family business

the magazine for family business people

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COMMENT

Two events have made us think about 'difference' recently. A seminar in Chicago, which was designed to develop the skills of family business advisers, highlighted just how differently things are sometimes handled on the other side of the Atlantic (you can read about it on page 8). Closer to home, we had a dramatic approach to dealing with a family business delivered to our living rooms through the BBC series *I'll Show Them Who's Boss*. Our thoughts are alongside. It would be interesting to hear your thoughts too.

Another theme is longevity. The pending release of the book *Across the Generations*, to be published by the Stoy Centre for Family Business (SCFB) which deals with the subject, has prompted two articles in this edition, including the profile of a long-flourishing family business.

As always, I hope you enjoy this edition and please send me any comments you have on the issues we raise or your suggestions for future topics.

Peter Leach

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Partner, not boss

Readers who watched the BBC2 series I'll Show Them Who's Boss *doubtless responded with a mixture of emotions. For those who missed it, the series involved former Granada chairman, Gerry Robinson, acting as a management guru to 'fix it' for a number of family businesses at a crossroads.*

At the SCFB, the main reaction was one of concern for the longevity of the solutions. The issues that were on the table were real and well articulated by Robinson; but these are issues that need great care and substantial time commitment for them to be dealt with in a sustainable way – much more time than the BBC seemed to have allowed Robinson. The case which is proving most memorable is that of AMT, the coffee outlet, where three brothers had jointly inherited the business founded by their father.

Robinson went into this already strained relationship and asked each brother to give a presentation on how he saw the future of the business. Following the presentations, Robinson announced who he believed should head up the business. Though he had made up his mind before the presentation, he changed his decision at the last moment, partly because of one brother's persistent lateness!

"The tactic sub-consciously, re-inforced the competition. As three males – and brothers – they were naturally already competitive," says Tony Bogod, South East chair of the SCFB "And you cannot tell a family business who should head it up. As an advisor, or perhaps more correctly, as a facilitator, one of the keys to ensuring change works for the long term is to help the family to come to the right decision for themselves. Anything they do not 'buy into' as a discussed and agreed consensus view is doomed."

"What's needed in this type of situation is a nurturing atmosphere. You need a period of education, so that the parties involved understand the issues they have and why they exist. They need to understand each other's agendas properly, and mutually agree what it is they are trying to achieve. The value of the process is often in how you get to the outcome, rather than what the outcome is." Robinson recognised this when he recommended they spend some serious quality time together – but of course when he followed this up, he was told that when they had tried to take his advice the youngest brother "wasn't available" – which defeats the whole object.

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Stoy Centre for Family Business

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In other words, the family business adviser needs to work in partnership with a company. It is often a slow process and much of it would not make good television. And this, of course, is where the problem lies because television thrives on conflict, drama and quick outcomes, not on a measured approach. So, there was no chance to allow AMT to properly 'buy into' the principle of a single boss, or into the process of selection before they were told who that boss would be.

No-one is pointing a finger at Robinson – his track record shows his ability. But if television has made family businesses at crisis point reluctant to call in a professional adviser that is a great loss to the sector.

Families learn from each other

Creating Foundations for Sustainable Growth was the theme for The Institute for Family Business (IFB)' second conference in Manchester.

Over 150 family business members attended the event which was chaired by Roger Pedder, chairman of the Clarks shoes company. Keynote presentations came from some of the UK's largest family businesses including Jonathan Warburton, chairman of Warburtons Bakers, John and James Timpson, the father and son team who run the shoe repair/key cutting retail chain, and Roger Pedder himself. The Timpsons discussed the role of values and strong business principles whilst Pedder shared some of his experiences of dealing with the family issues which surround the Clarks company.

However, listening to speakers is only part of the reason why members of family businesses choose to attend this conference. The IFB was formed to allow family businesses to improve their knowledge and to network. Members set their own agenda for the conference and so have control over the proceedings. This might sound like a recipe for disaster but in practice works very well and feedback on the meeting was highly positive. Participants cited "hearing owners talking about their real experiences", "how businesses have achieved success and managed generational transitions" and "the passion of the case studies" as some of the most valuable and enjoyable parts of the event.

