagant lifestyle, none of the family members had chosen to do so. Family members were proud to belong to the sixth-oldest family business in the Netherlands, and the firm's advertising messages often focused on continuity and nostalgia as opposed to the firm's innovation and high technology.

GOVERNANCE STRUCTURE

In 1972, De Kuyper established a supervisory board ("Raad van Commissarissen"), consisting of five members. In the Netherlands, not all firms were required to have a supervisory board; this mandate was based on the number of employees and the amount of equity in the firm. Yet the de Kuyper family felt it was important for the health of their business to have a board with external members. The board met four times per year, not including the annual meeting. It was responsible for monitoring and control, reviewing the budget, approving all strategic decisions, and chairing the annual meeting. It was also responsible for appointing the managing director, who, in turn, reported directly to the board.

De Kuyper downsized the board to three members following the sale of one of its larger companies, a chocolate firm. The supervisory board then consisted of two external members and one family member. The external chairman was a lawyer, specializing in mergers and acquisitions, and corporate law. The other external member was an entrepreneur who had founded his own family firm in the biotechnology industry. The internal member was Renée de Kuyper, the sister of Bob de Kuyper. Renée had run her own firm, a successful furnishing and interior design company, which she had recently sold to her business partner.

BOB DE KUYPER

Bob de Kuyper was the 10th generation to oversee the family business (see Exhibit 2). Educated in the Netherlands, he held a Bachelor of Economics and a Master of Business from Erasmus University. Under his direction, the firm's culture had changed from being top-down to decentralized, giving employees decision-making authority. For 10 generations, despite occupation, two World Wars, Prohibition, and economic and financial crises, the family business had continued to prevail and be successful. Except for one ten-year gap, a family member had directed the company for each of those generations.

Bob was 31 years old when his father, Remy de Kuyper, resigned as managing director. Remy had relied upon a highly trusted advisor for both business and personal issues. It was this advisor who had persuaded Remy that it was time to retire and make room for Bob as a leader within the family business. When Bob first joined though, he was not yet ready to take on the leadership of the firm. Instead, he took a role managing sales and marketing within the firm, allowing him to deal directly with customers. The family felt that understanding the customer base was critical to the firm and the development of a good leader. During that time, Frans Auer became the interim managing director. Frans had extensive experience; he had been the commercial director of Droste, a Dutch chocolate company, and had also previously worked with Unilever, Quaker and Heineken.

Ten years later, in 1991, at the age of 41, Bob took over as managing director. As a result, Bob was no stranger to having an outsider fill the leadership role at the firm when there was no family member available or ready to take over. After his experience, he thought it was quite healthy for the firm to bring in an outsider on occasion. Doing so brought new perspectives and new practices into the firm. The ideal, he thought, was to bring someone in who was over-experienced, looking to share their expertise, and who could act as a mentor and coach for the next generation.

SUCCESSION AT DE KUYPER

Prior to Bob's father, Bob's grandfather, Paul de Kuyper, had been the managing director of the family business. At that time, there were four other family members working within the firm — three cousins and one in-law — but Paul was the key decision maker. At the time the family firm was generally passed onto the eldest male. Additionally, in order to keep the family business tree pruned, and avoid problems of the cousin consortium, the managing director bought out the other siblings.

Paul had five children — four sons and a daughter. One son was an engineer and the other was a lawyer; neither had an interest in the family business. As a female, his daughter was simply not considered for the family firm. Henry, the eldest son and heir apparent, married a Canadian when he went to Canada. Much to Paul's disappointment, Henry did not return to run the family business, as his wife was not fond of the Netherlands. This left Remy, Bob's father. He was the youngest of the five children and worked for KLM Airlines in Rome. After Henry's decision to stay in Canada, Paul asked Remy to work with him in the family business, and shortly thereafter Remy joined the firm. The father and son worked together until 1966, when Paul retired.

