

CANVAS

FAMILY OWNED BUSINESS EDITION
SUMMER 2017

BY Saxton Bampfylde



THE CONSTANT GARDENER

HOW TO KEEP THE FAMILY BUSINESS BLOOMING

WELCOME

Welcome to the Summer 2017 edition of CANVAS, the insights update from Saxton Bampfylde. Our aim is to share interesting thoughts and perspectives on topics and issues that are relevant and current in your sector.

We very much welcome any thoughts, comments, or inputs you would like to share.

We hope that you enjoy CANVAS.

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EDITION OVERVIEW



Stephen Bampfylde

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The family business sector is a vital cog in the UK's economic machine. A very significant employer of approximately 12 million people, a major contributor to the Chancellor's coffers and the country's overall GDP annually; its importance cannot be underestimated.

However, it is not just nationally, or even economically, where the sector plays, arguably, its most important role. Its presence within its local communities, as an employer, investor, supporter or representative is hugely significant. It is at the forefront and driving forward business communities and organisations right across the country, championing the role of industry and enterprise at a local and national

level. This is fundamental in ensuring the sustainability and future for many regions within the UK.

The hugely influential and important role of the family business sector makes it even more crucial that they can survive and prosper. Succession planning is hard, no matter what the sector, but with family businesses sometimes the options can be restricted. However, with less than a quarter of businesses surviving beyond third generation, finding the successors is clearly a challenge. This is where communication, understanding and flexibility are paramount.

As the winds of change continue to dominate the political, economic and social landscape

in the UK, the family business sector, old and new, remains a constant. It does continue to grow and thrive, while maintaining a focus on sustaining our local, regional and national communities.

In this edition, and within this context, we talk to Tim Wates, Director of The Wates Group, one of the largest private family-owned construction, development and property services companies in the UK. Tim reflects on why and how the business has prospered for 120 years and looks set to still be going strong (and getting more diverse) into the fifth generation. **E**



INTERVIEW WITH

TIM WATES

DIRECTOR, WATES GROUP

As the Wates Group enters its fifth generation of family ownership, Tim Wates discusses how and why the business has prospered for 120 years.

With only about 20 per cent of UK family businesses making it to third generation*, the Wates Group is now fourth generation. What is the key to making succession planning work? What have been the challenges and lessons learned?

Good luck has certainly played its part along the way. However, one thing that I believe is fundamental to the success and continuation of Wates Group is the passion which the family has always had for the business and continues to have to this day.

When considering the next generation the philosophy has always been to only pass ownership to those who were interested, genuinely, in the business. We've been able to do this by being a good business, profitable and with positive investments. We have always offered a fair deal for those children or inheritors who didn't want to be involved. Running a tightly owned business with committed, engaged family members has been key to success and longevity.

The family has also had the good fortune to have interested, talented and motivated next generations to hand over to. We have a tradition of large families, and for that we are grateful. In the next generation we have some who are very interested and gaining a passion for the business. That is fantastic to see, and I hope that they will have the chance to flourish in the business, and find it rewarding and motivational.

For those who aren't interested, there is no pressure on them. We try to make it fair, if not equal, in the way they are compensated if not keen to be involved.

As a business set up in 1897 what has been the key to success for 120 years?

I believe, quite simply, we have had to be a good business to survive. Good in the sense that it is well run, but also in the sense that we operate in a sector which is in demand and resilient. We also believe that it is very important to be 'good' in the way we approach working with our communities and business partners, and understand the longstanding beneficial relationship.

"Over 120 years' of business the Wates Group has stuck to, and been passionate about, its sector – the built environment."



LEFT TO RIGHT: Andy Wates, James Wates, Tim Wates, Charlie Wates and Jonny Wates

"Family business, when run well, is an extremely important thread in the rich tapestry of UK life."

Over 120 years' of business the Wates Group has stuck to, and been passionate about, its sector – the built environment. It is a strong sector with longevity. It doesn't get destroyed or usurped completely by technology. It is also very UK oriented, which has given us a strong focus for growth.

Is a family business considered more of a strength in negotiations with partners, investors, suppliers or a potential risk?

I think it is fair to say that it is a bit of a mix, but usually reputation and experience speak for themselves. Some suggest that family businesses have more committed and reliable leaders, and some suggest that they are less professional.