Looking to the future as part of the conference, the IFB held a half day programme specifically for the young generation. Attended by over 30 people, the recurring debate focused on the importance of having formalised governance – an issue which if unresolved can threaten the very existence of the business.

New on-line help for family businesses

Although family businesses employ more than 50 per cent of the workforce – only 13 per cent of these companies survive into the third generation.

Ensuring that family-owned firms prosper from one generation to the next is the aim of the new Family Business Interactive website launched by the London Chamber of Commerce. It focuses on the specific challenges facing family businesses across Europe and will offer subscribers a unique e-learning training programme which has been specially developed for family run enterprises.

The programme offers individual training modules on the key challenges which face the family business:

- Managing transitions
- Understanding family business relationships
- Managing key stakeholders
- Leadership
- Short and long term planning

The e-learning training programme is the result of input from managers and advisers to family businesses across the European Union including the SCFB. It forms part of the EU-funded Leonardo da Vinci project, which provides support for vocational training activities.

Family business report

The family/business relationship is an extremely complex one and there are no quick fixes (see the front page article for proof of this!). However, many family businesses face common issues and challenges some of which can, if left unaddressed, have a negative impact on the business. To help family businesses identify the forces at work within their business we have devised a short, on-line questionnaire which offers a review of the business and provides some valuable food for thought.

To gain your own instant, free copy of the Family Business report visit www.scfb.co.uk/familybusinessreport

Enlightening perspectives

Family business advisers honed their skills at the Family Firm Institute (FFI) seminar held in Chicago this Spring. The FFI, which exists to ensure the quality of advice and guidance given to family businesses, used the seminar to compare and contrast fundamental differences of approach to family business problems adopted by different types of professional adviser, including lawyers, financial advisers, management scientists and behavioural scientists. The seminar also drew attention to differences of approach adopted by the SCFB.

Divided by a common language…

Just as important as the differences between lawyers and behavioural scientists are the differences between Brits and Americans. Management thinking continues to be dominated by the US, but cultural norms that apply in the US don't necessarily apply in the UK.

In the UK we deal with serious issues via understatement, irony, and self-deprecation. In the US confrontation is much more likely to be seen as a natural step towards resolution, and just as you need psychotherapists to help you deal with the stresses leading up to the confrontation, you need lawyers to help sort out the confrontation itself. Unsurprisingly, the US makes much more use of both types of adviser than the UK.

"US families are often more accepting of using psychotherapists and other types of shrink to sort out family issues," says the SCFB's Juliette Lampert, who attended the seminar. "Most UK families would shudder at the thought. At the SCFB we would suggest a psychotherapist under special circumstances of course – a drug problem for example – but to put psychotherapy at the heart of the solution in the UK would be totally wrong."

In the US the trusted family counsellor and business counsellor is, more often than not, a lawyer. In the UK the business counsellor is much more likely to be an accountant than a lawyer. Nor is a lawyer nearly as common a trusted adviser to families in the UK as he is in the US.

Horses for courses…

The lawyers present argued that they are paid to help their clients rather than to 'disclose the truth'. There seemed to be a general agreement that they will only take on cases that they can win. Cynical readers will smile at these points of view, but at the SCFB we note that lawyers have specific skills and approaches that are critical to the resolution of a family business problem. But again, as with psychotherapists, in the UK at least a more holistic approach is needed otherwise lawyers will help to reinforce the problem rather than help the client towards the solution. Illustrative of the SCFB's difference of approach is our approach to family retreats. "We would never hold a retreat for the family to discuss their own affairs without having spoken to them all individually first. This way we have an idea of what the issues are before we start the process," says Lampert. "We were surprised that the management scientists' first approach was to get the family together in a retreat to discuss all the issues. That seems a dangerous approach – it's really walking into a potential minefield and could be very damaging. You could lose ground which you could never make up."

