

DYNAMICS CHANGE

Why do some companies with potential for growth lose their ambition?

And how do others manage to maintain their progress?

A symposium by corporate and commercial law firm Paris Smith & Randall held in association with DECISION business magazine considered the issues.

HOW DOES MOMENTUM HAPPEN – AND WHY CAN IT STALL?

Ben Marsh, Managing Director, iMeta:

“What’s interesting is that in a rapidly growing company you get a lot of people who are flexible in their whole approach to work. When the business reaches a certain size, it needs more processes to be put in place, so you get a different type of manager who will be brought in. That’s absolutely necessary, but the risk of course is that it kills off the entrepreneurial spirit which has enabled the company to grow.”

William Harris, former CEO, Britt Allcroft plc; now Director, Avonglen:

“A business usually goes through several different phases of growth. At the beginning, the owner can be putting in sixteen-hour days to create momentum, but two or three years on, with the management team in place, revenues coming in nicely, the owner is under less financial pressure, and a comfort level can be reached. The secret then is to regenerate the business with new goals.”

Colin Potter, Chef Executive, ProposalGENie:

“Growing a business is like painting the Forth Bridge – it’s a continuous process. And I don’t think that the entrepreneur ever loses the fear of failure.”

Yvonne Sherry, Finance Director, Ceuta Healthcare:

“People get used to the way things are; they are comfortable because of the familiarity. But for change to work, it can’t just be imposed. You need people to be able to look at things a different way, and sometimes that means bringing new faces into the business to bring that about.”

David Clayden, Director, Preferred International:

“Don’t take things for granted just because they happened to work for you before. If you take something as read, I think you’ve lost a bit of focus. If your management team is challenged, they will be motivated.”



David Clayden, Director, Preferred International – former business development manager who set up the Winchester office for The Span Consultancy, an independent IT recruitment company; in 1998 co-founded Preferred International, now with three service divisions – IT recruitment, managed IT services, HR support services – which operate across Europe.

Paul Hendy, Managing Director, Hendy Holdings:

“If it’s implemented well, change can be something which will create momentum.”

John Mansell, Partner, Head of Commercial, Paris Smith & Randall:

“In every business there will be some cyclical change, and the bigger you get, the harder it is to post bigger percentage increases in sales and profits. If a company is growing organically at 9%, I’d say they are doing pretty well.”

Nicholas Gow, Managing Director, WorksUnit:

“I think when you start a business you’re full of enthusiasm, but you need to plan for the day that the brick wall will be there in front of you. You’re going to need people who can take you, and the business over it, so planning is key, otherwise the business will lose momentum. And if you don’t recognise that, you’ll experience burn out.”

Kim Hayward, Partner, BDO Stoy Hayward:

“I guess what can happen is that either the management team’s aspirations fade or they fail to achieved them. A business which begins to drift can lose touch with its marketplace. Growth is then limited and the company starts staggering instead of moving forward purposefully.”

Andrew Heathcock, Corporate Partner, Paris Smith & Randall:

“The magic is not gaining momentum but maintaining it.”

David Clayden, Director, Preferred International:

“Re-branding can help refresh a company.”

Peter Harding, former CEO, Jayhard; now serial business owner:

“I believe a successful business needs a leader with lots of energy and who can motivate the management team. In turn, the leader should be able to rely on the management team. When you are growing a new business you get totally involved, but if you want the business to continue to develop, the leader has got to stop fiddling with everything.”



Nicholas Gow, Managing Director, WorksUnit Ltd – from British Aerospace where he gained his commercial pilot’s licence, he became group sales manager at the South London Guardian Group of newspapers before joining The Core Group Marketing Consultancy as account manager in London, delivering marketing campaigns to clients such as The Daily Telegraph, Martini; after three years as a commercial pilot, he joined Denplan, leaving as e-commerce manager to set up WorksUnit, a digital marketing agency with more than twenty staff and clients which include Carnival plc, Blue Arrow Recruitment. www.worksunit.com

Andrew Heathcock, Corporate Partner, Paris Smith & Randall:

“It’s all about leadership and getting management to perform. A good example is the effect Justin King has had at Sainsbury. When he took over, the business had lost its way, but the business has been turned around and a lot of that must be down to his skills as a director.”

Colin Potter, Chief Executive, ProposalGENie:

“Complacency also starts at the top. I always say that if the top of the company isn’t getting it right, nothing below the board can really flourish.”

Alec Ward, Area Leader, Rok:

“Vision needs a management structure to sustain it. I believe that fresh blood means the influx of new ideas, and that keeps the original people thinking about what they are doing and how they are doing it.”