In the end I think it balances out, but the proof has to be in what you have achieved and delivered, and reflected in how you are measured by those you are negotiating with. At Wates we have worked hard to find the right balance between retaining the values

and ethos of four generations of family ownership, with the governance and rigour of a professional executive.

Family politics can prove challenging at the best of times. What advice would you give to others in managing this from your experience at the Wates Group?

I think that John L Ward, the famous business academic coins it best, likening family businesses to 'gardens'. They need continual maintenance in order to flourish and bloom.

There is a common cause in a family business, and if problems, like weeds, break out then they need to be dealt with, dug up and not let to overgrow. 'Dig it up, or tend to it; don't just ignore it' is the approach that we take as a business.

When looking to the next generation you have to make sure that those who are handing the baton, or trowel, on to are capable of operating and flourishing within the family business dynamic.

At the end of the day, it is all about a common cause and you all have to work really hard to deliver that. Communication is fundamental in making it a success.



It is not all roses and flowers, but the garden can be a great place to be much of the time.

You worked in the City before joining the family business. Would you encourage the next generation of family business owners to think about other careers to provide more experience?

Ultimately we would like our children and family members to flourish, find what is best for them and gain self-confidence. What we believe works best for the generations coming through is to gain experience, knowledge and insight elsewhere. Also, somewhere that doesn't have the same family name. That is something we believe is in our children's best interests, but also brings opportunities and new vision and experience to the firm.

Whatever their experience we can bring them in and train them up and show them how we do business. We will absolutely value the skills they bring and try our best to find the right part of the business for them so they can flourish and innovate in that role.

We don't have rigid rules about the path that they take into the business, we need to be flexible. We have guiding principles, and we hope that these will bring about the best for the next and future generations to come.

In a family business going back generations, the commitment to a more diverse workforce and certainly

“Dig it up, or tend to it; don't just ignore it' is the approach that we take as a business.”

leadership team may be more difficult to achieve. How do you look to address this at Wates' Group?

Well, biology has played its part. In previous generations of Wates' it was very male dominated. Couple that with restrictions on women being shareholders in the founding generations, and our diversity was almost non-existent.

However, and this is a very positive thing for the business, there are a lot more women in the next generation. We do have a way to go in terms of a more gender diverse ownership, but there is no doubt that this will come in the next generation, and I am delighted to say that.

As an organisation, Wates is committed to improving diversity and inclusion, and we have senior female representation at both Group Board and Executive Committee level. However, we, as with other companies throughout the sector suffer from a lack of diversity, which we have to address to ensure the long-term sustainability of our industry. We are working hard to do this in our business, and with partners in the industry.

Family business makes up 87 per cent of

all private sector businesses in the UK and therefore have a good collective overview of the political, economic and social landscape. What do you believe are the biggest challenges and biggest opportunities for UK business in the next 5-10 years?**

The key challenge currently, and for the immediate to medium term future, is Brexit. It is, to us, a real concern. As a business we were publicly not in favour of it, but we now have accepted it as reality and we are ensuring that we have the processes and measures in place to provide resilience going forward.

There will be challenges, few are denying that, but what is absolutely critical is how government approaches it. It is vital that government remembers business and its fundamental significance. Business in this country, be it privately, publicly, family or employee owned, is at the heartbeat and drives the economy. Business voices need to be heard across markets and regions.

Sustainability is real and a major issue of focus. Climate change, population movement and population growth are huge factors that will provide businesses, political organisations, not-for-profits and others with significant



challenges, but also some very real and positive opportunities.

Finally for business, as in most areas of life, technology is having more of an impact than almost anything else. It is moving so quickly and changing the goal posts continually. However, this absolutely brings with it new and equally exciting and mind-boggling challenges and opportunities along the way.

Dynamism and diversification are seen by many as key to business survival. Is this easier or harder to achieve for family business?

No matter what your business ownership model, dynamism is always important for survival. Sometimes this can be harder for family businesses to achieve. Without access to stock market capital for new projects, a family business has to be much better at self-generating income. This can be a hugely positive incentive to encourage dynamism and ability to support that income generation. However, it can sometimes create a situation where a business just bobbles along, enough to survive into the next generation, but not to flourish. The best family businesses are some of the most dynamic organisations out there and demonstrate across many sectors how successful they can be.

