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NEVER MIND EXPLOSIVE GROWTH AND ALLURING REVENUE TARGETS. LA LORRAINE BAKERY GROUP CEO **GUIDO VANHERPE** WANTS TO MAKE THE COMPANY BIGGER BUT ABOVE ALL, BETTER. IT'S A TRIED AND TRUE STRATEGY THAT HAS SUSTAINED THE MULTINATIONAL BREAD PRODUCER FOR DECADES.

WORDS **JACOB GOLDBERG**



In his 26 years working as CEO for the family-owned La Lorraine Bakery Group, headquartered in Belgium, Guido Vanherpe has always believed in the value of long-term thinking and in investing in the company culture rather than chasing explosive sales growth based on the short-term.

This mindset has served Guido and the business well, helping it to expand across Europe with an array of quality products to become a company with steady finances, posting revenues in the hundreds of millions of euros. “Being a family business, we have this long-term objective and culture that motivates people to stay connected with our product, to stay passionate about our product, and to keep the expertise in the company,” he says.

Over his time with the business, Guido has witnessed competitors grow faster and admits that, occasionally, he found himself wondering if “we were missing opportunities”.

“But I have also learned that there is never a last train passing,” he says. “We gave priority to a steady growth rhythm that allowed us to keep a good balance between growing bigger »

IN FOCUS

NAME:
 Guido Vanherpe

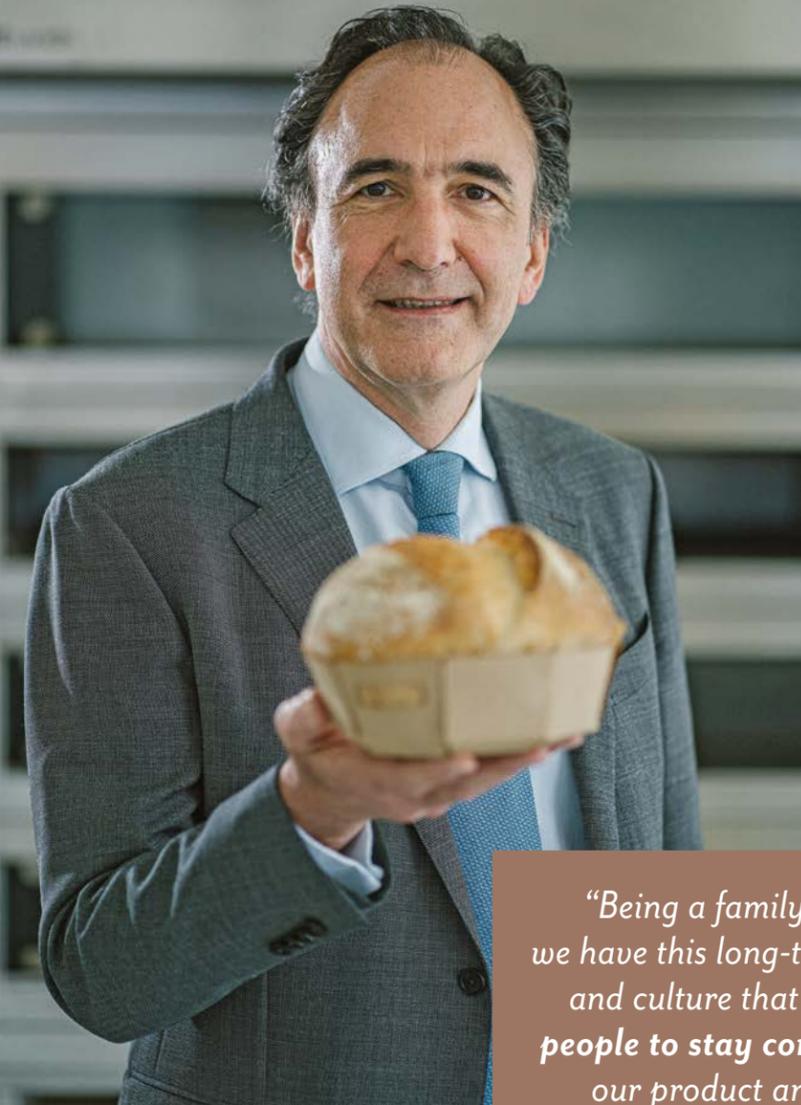
COMPANY:
 La Lorraine Bakery Group

POSITION:
 CEO

LOCATION:
 Ninove, Belgium

Interview | INNOVATE





“Being a family business, we have this long-term objective and culture that motivates people to stay connected with our product and to stay passionate about our product.”