John Mansell, Partner, Head of Commercial, Paris Smith & Randall:

“What strikes me is that words like momentum or running out of steam are all energy related, and one of the things that will have an impact on our energy levels is our ability to deal with change.”

Patrick Trant, Chairman, Trant Holdings:

“The heart of any business is the boardroom – that’s where the momentum has to be generated. If the directors aren’t performing, then the business is lost, so the board has to be strong enough to make hard decisions about who should be sitting round the table.”

Paul Hendy, Managing Director, Hendy Holdings:

“We all know the issues and what causes them, but the real question is what do we do about them and when is the best time to act. Managers tend to be technically competent in their particular discipline, which is probably why they were promoted in the first place, and a mature business is likely to have robust enough



Peter Harding, Managing Director, Wheatshield Ltd – built Jayhard into the country’s largest independent heating and plumbing merchants before selling his family company to Travis Perkins for more than £26million; now has interests in property development, a web-based import-export business, hotels and restaurants, and telecoms.



William Harris, Director, Avonglen – qualified as a chartered accountant with Price Waterhouse, becoming CEO of Gullane Entertainment plc which he helped grow from a six-person, £400,000 business into a fully listed company with sales of £50million, and offices also in the USA, Canada, Japan; after its acquisition by HIT Entertainment plc in 2002, he became a director of Avonglen, which specialises in providing finance director level and non-exec director support to growing businesses. www.avonglen.com

systems. But what can be lacking are the soft skills, being able to get the best out of people.”

■ AND THE PART PEOPLE PLAY IN ALL THIS?

Matt Lawton, Director, Lawton Communications Group:

“Good people are attracted to companies which are moving forward. And retaining them depends on how fresh you keep the company.”

Peter Harding, former CEO, Jayhard; now serial business owner:

“The price of success is that good people want to be doing what you are doing, so they might feel it is necessary to move on if they are going to achieve that. It’s just a natural by-product of the system.”

Kim Hayward, Partner, BDO Stoy Hayward:

“You can’t live in fear that by investing in good people you are training up potential competitors. You’ll keep the majority who will build your business with you, but you need to create space for people to come through.”

Colin Potter, Chief Executive, ProposalGENie:

“If you want to recruit the best people you’ve got to be prepared to give them some ownership.”

Matt Lawton, Director, Lawton Communications Group:

“We’ve got to think differently about the roles we’re recruiting for. Changes to the supply chain and advances in technology have to be reflected in the job description.”

Kim Hayward, Partner, BDO Stoy Hayward:

“I wonder how many companies would be prepared to appoint someone new and



Kim Hayward, Managing Partner, BDO Stoy Hayward Southampton office – after seventeen years as a partner with a Big Four firm, he joined BDO Stoy Hayward in 2002. BDO Stoy Hayward grew its UK revenues by 26% to £275million in 2005-6 and is the fifth largest accountancy firm in the world; in Southampton the firm has grown from seventy to 200 people, including the acquisition of the local office of Numerica.



Andrew Heathcock, Senior Commercial Partner, Paris Smith & Randall – identified as a specialist in this area of work in every edition of Chambers Legal Directory. Paris Smith & Randall is listed by the Legal 500 directory as a "regional heavyweight."

different to a post. Is raw talent a quality they recognise as having potential or being a potential problem?”

Yvonne Sherry, Finance Director, Ceuta Healthcare:

“Companies will look to fill a particular position, which means they can’t accommodate someone they meet who doesn’t meet the requirements of that particular post but could be brilliant for the business. There has to be a more fluid approach to recruitment. If it’s too rigid, the company is going to lose out on talent.”

Patrick Trant, Chairman, Trant Holdings:

“I found at a recent interview that the engineer who was applying for the job was interviewing me in fact. He wanted to be able to tick the boxes from his point of view.”

Colin Potter, Chef Executive, ProposalGENie:

“I want people in my company to challenge me, not just go with the flow.”

Matt Lawton, Director, Lawton Communications Group:

“Staff have got to be able to say to a director that they have an idea for the business and then be given the go-ahead to write a strategy. Otherwise you’ve got a business with maybe four people in the boardroom who are responsible for new ideas and everyone else is just there to implement them. And if you’ve recruited well, people aren’t going to be satisfied doing that.”

Nicholas Gow, Managing Director, WorksUnit:

“If there is no clear structure and change is constantly being introduced, then it can leave people unsettled unless the company is providing a clear vision which they can understand and so they know what they are aiming for.”

Alec Ward, Area Leader, Rok:

“It’s important to have the confidence to employ people who are better at a



Paul Hendy, Group Managing Director, Hendy Holdings Ltd – fifth generation of the family-owned business established in 1858 and which opened Britain’s first Ford dealership in 1910; the group has added Iveco Trucks, Mazda, Honda, Kia to the roster, and also includes a 1200-vehicle hire operation, used car supermarket, and a power products division, with a total of some 850 employees and a turnover in excess of £200million.

particular task than you are. Too many directors and managers are scared of doing that, which isn't going to help the business take the next step forward.”