Perhaps unsurprisingly, advisers in the US tend to work in groups, with two or three different disciplines working on a project, each covering different areas. At the SCFB it works the other way around. "The process begins with the family business issues," says Lampert. "Only when the real issues are on the table do we know which types of specialist adviser are needed."

The FFI Chicago meeting aimed to increase advisers' awareness of concepts and add to their skills and techniques to allow them to improve their effectiveness when working with family businesses – certainly those aims were achieved. Seeing the different ways of approaching the advisory role, from the point of view of a variety of disciplines, was really valuable. Seeing how two nations can approach the task so differently, was a real bonus.

Who is the client?

The Lawyer saw the client as just one person – the one who a) wanted to make a change of some sort and b) had the power and control to be able to do it. He said he would definitely not give any time to a minority shareholder and would take action on behalf of one family member against another.

The Psychotherapist said that if the whole family wouldn't get involved they would offer 'coaching sessions' to those that did want to be involved, to prepare them on how to address the issues themselves.

Although the **Management Scientists** would rather have the whole family involved, they would offer individual coaching if they felt it was appropriate – but they still saw the client as the majority shareholder and would follow whatever process they wanted.

Only the **Financial Advisers** would also see the client as the company, and would take a similar approach to SCFB – but of course for different reasons.

Stoy Centre for the Family Business "When working with family businesses," says Julietter Lampert of the SCFB, our client is 'the company' - not any one family member. If the whole family don't buy into the process we cannot start a programme."

Affluenza and its effect on the family

Money is the single most transformational substance in our society. It is seductive, alluring, fascinating, and perceived as greatly desirable. It is everyone's dream.

The industrial revolution, the development of technology and materialistic affluence have created unrecognized sense of confusion. It is not surprising that the concept of Affluenza has emerged in our time.

In simple terms Affluenza is the study of the effect of money, wealth and materialism on peoples lives, sometimes in dysfunctional or unbalanced ways such as more is never enough, obsession with externals, experiencing feelings of low self esteem which is compensated by the need to be in control and dominate others. In my research and work as a psychologist, counseling affluent families, I have seen that dealing with the effects of affluence, more often than not, is difficult and debilitating.

While it is difficult to generalise, in many cases the more financial security the person is given, paradoxically, the less emotional security he/she seems to have. Their external life may appear solid and well furnished, but inside they frequently harbour debilitating concerns about self worth, shame, guilt, fears, failure, inadequacy, responsibility and even survival. Society's assumption that material success guarantees happiness merely exacerbates these concerns.