But honestly, I could not care less about that. You can be a company of three billion but worth nothing because you don't have the culture anymore. You're just an empty company.

“I would prefer to have a different figure, which may be lower but still be able to say that in 20 years we'll still be an entrepreneurial company with the right culture, eager to grow and to do it in the right way – not just to become bigger, but above all, to become better, because that tells you something of the real value of the company.”

The other important element to this long-term approach is to stick firmly to a strong, well-defined strategy. For La Lorraine, that means always investing in product leadership, aiming to attract the best talent for developing and innovating new market offerings.

At the same time, Guido aims to keep the company agile, ready to adapt when necessary without straying from the main strategy. “If you can combine that strong culture with those values, attract the right talent and stick to a good strategy, I think you've made the future,” he says.

FAMILY PASSION

La Lorraine was founded in 1939 in Belgium by the Vanherpe family. Today, its goods are sold in more than 30 countries and made at 12 bakery production sites in Belgium, Poland, Turkey, Romania and the Czech Republic, with plans to open a new facility in Russia soon.

The group also owns franchise chains Panos and Deliway, the leading market reference for

a fast sandwich lunch, with close to 400 stores in the Benelux countries.

Guido is from the third generation of the family since the company was founded. Before he took on the role, he went to work for multinationals, including P&G and Unilever, for more than five years, declining the family's offer to join the company straight out of business school because he felt it was vital to bring in outside experience.

“I said no because I thought it was really a bad idea to join the company as the son of my father or the nephew of my uncle, who was the CEO at the time,” Guido explains. “This way, I could join with expertise and not just as a family member. But of course, with their trust and the confidence.” »

but above all, becoming better. Quantitative growth without keeping your company culture well-tuned with its true values and higher purpose, does not pay off in the long term.”

Guido is more committed than ever to staying the course. “The fact that we think across generations motivates us to invest in the best talent who connect with a culture that keeps them focused on the job,” he explains.

Culture is so important to Guido's strategic thinking that he prioritises it even above sales and profitability figures, trusting that if you take care of the former, the latter will follow. “It's the single most important element that will keep you going for the next 20 to 50 years – not your business and not your figures,” he insists. “If people ask me, ‘Where do you want to be in 20 years?’ you might expect me to say, ‘To be a two- or a three-billion-euro company’.



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DANIEL MALCORPS
CEO Puratos

Puratos offers a full range of ingredients for artisans, industry, retailers and food service companies in the bakery, patisserie and chocolate sectors. The company has grown to an international group selling in more than 100 countries. What has been the secret of Puratos' success?

Puratos started in 1919 in Belgium, over 100 years ago. We have always aimed to help our customers be successful with their business, by turning technologies and experiences from food cultures around the world into new opportunities. Innovation has always been in our DNA.

As CEO, how do you make sure the company keeps on innovating, even after its 100th anniversary?

Our relentless quest to understand customers' needs and expectations, combined with our extensive consumers research and our people, are our main source of inspiration for innovation. In order to continuously inspire our customers, we embarked on our ambitious “Mission to

Mars Programme”. The extreme conditions on planet Mars dared us to develop disruptive technologies to better embrace our challenges here on Earth. No oxygen, high concentrations of carbon dioxide, an average daily temperature of -60°C, and dust storms are not the easiest conditions to grow crops or bake bread. So, we are investigating how to efficiently cultivate grains in hermetically closed and fully controlled environments. We believe we'll be able to grow wheat with only 5% of the water currently required. This technology could also be used in densely populated areas where farmland is not always available, or in regions with extreme temperatures. To make bread more nutritious and diversified, we also investigate the possibilities of new crops. We don't limit ourselves to wheat or grains to make bread. We are also investigating how to cultivate fruit in these conditions and looking into the usage of nano drones for pollination.