In your experience do you believe that other business models in UK can learn lessons from family businesses?

There are some key things that I have learnt in my career in a family business that I believe can also be important for other ownership models.

Firstly, there is a greater emphasis on taking a medium to long term view, looking ahead to the next generation and how to create longevity. We have a greater emphasis on creating more patient capital.

Secondly, another observation is the way in

which family businesses embed themselves in industries and localities. With a far greater presence in trade organisations and business groups, they tend to push forward a whole range of issues fundamental to building links between business and communities.

I think these are areas that large businesses could learn and benefit from.

Sustainability of communities large and small – this shines through the Group's business model, but also its charitable work. Why is this so important? How has this evolved?

We have a very strong feeling in our family that good business is good for society. We truly believe that. Family business, when run well, is an extremely important thread in the rich tapestry of UK life.

When you look at the topic of sustainability today it is a licence to operate. You cannot be a large business in our, or many other industries, without a proper and professional corporate approach to sustainability.

It is not a topic or way of operating that is new to Wates, however. We have a long history of sustainability and philanthropy within the company. My grandfather and great uncles built entire university buildings, giving millions of pounds to their local communities.

We continue the tradition of philanthropy today and it remains a core part of the company's values. The Wates' corporate foundation has provided approximately £12million to charitable causes over the past 8-10 years, and much of that focused in the communities where we and our staff operate and live. We look at it as a privilege to be able to support large and small projects through donations, match funding and pay as you earn.


Sustainability is clearly endemic throughout

the whole business. We believe we are doing it well, but we do know there are areas in which we 'could do better'. We pay a lot of attention to this, look at how our competitors and others are doing. It is a very real and ongoing focus for the business.

Are there are other family businesses that you particularly admire? If so, who are they and what is it you admire most?

There are a couple of examples in the UK. Firstly, Warburtons, the bakers. It is apparent through all areas of the business the strength of family values, and how this has remained not only part of the brand, but at the heart of operations. It operates in a very tough market, but the family maintains a high level of investment in their bakeries, staff and brand innovation.

The other is Pentland, the name behind many world class sports, outdoor and fashion clothing brands. As a third generation business, they remain committed to family values, continue to innovate, grow and invest wisely.

Internationally there is one example that really sticks out to me - Ayala, based in the Philippines. Formed 180 years ago, it has succeeded through seven generations. With market capitalisation it accounts for almost 20% of the Philippine Stock Exchange. Fundamental to its success is good harmonious family governance, which combines huge business success with a firm commitment to social responsibility through the Ayala Foundation. 

TIM WATES BIOGRAPHY

Tim started his career at Cazenove & Co. in the City, prior to joining the Wates Group. He leads on housing for the Family and is Chairman of the Wates Family Council – the Family Shareholder forum. He is a UKTI Business Ambassador, Chairman of the Coast to Capital Local Enterprise Partnership and a Non-Executive Director of Tampopo and Pedder Property. Tim is a Trustee of various Wates Family charities and a Trustee Director of the Clink Charity. He is a member of the Advisory Board for the Judge Business School, University of Cambridge and a Deputy Lieutenant for Surrey. www.wates.co.uk

/ Institute of Family Business, The State of the Nation, The UK Family Business Sector 2016/17*

NEWS ROUND-UP

WE PROVIDE A BRIEF INSIGHT INTO KEY NEWS ITEMS THAT ARE CAUSING A STIR LOCALLY AND GLOBALLY.

Budget brings mixed feelings for family businesses

The Spring budget brought a few surprises, some welcomed, and indeed, some less so. Particularly, for the family business sector the Chancellor's announcement to more than halve the Dividend Tax-Free Allowance will bring disappointment and concerns on impacts for growth and investment. The IFB suggests that this 'added expense risks destabilising long term shareholding in family-owned firms'. It has called on the Chancellor for this to be reversed as it believes it will 'disproportionately impact family run businesses' and comes so soon after an increase in Dividend tax for higher earners [introduced in 2015](#).

The focus on addressing the skills gap in the UK was [welcomed by many](#), including the Confederation of Business Industry, as vital for long term business sustainability, particularly after Brexit.