It was during Bob's leadership that De Kuyper implemented a formal framework for succession, with strict criteria for family involvement within the firm. These included:

1. Minimum of a college degree.
2. Relevant work experience in related industries and had to have proven himself/herself successful.
3. A position needed to be available within the firm.
4. Possess the necessary qualifications for the position.
5. Undergo an assessment by an outside agency on their capabilities.
6. Appointment to a position for a family member needed to be approved by the supervisory board.

The successor was therefore appointed by the supervisory board.

BEN VAN DOESBURGH

As the eldest male, Marc de Kuyper was the heir apparent to succeed Bob within the family. Though Marc had expressed his interest in joining the family business, the supervisory board had decided to hire an experienced external managing director to replace Bob. The family had hired Ben van Doesburgh, who would act as managing director beginning in November 2009, for an initial period of five years. During that time, one of Ben's goals was to prepare the next generation of de Kuypers for senior management roles within the firm. Which family member was going to play a leading role remained uncertain. Although Marc was the oldest of the next generation and had shown interest in joining the family business, Marc had not been given any guarantees, and had experienced difficulties in communicating with his father.

Despite the fact that the family had not yet delivered a successor, Bob was pleased with the decision to appoint Ben as the new managing director. He noted, "Our family is delighted with Ben's appointment. With his broad international experience, including the spirits industry, he will strengthen our company and be an excellent coach for the 11th generation." Ben was also excited about this opportunity, saying, "After a career of 27 years in multinational companies, I am looking forward to being associated with such a remarkable Dutch family firm as De Kuyper Royal Distillers. I am committed to continuing Bob's work and handing over a successful company to the next generation."

Ben had also studied both economics and business at Erasmus University in the Netherlands. His career had started with Procter and Gamble in marketing, where he had held several regional and national management positions throughout Europe. Ben had then proceeded to join Mattel, where he had overseen operations in Europe, the Far East and Africa. Following Mattel, he had taken the leadership role at Maxxium, a marketing, sales and distribution organization of premium drink brands that included Remy Martin Cognac, Jim Beam, Absolute Vodka and Famous Grouse from the Edrington Group. Headquartered in Amsterdam, Ben had overseen 30 subsidiaries worldwide. He joked that his career path had followed the growth of his children — from diapers at P&G, to toys at Mattel, to drinks at Maxxium and now at De Kuyper.

MARC DE KUYPER

With Ben van Doesburgh heading the business as the managing director, the supervisory board continued to ponder the selection process for the subsequent managing director of the family firm. The next generation consisted of seven family members. Besides Marc, there were his younger brother Remy, who was 29, and his younger sister Camilla, who was 26. Furthermore, Marc had four cousins, all of whom were younger than 25.

Remy worked as an analyst at Douwe Egberts. He had also thought about working for the family business. Remy was an excellent team player and an informal leader who was not even aware of his qualities. He would often rise to an informal leadership role when working within a team. Camilla had recently started working as a lawyer, specializing in human resource and labor law. She was the only one of the three siblings to have ever formally worked at De Kuyper, where she interned one summer.

To date, Marc was the only member of the next generation to have explicitly expressed an interest in a leadership role at the family firm. He was also the only one to have spent time in a private school, living apart from his family from the age of twelve until eighteen. As a result, he felt he had not developed the same close relationship with his parents that his brother and sister had. After high school Marc spent a year working, subsequent to which he decided to pursue a university degree. He graduated in business administration and information technology at ISER in Rotterdam. During his studies, he also founded a small Internet company that he ran for five years. After graduating, Marc felt he would benefit from working in a corporate environment, and in 2005 he sold his Internet firm and started as an account manager at Verizon Netherlands, an American-owned telecommunications company.

As the eldest of his siblings, Marc was the first to be exposed to family business matters and to show an interest in the company. Marc explained, “When I started my studies I also became involved in the association of family businesses in the Netherlands. I began to learn about the process of succession in family firms and the transition of one generation to the next. This made me really enthusiastic.” He felt he wanted to know more about the governance of family firms and the families involved, so he became active in the Dutch chapter of the Family Business Network (FBNed). Later, he also became a member of the FBN International Next Generation Committee (NxG).