Innovation has always been in our DNA.

Can you share examples of how your customers can benefit from these innovations on the short term?

The first innovations are already being tested. Our Mars programme helps us create products with a low sustainability index. We believe it will reduce the global warming potential of breadmaking by 30%. We will open our PuraDome soon, which is a Food-Tech Centre that will host cutting-edge research programmes. There we will collaborate with startups and invite our customers to explore with us the possibilities to further grow their business in a sustainable way. We want to help them win.

Though Guido was very happy working at Unilever and could see a future for himself working for large multinationals, he stuck to his plan to come back to the family business because he saw an enormous opportunity there: the product was great, but the company was still small.

“On my first day, I remember my uncle saying, ‘There’s good news and bad news. The bad news is this is not really a big organisation. We are here, and there is a production manager and a sales manager, and that’s it. So you have a very limited team. But the good news is you can create your team and grow the company.’ I thought that was a great challenge,” Guido recalls.

“I grew up with a passion for this family business because I heard everyone talking about it at home. And I was involved in a lot of discussions about it. It was definitely something that fascinated me.

“Then I started understanding that I could take responsibility at a young age in a company where I could really have an impact, and also have the trust and the confidence of family shareholders with a very long-term vision.”

EXPERT MILLERS

La Lorraine is not a company that pursues low costs in its operations above all else. While the company values operational excellence, it prioritises quality and product leadership. “I think we have evolved from a company that had purchase managers who were just looking for a certain ingredient without too much description at the cheapest possible price,” Guido says. “That’s not the one that will guarantee you can build the best value.

“We always say that if we have the choice of getting our quality a little bit higher but it costs a little bit more, and we can get more value for that, that’s the choice we’re going to make. Of course, you cannot be successful without paying attention to operational excellence too.”

That’s something that comes naturally with the company’s international expansion strategy. Each time La Lorraine enters a new country, it starts by exporting its goods from a different country. Once it achieves critical mass, it builds a local factory to avoid high long-haul logistics costs. As Guido points out, investing in and then scaling up local operations has the benefit of making the company more sustainable.



“We think globally in terms of our strategic model and concept, but we really act locally in terms of our supply chain and factory footprint.”

“We think globally in terms of our strategic model and concept, but we really act locally in terms of our supply chain and factory footprint,” he says. “We don’t want to get too centralised because bread is quite an expensive product to transport, but also because not being so is more sustainable and gives us local leverage, while we can also add local specialties and products.”

Guido works in partnership with dozens of suppliers to secure the ingredients that go into its cakes, sandwiches, breads, tarts, sausage rolls, pastries and doughnuts, among other products. For the main ingredient, flour, the company has its own mill for its Belgian bakery production units.

“If you get the right flour, you have already won half the battle,” Guido says. But La Lorraine does not operate the mill just to cut out the middleman or become more vertically integrated; the mill gives the company a major competitive edge because of the expertise it creates.

“The true value is the knowledge we acquire by doing that business. Our purpose is not to scale it up;

we don’t want to buy flour mills in other countries like Turkey and Russia. But with our milling expertise acquired in our Belgian mill, we know how to select the best local milling suppliers in those international markets, and we can share our technological knowledge to deliver great quality flour together.”



GOING EAST

Guido’s international expansion strategy is based on moving into eastern Europe and Russia to capitalise on the love of bread in those regions. “We’re combining the strategy of product leadership with international scaling into a clear direction,” he says.

“We call it the ‘go east’ strategy. In our industry, all the markets in eastern Europe, Turkey and Russia have something in common: they eat a lot of bread, but the bread is of quite low quality or the assortment is very limited. We were able to enter these markets where bread was a basic daily consumption product, and add a layer on top of that; a layer of enjoyment, of appreciating the quality of different breads, like ciabatta and sourdough.” »



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La Lorraine will keep following the same model, which has been the foundation of its success over the past quarter of a century.