Despite concerns about business rates relief from smaller to medium sized family businesses, the Chancellor appeared to offer



good news on this front, with nearly half a billion pounds promised to help those facing major hikes in rates.

However, there are warnings that this does not get to the nub of the problem. Adam Marshall, director general of the British Chambers of

Commerce [criticised the government](#) for sending "mixed signals". He says that while being welcome, "measures that mitigate the short-term impact of business rate rises are little more than a sticking plaster". It requires 'radical changes' to fix a broken rates system, he believes.

Going back to its roots – Ayala Corporation invests in healthcare



It always important to remember your roots, and that is what the Ayala Corporation in the Philippines is doing with a renewed push into healthcare. One of the first ventures of the 183 year old company was a drugstore. Nowadays the Ayala Corporation, which is looking forward to the eighth generation, has a huge investment portfolio and is looking to diversify, moving into providing healthcare services for many Filipinos.

In early February Ayala Healthcare Holdings, or AC Health, [said it was taking a minority stake](#) in Wellbridge Health, a start-up that

owns online pharmacy MedGrocer.

The investment in MedGrocer is the latest in a string of healthcare-related deals the Ayala group has struck in recent years. AC Health was established in 2015 as a wholly-owned subsidiary charged with spearheading health-related expansion. It is part of a wider diversification programme being undertaken by the family run organisation to continue to sustain growth. With spending on health products in the Philippines less than Asian counterparts, it is believed that there is a greater opportunity in this area.



UK Family businesses fear Brexit impact, but remain driven towards growth and long term vision, according to PwC study

Brexit creates a number of new challenges for UK family businesses, according to the [8th Family Business Survey from PwC](#), not just at home but in a competitive global market.

A third of UK businesses [are reported](#) to worry about its impact, but do not plan to directly address this fear in the short term, with only 34% expecting to actively expand to overseas markets, compared to 54% of family firms outside Britain looking to grow in new geographies.

However, for UK family businesses, this may just be a short-term impact, as they are still predicting growth and sales increases in the next five years. PwC found 94% of UK family businesses anticipated growth and were confident of growing their core business in existing markets.

A long term vision and protecting the family business was a key goal for 68% of respondents; higher than global responses. However, a major challenge to this is that only

13% of UK family businesses told PwC they had a “robust, documented and communicated succession plan” in place.

[UK family businesses believed](#) they have some advantages over non-family businesses. Approximately 80 % believe they have stronger culture and values, while seven in 10 felt they were more streamlined, made decisions quicker and with a longer term approach in mind to decision making compared to non-family businesses.

A portrait of Peta Hay, a woman with long blonde hair, smiling and wearing a blue top. The background is a warm, yellowish-gold color with dark, abstract shapes.

TEAM INSIGHT

PETA HAY

Take a closer glimpse into the Saxton Bampfylde team with our regular 'Team Insight' feature.

TEAM INSIGHT

Peta Hay is a Partner and leads the firm's retail and consumer practice. She is also the Managing Director of Saxton Bampfylde's Scotland office.

PAST, PRESENT AND FUTURE WITH SAXTON BAMPFYLDE

My role, is ultimately to connect people by learning about the needs of an organisation and the aspirations of individuals. It is also often about helping people to understand how skills and experience translate across markets and sectors and what opportunities can be realised.

RAINY DAY DELIGHTS

Notwithstanding the horizontal nature of the rain in Scotland I actually love being outside in the rain especially when I am running. I live near an expanse of forest and its at the quietest times you get to see the wildlife which is great fun and very relaxing.

PASSIONATE ABOUT

My family. Spending time with my kids is so special and as they get older they can take part in the things you leave behind for a while with toddlers!

ONE HOT TIP

Notice what is going on around you as you often see the most extraordinary things. This happened to me one night as the train from Edinburgh to London had been delayed a spectacular 5 hours. We arrived at King's Cross at 11pm, just as the Flying Scotsman was cooling it's engines. The steam and noise of an amazing feat of engineering filled the empty station and made the frustration of the journey fade away.

YOUR SECTOR VIEW IN JUST THREE WORDS

Exciting, relentless and a bit bonkers!



GET IN TOUCH WITH PETA

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