Through the FBN network, Marc came in contact with ABN AMRO Bank, which was setting up a Family Business Centre. In 2006, Marc left Verizon and joined the bank as part of the Centre. In his new role he worked with a variety of family businesses, gaining insights into family firms. At the same time, he gained experience on financial institutions’ perspectives of family-owned companies. Marc was well paid at the bank with a high salary and excellent benefits, including generous loan terms and a company car. However, in 2007 ABN AMRO was acquired by the Royal Bank of Scotland, Fortis Bank, and Santander. As a result of the acquisition and subsequent restructuring, the bank decided to move away from its focus on family firms, and Marc’s department was disbanded.

During his tenure at ABN AMRO, Marc underwent a series of assessments by an external firm. This external firm was engaged by De Kuyper to assess Marc’s competencies for a future role within the family firm. The external firm advised that Marc would benefit from additional sales or marketing experience. Marc discussed the advice with his common-law partner and they decided this would be a good move; furthermore, the timing with the changes at the bank worked well. Both Marc and his partner realized that the move would mean a significant reduction in income and in the generous benefits that Marc currently received. As they had recently purchased a house in Amsterdam, this would put a strain on their budget, but they were willing to make the sacrifice if it meant possibly solidifying Marc’s career within the family firm. Marc therefore accepted a lower salaried position as a sales manager with a trade marketing focus at Westland, a family business producing cheese. The hope was that this position would help to prepare him for a leadership role within De Kuyper.

Marc's salary at Westland was half of that at the bank, yet the family who owned this business had developed ties with the de Kuyper family through FBNed. Bob de Kuyper felt that working at Westland would give Marc the opportunity to gain the necessary experience in a family firm setting. After fourteen months at Westland, though, Marc concluded that the work experience he was gaining was more sales-focused than marketing-focused. Cheese is sold as a commodity in The Netherlands, and therefore Marc felt he was not developing any marketing (or sales) skills for premium luxury goods. He decided to look for something that was more marketing focused, would allow him to express his creativity and that was in line with what he thought the family business would demand from him. However, Bob was concerned that Marc had left his position too quickly and that there was still much he could learn from Westland.

Over the following year, Marc continued to face challenges in his pursuit of a position at De Kuyper. Marc found it difficult to find a new position that would fit the assessor's advice after Westland. He was exposed and attracted to several entrepreneurial start-up opportunities, but they did not fit the profile of their family business. Due to his family connections, several competitor firms that he applied to refused to offer him an opportunity at their firm. It was also during this time that Marc and his partner separated, leaving Marc with all of the financial obligations they had accumulated during his time at the bank. Though Marc made a number of lifestyle changes following the separation, he needed to ask his father for loans to help him meet his financial obligations. Family members, however, did not necessarily recognize the lifestyle changes he had made.

In July 2009, Marc joined Bickery Food Group, a small food distribution company, as a brand manager. Again, he had a decrease in salary. Nonetheless, Marc felt that his new position would help him gain pragmatic and useful marketing skills. Marc was confident that his work experience to date would allow him to build a fast track career with Bickery for the next four years and reach a senior-level marketing position, before hopefully moving to De Kuyper. Marc commented, "Our main goal is to pass the company onto the next generation. It is not a given that I would be the successor of the company because I am the oldest or any family member for that matter. While my father was the oldest child, with him, it was a more open process. Today, we have very strict criteria to meet in order to work for the company and to participate on the supervisory board. In my mind, the right time to discuss succession is in the early days, so while the successor apparent is as young as possible."

While Marc knew he was not yet ready for a leadership role within the family firm, he was becoming frustrated. He did not feel that the family recognized his capabilities and the knowledge he had gained at Verizon and ABN AMRO, and they did not discuss the succession process. His frustration grew even further as he believed he had complied with the criteria the family had set up for the next generation. He felt that the family and the supervisory board continued to keep him in the dark on the process of how and when he could join the family business or what was expected from him. The financial implications of his career change started to feel like a sacrifice rather than a rational choice. His passion and pride for his family legacy still drove Marc to continue to follow the assessors' advice, but his frustration continued to grow.

