

Family Business Conflict

Case Study: Jane Lauder Sought Ouster of Cousin At Estée Lauder

By Emily Glazer and Natasha Khan, WSJ, 11/11/2024

In early September, some board members at Estée Lauder received a private letter calling for a shake-up within the company. The letter stated that longtime executive chairman William Lauder was harming the company and needed to resign. Interestingly, this message did not come from an activist investor but from another member of the founding family: William's cousin and fellow board member, Jane Lauder.



The cosmetics heiress and Estée Lauder executive sent this scathing missive after learning that she had lost out in the competition to become the next CEO of the company, which was founded by her grandmother. According to people familiar with the matter, Jane was displeased and discussed with some board members the possibility of taking over the executive chair position that William has held since 2009. Instead, a vice chair role was offered to her without the same level of power. Jane turned it down. Weeks later the family's feud broke back into public view. Jane, 51 years old, revealed at the end of October that she was resigning from her role as an executive vice president. The news front-ran the board's planned announcement that it had hired longtime executive Stéphane de La Faverie as CEO and that William, 64, would step aside as executive chair. In a written statement from a company spokeswoman, Jane and William said: "We have both been a part of this company for decades and we are aligned and united—together with the board of directors—and fully support the management team, in ensuring the company's long-term, enduring success.

Jane's letter to board members came after more than a year of tension within the wealthy family, whose members are among the company's biggest shareholders but have disagreed about the company's strategy and who should lead it next. Poor sales, especially in China, have hurt the business. Shares have declined more than 50% this year, erasing more than \$25 billion in market value.

Still, Jane's September letter surprised board members. Directors and some family members tried to keep the drama from blowing into the open as they navigated CEO succession and board changes. Ultimately, board members had to step in because the family members couldn't come up with a solution around the executive chair and what new role Jane could take on, the people said. The result is that for the first time in its history, no Lauder will be a top executive at the business that its namesake started in 1946 and with her family built into a giant with more than \$15 billion in annual sales. On Friday, Jane and William spoke at the annual shareholder meeting about the leadership changes.



This is a difficult time for the company, and we believe deeply that we can best serve the company's return to profitable growth by contributing more fully as members of the board and as stockholders," William said. Jane added, I will help guide [the company] through this critical period and consider it my personal imperative to ensure the legacy of our grandmother remains intact." Jane's resignation came after close to three decades of working at the company. She remains a board member and one of its biggest investors, with a stake valued at about \$1.5 billion. The youngest of Estée's four grandchildren, Jane joined the family business in 1996.

In addition to taking on growing responsibilities at the company, Jane appeared regularly on society pages with her sister, Aerin. They were in the front rows of fashion shows, on best-dressed lists and at soirees thrown by fellow members of New York high society.

Jane's ascent was very much in the public eye, though she said at a recent "Women in Power" event that she was an introvert. On stage at a forum co-hosted by WWD, Jane said she learned from her grandmother to be persistent and a problem solver. "I'm the youngest in the generation of a family of extroverts and people that have a lot of opinions, and so you have to kind of get in there and fight for yourself as well," she said on Sept. 9, around the same time she sent the missive to some board members.

Her uncle Leonard Lauder built the business into a global giant over the decades. His son William was chosen as chief executive in 2004. A few months later, Estée, the visionary founder and glamorous matriarch, died.

After a rocky five-year tenure, William stepped down as CEO in 2009 and the board promoted Fabrizio Freda, a former Procter & Gamble executive, to take on the role. That same year, Jane joined the board. Business boomed under Freda for a decade, helped by his bet on China. In recent years sales have suffered as Chinese consumers pulled back and some Estée Lauder brands relied too heavily on U.S. department stores. The company has moved to unload excess inventories, pare its dividend and cut thousands of jobs. The company's struggles and search for its next CEO split the family.

Last year, Leonard gave up his seat on the board after disagreements with William, though Leonard stayed chairman emeritus. Leonard was dissatisfied with Freda, while William wanted Freda at the helm to oversee a turnaround plan, the Journal reported. Jane shared Leonard's dismay with Freda and belief that he and William were responsible for the company's problems and stock decline, the people familiar with the matter said. Jane also wrote to some directors that the board's governance wasn't effective. While Jane was on the CEO shortlist, her experience was in brand building and consumer insights.

She lacked the financial and operations background that some directors thought were necessary for the top job, the people said. Some felt the company needed an outsider. In the end, the board opted to go with one of Freda's top lieutenants, de La Faverie.

Soon, neither William nor Jane will be involved in the day-to-day work of the business that defined their family for decades. At Friday's shareholder meeting, they each reassured investors wouldn't walk away. "Jane and I, along with the entire Lauder family, will also remain deeply invested in upholding the values that make us who we are," William said, "and importantly, continuing to champion a culture that inspires the entrepreneurial spirit of our grandmother."