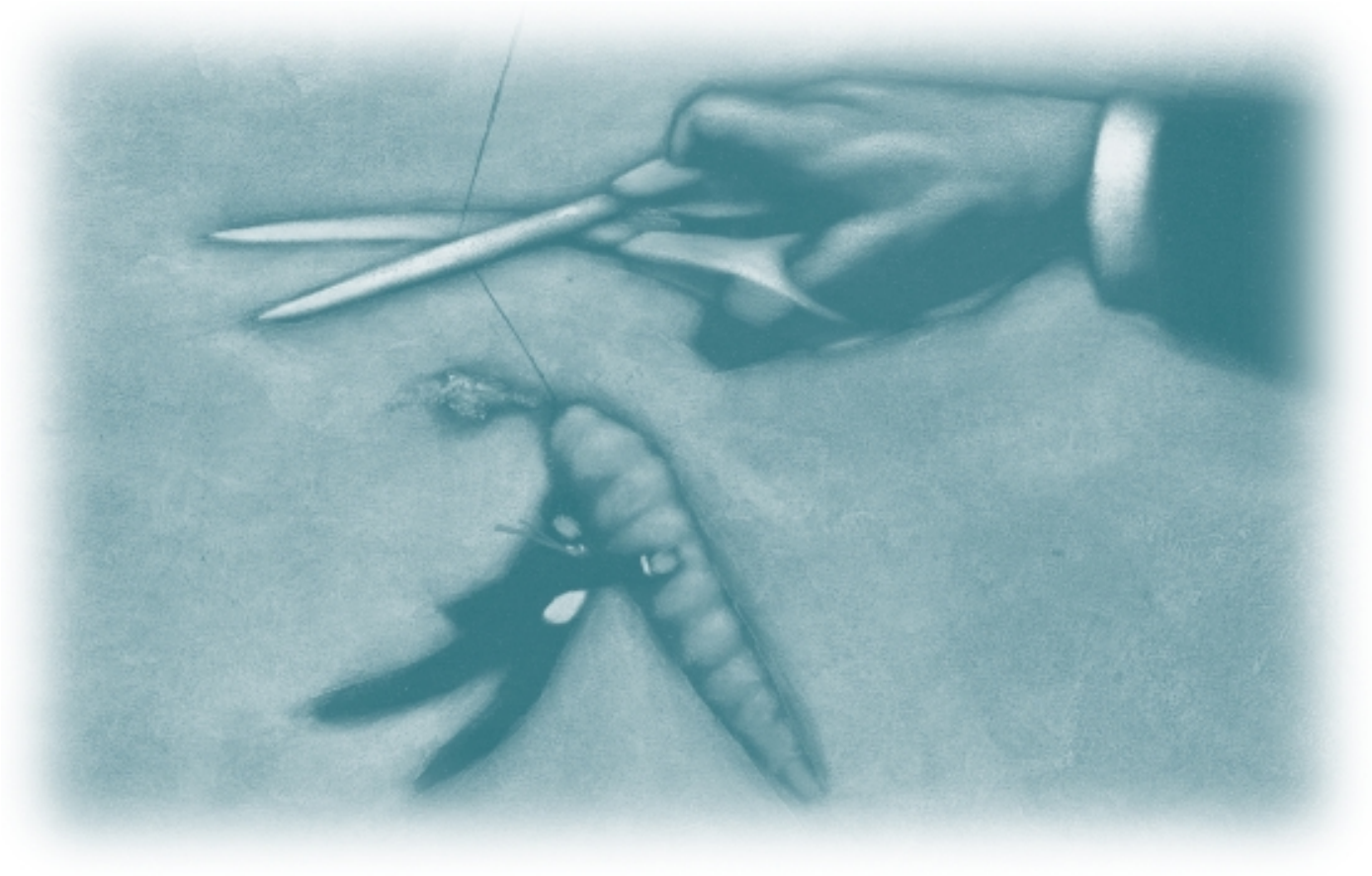
These concerns usually develop as a result of parent-child relationships. A common issue is the conflict between the parent's desires and the child's. The parents expect their children to follow their expectation, and often use their money to blackmail them. The parents 'encourage' the children to follow a certain career path, or to join the family business without considering their children's personalities, desires and needs. As a result many inheritors develop complexes around love and money, a feeling of dependency and lack of control with regard to life choices. In many instances I observed how disconnected inheritors are from their selves and their true desires. Many wealthy parents have set up their children's lives without taking into account all these rudiments.

Inheritors can become disconnected from their selves and their true desires

One client who consulted me is a grandson in a family where the wealth founder [the grandfather] has dictated his children and his grandchildren's profession/career. His story illustrates one of these issues that inheritors face. The grandson, a lawyer in his early thirties, had come to see me because his grandfather denied him from following his heart's desire – becoming a writer – and forced him to follow a more 'conventional' way of making a living. So, the client grows up and becomes a lawyer, detached from a critical part of his self, until he develops depression. At this point he is afraid of himself and thinks that he may be affected by a mental illness. Through our work he has come to realise that the cause of his depression involved a feeling that somebody else in the family, who controls the money, has governed his life. His greater desire was to break through the financial dependency cycle, to find what he really loves doing and to follow his hearts desires. That was a difficult task in a family that did not communicate openly about the 'soft issues' in life and did not fully recognise various individual desires.