“That is what we have been doing, and that is what we are going to continue doing. But of course, we are looking for and exploring new innovations, and we are looking for new markets step by step,” Guido shares.

The big focus over the next three years will be on launching in Russia, where La Lorraine has been exporting its products for five years. The new factory will be built close to Moscow, with the aim of making the company one of the market leaders in the frozen bake-off segment in the country.

“Russia is truly our next big battle growth project. In the meantime, of course, we want to stay best in class in our existing markets,” he confirms. “That’s why at our facility in Belgium, which was one of our first factories for frozen bakery products, we’re completely renovating it up to standard.”

“Our companies’ relationship is based on loyalty, trust and transparency. This is how organisations grow closer, long-term goals shared in open communication. I have the highest respect for Guido and believe he’s a benchmark for how industry should be managed.” – Olivier Sergent, President, Mecatherm

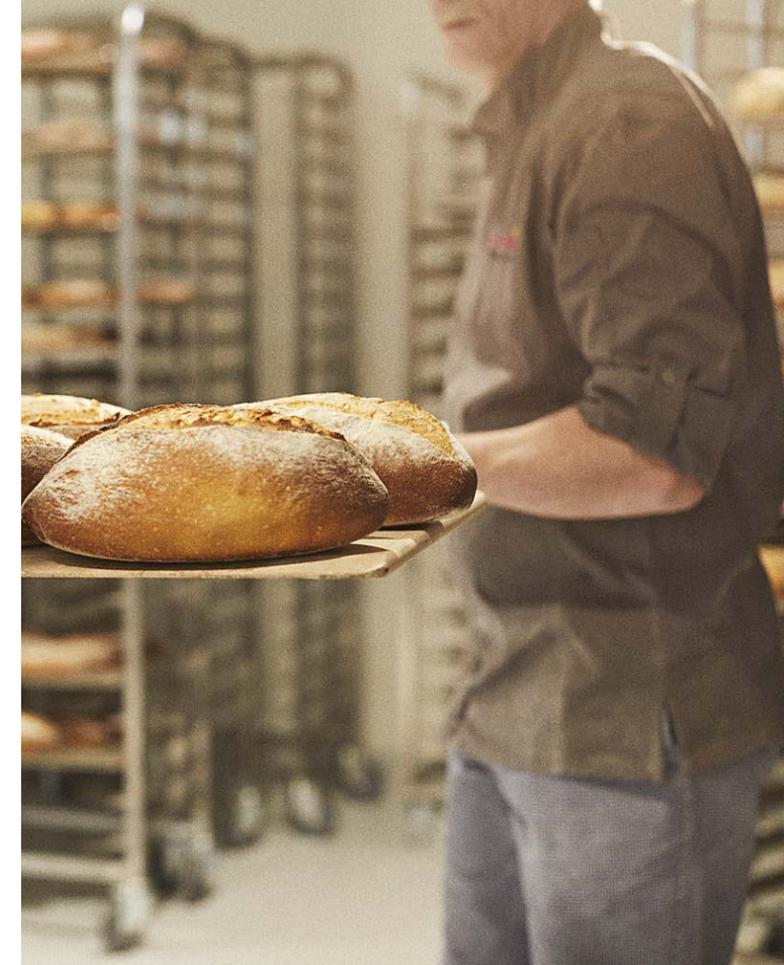


“If you get the right flour, you have already won half the battle.”

Because the company had less of a strong showing in southern Europe, it has also set up two joint ventures in Italy and in Greece.

As the company expands, Guido will keep his sights on the values that have got him to this point. A mnemonic he uses to stay focused is based on the ‘three Ps’: product, planet and people. There is a fourth ‘P’ – profit – but if the other three are covered, this one takes care of itself.

“Profit is very important, but it should be a consequence of these first three,” he stresses. “We have put product first because it’s the heart of our vision and identity. This is how we invest in our long-term strategy; it’s a virtuous circle.” ■



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