Marc continued: "If I was managing director I would start to talk about the business with my children and their cousins much earlier, and let them be part of the business when they were young. For example, 10 per cent of the family's gained wealth goes to the charity. Currently, my aunt oversees the family's philanthropy; she decides where the money goes. My idea would be to encourage the next generation to initiate their own projects, so they start learning to deal with the responsibilities. In that sense, you can work together as a family."

Marc realized he had to make some critical career decisions in order to meet the criteria set by the supervisory board. He believed that essential to this process was the coaching and communication from his father, which he did not feel he had yet received. Marc stated, "In our family we don't talk about the business. At the dinner table we do not discuss issues about the business." Marc explained that he had tried to start this conversation, but that he had not succeeded in getting the clarity he felt he needed.

As the most respected family member, Bob de Kuyper still had a significant voice in the succession decision. Bob knew the company the best. He also had the knowledge and experience to determine who would be the most capable person to lead the business. Marc felt he would have to convince his father foremost if he were to become the successor.

ALTERNATIVES

As Ben van Doesburgh started his position as the new managing director, Marc tried to determine what his options were. He thought about the advice others had given him over the last several years and his work at ABN AMRO, where he had gained significant knowledge about family governance. In each project at the bank he had found a straightforward solution, but now he was unsure of next steps. He felt he had already sacrificed significant time towards obtaining a position in the company. These sunk costs weighed in with his decision.

For the supervisory board, this was purely a business matter; as long as there was no clear family member to lead the firm, the board would continue to hire experienced outside managing directors. Marc felt that communication with his father was a key factor in the succession process and had tried several times to improve this aspect. While Marc felt fortunate that he was born into a family with such a legacy, he also felt he had to carry the burden of it. Deep down, he felt his ambitions to join the family business had kept him from doing other things. While the family business had already been successful for 10 generations, this time it was impossible to tell what was going to happen.

In reflecting on his own situation, Marc wondered if there was something else he could do to convince the family and the supervisory board about his seriousness. He was not receiving any direction from his family or the supervisory board on the future. Marc had approached his family to ask if they could provide him with a timeline with respect to a future role at De Kuyper. If so, then he would stay at Bickery, but if not, then he wanted to explore other opportunities. He wondered if he should think about other possibilities — outside the family firm. He had been successful at starting his own Internet firm; should he pursue that avenue again? He wondered if his best option was to prove himself by building a successful career outside of the firm and being passionate about his work, and then in turn hope that the supervisory board would make a decision in his favor. Yet he felt that even the supervisory board had not given him any clarity. Maybe, after all, this was what the board wanted him to find out for himself.

Exhibit 1

PRODUCT RANGE

Liqueurs: Almond, Amaretto, Anisette, Blue Curaçao, Cactus Juice Margarita, Coconut Amaretto, Coffee, Crème de Cacao (White), Hazelnut, Mad Melon. Melon, Orange Curaçao, Razzmatazz, San Tropique Tropical Rum, Sloe Gin, Thrilla Vanilla French Vanilla, Triple Sec and Wild Strawberry.

Schnapps: Apple Barrel, BluesBerry, ButterShots, Cinnamon, Crantasia, HotDamn! 100 Proof Cinnamon, HotDamn! 30 Proof Cinnamon, Key Largo Tropical, Mountain Strawberry, Old Tavern Rootbeer, Peachtree, Peppermint, Spearmint, Tropical Pineapple, and WilderBerry; also, the tart Puckers line, which includes Berry Fusions, Strawberry Passions, Cheri-Beris, Grapes, Island Blues, Peaches, Raspberry, Sour Apples and Watermelons.