So a key role for parents is to recognise that the child has his or her own independent path to follow. Independently, though, the parents need to prepare children for the opportunities and pressures presented by the wealth they will inherit and how to cope with these. If many children who come from wealthy families develop problems around inherited wealth it is because they are not prepared to handle it. Financial matters are above all not discussed within the family and inheritors are at complete shock when, on their 21st birthday, they learn that they have inherited a large trust fund.

The bewildered response to the new freedom offered by an inheritance may lead to denial of their money, shame or guilt. With no material need to work, the heir may feel a loss of direction and



Financial dependency can lead to feelings of lack of control

motivation in life. Where the inheritor is in a job, he or she may give it up all together. Recognising the new opportunities presented by the new circumstances, the inheritor may feel swamped by choices, leading to relinquished responsibilities: lavish spending and in extreme cases, alcohol and drug use.

There is no magic formula for how to address these problems, and each individual is unique and has a different set of personal issues. But I have found that a two-pronged approach is most effective: one working on the personal level and the other focusing on practical financial aspects.

At the personal level, the primary objective is to explore with the individual the underlying concerns and issues, employing a variety of counselling and coaching methods and exercises to solve them. This may take the form of either face-to-face meetings or telephone conversations. Where possible, these may involve the family through inclusive workshops, discussions or even outdoor bonding exercises.

Unfortunately, only a few of those who are experiencing difficulties with their wealth have the confidence to approach a professional.

This support is often best supplemented by helping the inheritor develop practical skills to manage the new wealth. This may include focusing on creating effective communication between the inheritor and the wealth manager. Sometimes the focus of the client is with precisely this person – the banker, or trustee, for example. I also recommend other organisations that focus on providing specific training in managing investment and understanding financial markets, such as the Swiss-based organisation Loedstar. Separately I encourage clients to engage in charitable or philanthropy work, developing self-worth through helping others.

Unfortunately, only a few of those who are experiencing difficulties with their wealth have the confidence to approach a professional. Not only are people generally too embarrassed to ask for help in unravelling their feelings, but inheritors suffer the double stigma, since their problems are caused by wealth, which supposedly should make them happy. It is crucial for people to understand that a professional can offer guidance without imposing decisions, accept the client as he is, without making judgements and above all, listen in a way that provides the client with clarity in realising the way forward in the maze to happiness.

Growing with the times

Many Victorians were interested in the natural sciences, and Roger Crompton Notcutt (always referred to among family and colleagues as RCN), born in 1869 into an East Anglian legal family, was no different.

Roger Crompton Notcutt, founder of Notcutts

From an early age he'd been fascinated by plants and so, in 1892, after some years as an amateur horticulturist, he bought a nursery in Ipswich, with half an acre dedicated to vegetables and chrysanthemums. Victorian, large-scale funerals required an enormous number of these blooms and after five years the site was too small so the business moved to an 11-acre plot in nearby Woodbridge.

A disastrous year

In January 1938 RCN died of a heart attack. Like many first generation businessmen, he had not thought to the future. His son Tom had been working in the business for 11 years but his role had been confined to handling sales correspondence and showing customers round the nursery; he had not been involved in the day-to-day management and planning of what was by then a sizeable business. Suddenly, he was expected to take on this new role, reporting on each day's activities to his mother. Unfortunately, tragedy was to strike again when Tom died in under a year.

Tom left one son, Charles Notcutt (the present executive chairman) who was just four years old on his father's death, so RCN's wife Maud ran the business with the help of two managers. During World War II the land was used for food production, but in 1946 nursery stock production resumed.

Before the war, business was based on providing trees and plants to country estates and large houses. However, after the war these orders declined and were replaced by increasing mail order supplies to smaller properties. Maud remained a strong influence on the business and when she died in 1955, aged 81, her nephew Stephen took over as chairman. He helped to train Charles Notcutt, who joined the firm in 1958 following national service and four years' horticultural training.

