

PETER BRABECK-LETMATHE AND NESTLÉ¹

Peter Brabeck-Letmathe was taking a break from a long climb up the Corbassiere Glacier.² Whilst he drank a little water he admired the splendid view in front of him where the Grand Combin³ stood out from the other peaks. He had had the opportunity to contemplate the marvels of the Alps on many occasions and they had become great confidants, with whom he had learnt to share both his personal and professional ideas and projects.

Just at that moment, without even realising, he began to reflect on his professional career. He had joined Nestlé when he finished university in the late 60's and after occupying several different management posts, mainly in commercial areas, he was appointed CEO⁴ in 1997 and had been Chairman of the Board from 2005. In Exhibit 1 you can see the summary of Nestlé's financial and economic information from 2003 to 2012.

Peter Brabeck was aware of how important their managers' long-term term careers were for Nestlé, and for many other companies, which was why he had accepted for the Instituto Internacional San Telmo⁵ to write a case about him and Nestlé. The writers had convinced him that it could be used for reflection and could also help many other young managers who were just starting their professional careers, as well as top managers who were confronting similar challenges.

¹ Case published by the Research Division of Instituto Internacional San Telmo, Spain. Prepared by Professor Antonio García de Castro from the Instituto Internacional San Telmo in collaboration with D^a. Rocío Reina Paniagua as a research assistant. This case is developed only as the basis for class discussion. Cases are not intended to illustrate any judgement on the effective or ineffective management in a specific situation.

Copyright © September 2013 Instituto Internacional San Telmo, Spain. Revised in January 2014

The reproduction of all or any part of this document or its storage and/or transmission in any form or by any means, whether electronic, mechanical, photocopying, recording or otherwise, without express written authorization from Instituto Internacional San Telmo is hereby strictly forbidden. To order copies or request permission to reproduce this case, please contact with Case Publishing Department, calling +34954975004 or by email to casos@santelmo.org.

² Peak of the Pyrenees or Valais Alps.

³ One of the best known mountains in the Alps.

⁴ Managing Director.

⁵ Leading business school for top managers, specialising in Food chain companies www.santelmo.org.

On the other hand, 2017 was just around the corner, when he would have to leave his position as Chairman of the Board of Directors, as he would have reached the age limit of 72 years old. It was more or less four years away and he wanted to review the plan that he had drawn up and that included affairs that he either wanted to leave sewn up, or at least underway, in order to retire quietly after nearly 50 years in the company; he specifically wanted to delve deeper into the more important decisions that he needed to put to the Board of Directors and even to the Annual General Meeting of Shareholders, which would be crucial in getting Nestlé recognized as the world leader in Nutrition, Health and Welfare in the next few decades.

Furthermore, in 2016 Nestlé would be celebrating its 150th birthday and he wanted to get ahead with the activities that were planned and others that were still being considered, to commemorate this important anniversary. He was well aware that very few companies lasted a century and a half, and that even fewer reached that 150 years as world leaders. That is why it was such a great occasion for different interest groups to get to know Nestlé better: in terms of their achievements and future projects.

Once he had got his breath back he continued his climb up the mountain, sure that on the way to the top he would still be thinking of how to approach these latest new challenges in his era as Chairman of Nestlé.

HIS BEGINNINGS

Peter Brabeck on the 13th of November 1944, in the Alpine region of Carinthia, Austria, just six months before the end of the Second World War. After the war, Peter and his family had had to cope with severe financial duress, which had made him mature very quickly.

His father had been a sales rep in an international petrol company and, as such, travelled constantly. For Peter: *“Sharing life with my father, forever being on top of something that was in continuous movement such as a petrol rig, was quite important in terms of gaining experience. On the other hand, being born in the triangle between Italy, Slovenia and Austria opened me up to the outside world and also helped me to get to know the Latin culture, which captivated me. When I was just 14 years old I went to England alone for the first time and then later on when I was 16 I also spent some time in Spain. I wanted to see the world and I was lucky enough to have parents who allowed me to do many things”*

Surrounded by the Austrian Alps, they had become his escape route and by the age of 10 he was already keen on climbing. As a teenager, his passion for adventure increased and he often travelled long distances in night expeditions through the Alps accompanied by his friend Hans Thomasser.

After leaving secondary school he joined the University of Commerce in Vienna where he studied Economics. In his summer holidays in 1967 he decided to sign up for an expedition to Tirich Mir, the highest peak in the Hindukush region in Pakistan.

Unfortunately the trip ended in tragedy when Thomasser and another friend died when they fell off an ice ledge during the ascent. Peter wasn't with them as he had lost a game of poker that they had played to decide who would stay down and miss the last climb, as there was only enough food for two. This event marked him for life. In an article in *Time* magazine he said *"When you lose one of your best friends in an expedition, you become more aware of how great the risks are, but you also become more aware of how relative people are"*. Up to that moment he had thought of continuing with his doctorate although when he got back to Austria he needed to get away so he decided to look for work in the private sector.

In 1968, after graduating from university, Peter started to work in a company called Findus, despite having received other offers from companies such as IBM, a few petrol companies... But Peter chose against them and in favour of Findus because *"my first question in the interviews was if there was a good possibility of working in Latin America during my professional career with them. And the only company that offered me what I wanted was Findus"*.

His work consisted of selling ice cream to cafeterias and supermarkets and travelling all over the Austrian Alps in a refrigerated truck. At first he did not know that the company was a subsidiary of Nestlé. When Nestlé sold Findus to Unilever in Austria, Brabeck was able to choose between staying on and working for the new owner or redirecting his career with Nestlé. Up to that moment Unilever had been their main competitor for him in his role of salesman for Findus ice creams and frozen foods, so his commitment to Nestlé was strong, which is why he didn't hesitate in deciding to work for Nestlé, because *"I am a person who identifies very much with what I am doing, I find it difficult to change sides if I firmly believe in what I'm doing."* Furthermore Nestlé offered him the chance to travel to Latin America, whereas Unilever didn't, which confirmed Peter's wishes to develop his career in the Swiss company.

HIS EXPERIENCE IN LATIN AMERICA

In 1970 Peter Brabeck was appointed Sales Director for ice creams in Chile, where he then went on to become part of the select group of expats that were at Nestlé's disposal, and whose careers were directed from the multinational's head office in Vevey. He admitted that his initial happiness at being sent to Chile came more from having the opportunity to get to know Chile, its mountains and the Latin culture than the business side of things, although later on he realized just how important this stage of his learning had been.

Before moving to Chile, Nestlé thought it would be a good idea for him to spend some time in Spain to practice the language. When Peter arrived in Chile he discovered that Nestlé's business problems stemmed from the possible risk of the company being nationalised although Nestlé decided to stay in Chile despite the political and economic crisis that the country was going through.