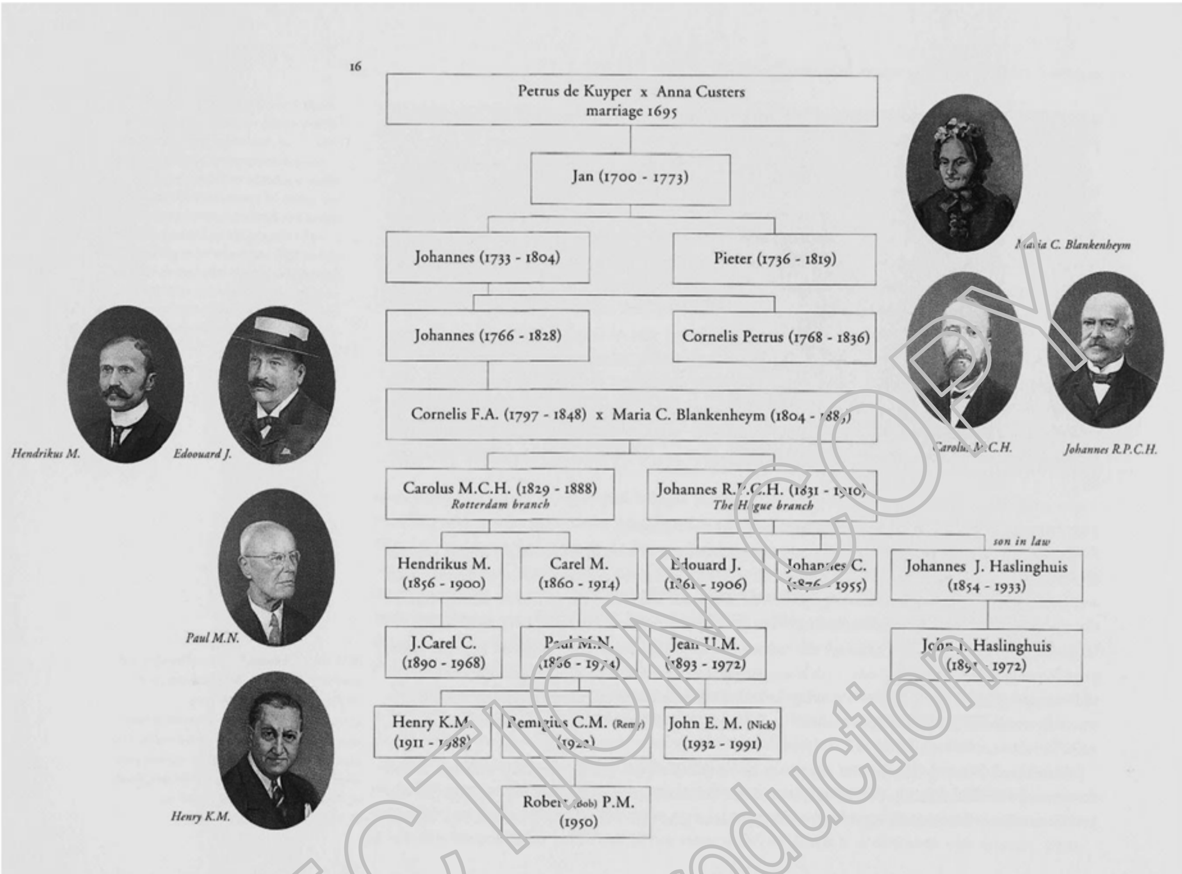
Brandies: Apricot, Blackberry, Cherry, Ginger, Kirschwasser Cherry, New England Style Coffee and Peach.

Cremes: Crème de Almond, Crème de Banana, Crème de Cacao (White), Crème de Cacao (Dark), Crème de Café, Crème de Cassis, Crème de Menthe (Green), and Crème de Menthe (White).

Source: www.dekuyper.com; accessed November 15, 2010.

Exhibit 2

FAMILY TREE



Source: K. E. Sluyterman and H. H. Vleesenbeek, Three Centuries of De Kuyper: A History of Geneva and Liqueurs, Prepress Center, Assendelft, Netherlands, 1995.