Garden centre retailing

Since 1897, one of the attractions of the Woodbridge nursery had been the seed and floristry shop attached to the Georgian house on the site and, in 1913, RCN purchased a town centre shop in Woodbridge. In the 1950s, the shop needed repair, and a garden centre was built on the nursery site in 1958. Concerns that customers might be unwilling to travel the half mile from the town proved unfounded and in the 1960s garden centre retailing began to take off.

Executive chairman Charles Notcutt firmly believes that if a business is to survive from generation to generation, it needs luck.

"Following the switch to garden centres in 1963, we found ourselves with an embarrassingly large surplus of large trees. We had previously sent them out by carrier and the average visitors' car could not accommodate them. But just at that time – and very fortuitously for us – the demand for trees from local authorities began to take off and we were very lucky that we were able to convert a surplus into a new market. Family firms need this sort of luck from time to time."

Since the 1960s Notcutts has expanded its network of garden centres and today has 14 spread across south-east England.

Currently there are two family members working in the business. Charles Notcutt retired as managing director in 1999, remaining executive chairman. He was succeeded by his son, William, who joined the business as a management trainee in 1992 following an honours degree in horticulture and two years as an officer in the Royal Navy.

"After I had completed my national service I had the opportunity to join my godfather's tanning business based in Edinburgh, which is where I was brought up and went to school. So I was tempted to take him up on this. But I was also very conscious that my grandmother – pretty much against all odds – had kept the family business going throughout the war and that I was the only male Notcutt of my generation available to take on the job and to maintain this continuity. I felt that it really was my duty to have a shot at it and that, if I didn't, I would probably carry a sense of guilt all my life. And now, looking to the next generation, I'm delighted that from quite an early age my son William has also felt this deep sense of stewardship about our company."

While the Notcutt Garden Centres thrived, the family kept the company on a steady and professional footing in the background.

By the 1980s Notcutts' shares had become dispersed around branches of the family who had never worked in the business and there were also two non-family executive directors who had become shareholders in the late 1960s. Though Charles Notcutt had mused on the practicalities of tidying up these shareholdings, it was never a priority.

Then, in 1982, Tesco's identified a Notcutt's site for a new superstore. The deal enabled Notcutts to pay off their debts and probably doubled the value of the company overnight. It also allowed

Charles to organise a series of share buy-backs. The company is now wholly family owned again, and consolidating that ownership among family members involved in the business.

The issue of shareholdings continues. Wishing to be seen to be 'fair' did not arise between the second and third generations because Charles was an only child. One generation on, however, Charles and William Notcutt have discussed the eventual disposition of Charles's personal shareholding among his three children and the plan is to set things up so that William, as the only member of the fourth generation working in the business, receives more shares than his siblings.

William still finds this a difficult issue, believing that 'equal shares' would be more fair, but he knows that this can lead to deadlock and the demise of family firms: "The expansion of our company has been based on buying other family businesses that had fallen on hard times and, with a number of these acquisitions, a key reason why they had got into trouble was that there were siblings with equal shares who could not agree on a decision, and the firm foundered as a result."

In the mid-1990s it was becoming clear to Charles Notcutt (then chairman and MD) that, with a fast-growing business, the company's management structure and systems needed an overhaul. He recognised that his 'hands-on' management style, although a strength when Notcutts was much smaller, now risked becoming inappropriate.

Outside help

When the company announced key personnel changes scheduled for 1999, including the appointment of William as group managing director, Charles was already pondering how to ensure that the new generation of managers were properly prepared for their new positions and concluded that he did not have the experience or abilities to oversee this effectively. He approached a family acquaintance, George Paul, who was just stepping down from the chairmanship of Norwich Union and who also hailed from a family business background, about becoming a non executive director. However, he only made the approach after carefully defining the three specific roles that he believed an NED could take on.

1. He needed someone who would quickly obtain a grasp of Notcutt's business so that, if anything happened to Charles before William and the young management team had got to grips with things, he would be able to take on the chairmanship by becoming a bridge between the third and fourth generations.
2. He wanted someone who would be an arbiter in the event of any serious disagreements between Charles and William. Interestingly, both father and son say that having this as an explicit component of the brief has helped to ensure a smooth succession. While keeping the details to themselves, they recall an occasion when George Paul was required to take on this arbiter's role. Since then they have come to accept that his very presence represents the family business equivalent of a 'nuclear deterrent'!
3. He needed an NED who would help to further 'professionalise' the business by preparing the new generation of non-family managers, and steering a review of the company's systems and financial controls to take account of its demands as a larger, more complex business organisation.

The dire consequences which followed the death of RCN in 1938 have made Charles and William conscious of the need for succession planning. As the latest stage in their 10-year strategy for a gradual, planned succession, William has now taken on responsibility for the company's trading operations, along with finance, personnel and IT. Charles, although still there if needed as back-up on trading matters, is now mainly concentrating on property issues.

Notcutts still sees some potential for organic growth via its existing garden centres, although it is always looking for possible acquisitions. Garden centres have already developed into the broader domestic leisure sector – with add-on restaurants, pet shops and aquatic centres for example – and Notcutt's is now looking to extend this trend.

As well as getting to grips with these issues, William Notcutt expects that part of his role in the next few years will be to bring about some changes in management style. He expects to play a key role in continuing the programme of professionalisation begun by his father in the 1990s.

"In particular I think there will be pressure on me to adapt the company culture to take account of our new circumstances," he explains, "and by this I mean moving towards a more inclusive management style. I have to ensure that everyone is on board and knows what is expected of them as we look to the future."

For more information on Notcutts visit their web site at www. notcutts.co.uk

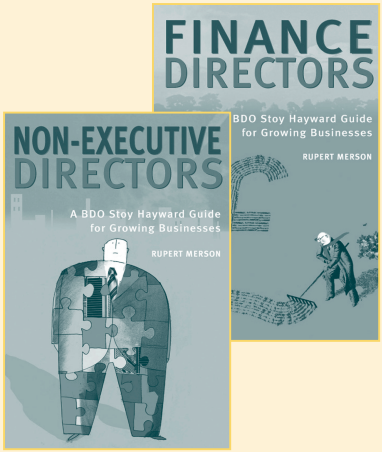
Guides for the growing business

Every business faces obstacles in its bid to survive, prosper and grow but perhaps the greatest challenge relates to finding the right people to fill senior positions and deciding at what stage of the business' lifecycle you need to bring them onboard.

For the family business there are often two roles which require hiring outside of the family: the finance director and non executive director. Until now there has been very little written on what qualities to look for in a candidate who will be working in an entrepreneurial business rather than a listed company. Rupert Merson, a partner at BDO Stoy Hayward who has many years' experience of advising businesses, has plugged this gap in knowledge with the production of the first two in a series of books.

Branded as the 'BDO Stoy Hayward Guides for Growing Businesses' each book focuses on a specific role, and provides a practical guide on who to hire, where to look, how to use, how much to pay and what they should do. Future books in the series will look at the role of managing director and chairman.

The first 20 readers of Family Business who send an email to kerry.lloyd@bdo.co.uk or send her a fax on 020 7487 3686 will receive a copy of



Finance Directors or Non-Executive Directors. Please specify your name, company, address and which you would like.

Family business forums

Winter is not often a time to look forward to but this November the SCFB will be holding the first in a series of educational forums exclusively for members of family firms.

The twice-yearly forums will be held in the south-east, the midlands and the north of England allowing businesses across the country access to the latest thinking on issues that directly impact on them. The forums will also offer the opportunity to meet with other family owned businesses and learn from each other's experiences.

The November forum will have a theme of 'leadership in the family business' and will draw upon the findings of a research project sponsored by the SCFB and conducted by Professor Nigel Nicholson of London Business School.

This research which looked at the key issues and challenges facing family firms in the UK today is relevant to all those currently leading a family business or who will take up that role. The aim of the forum will be to have a lively discussion on the finding drawing on the views and experience of a panel of family business members, academics and specialist advisers as well as the audience.

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