Peter Harding, former CEO, Jayhard; now serial business owner:

“As you grow the business, you get more distant from the sharp end, so you have to make sure that you have good lines of communication with your people who are there, and base your decisions on what they are saying.”

■ WHEN DO ATTITUDES TO RISK BEGIN TO CHANGE?

Andrew Heathcock, Corporate Partner, Paris Smith & Randall:

“When companies get bigger and more successful, ownership can change to include outside stakeholders whose horizons are usually shorter; they're more likely to be focused on the current year's figures, and that can have an effect on the company's attitude to risk.”

Paul Hendy, Managing Director, Hendy Holdings:

“If you can't accept risk, you shouldn't be in business. But an example of what I consider to be real risk is when a company does something simply because a major competitor happens to be doing it.”

Dr David Young, Chief Executive, Shield Corporate Finance:

“The real risks are present every day – the changing demands of the client, the dynamics of the market, keeping a focus on the need to maintain a culture of continuous improvement.”

William Harris, former CEO, Britt Allcroft plc; now Director, Avonglen:

“The degree of risk changes over time. In the early days owner-managers will often bet the business on a single decision which will determine success or failure.



Matt Lawton, Director, Lawton Communications Group – graduated from Melbourne Business School after six years in Australia studying and working for Ogilvy, before returning to Southampton to join the business established by his father in 1979. Lawton Communications Group owns specialised agencies serving brands such as Philips, IBM, Adidas, BMW, Estee Lauder, Denplan, Sunsail. It's digital agency picked up a Gold Lion at Cannes and was ranked fifth best in the UK in a survey of clients by Revolution magazine. www.lawton.co.uk

That said, you could argue that losing 100% of next to nothing is not much of a risk.”

Alec Ward, Area Leader, Rok:

“Small firms can feel that if they doesn’t go for it, they’ll fail anyway. A larger, more mature business has reserves and can afford to do some speculation.”

Colin Potter, Chef Executive, ProposalGENie:

“When you are growing a new business, you don’t think you are taking a risk – you see it as taking an opportunity. Who goes into business thinking they’re going to fail? But once you’ve built a stable business and have some financial security, you’d be an utter fool if you’re thinking about betting the home again. To my way of thinking that would be recklessness, not being bullish about risk. When you’re at this level you should be able to speculate with new opportunities without putting everything on the line.”

Yvonne Sherry, Finance Director, Ceuta Healthcare:

“Risks have to be calculated because it isn’t just you who would lose out but the people you employ who trusted you, and all the families. There has to be a considered view, not just an entrepreneurial impulse.”

Kim Hayward, Partner, BDO Stoy Hayward:

“If you’re achieving what you set out to in business, you’ve got to continue to take some risk. Not to would be a risk in itself.”

Matt Lawton, Director, Lawton Communications Group:

“A well-defined strategy will have the mechanism in place to define in terms of risk whether something is actually an opportunity or not.”

Dr David Young, Chief Executive, Shield Corporate Finance:

“Sometimes risk isn’t apparent. The reason why owner-managers are reluctant to delegate is because it feels risky, but if they don’t do it the business is unsaleable and at any time could be crippled if the owner-manager falls ill.”



John Mansell, Partner, Head of Commercial, Paris Smith & Randall – specialises in commercial property work, specifically dealing with leisure, retail and development areas, acting for both large and small property developers, including several major residential housebuilders. Established more than 185 years ago, law firm Paris Smith & Randall have twenty partners and a total staff complement of 200.

Peter Harding, former CEO, Jayhard; now serial business owner:

“If the CEO doesn’t get up in the morning to find new opportunities which in turn will bring new risks, then the business will lose momentum. An indication of a company which has become risk-adverse is its reluctance to change. What has to happen is that a company has to have access to people who can assess risk relating to an opportunity. But I would take issue with the idea that entrepreneurs are extreme risk takers; they’re calculated risk-takers who are prepared to act decisively once they decide to do something.”

William Harris, former CEO, Britt Allcroft plc; now Director, Avonglen:

“I haven’t come across many businesses which could be described as static; they’re either moving forward and growing or they’re contracting. So it could be argued that a significant number of companies – the ones that think that they’re static – have risks to address which they aren’t even aware of.”

Kim Hayward, Partner, BDO Stoy Hayward:

“Either you are looking to get into a winning position or at best you will be losing out.”

IS STRATEGY REALLY THAT KEY A COMPONENT?

Ben Marsh, Managing Director, iMeta:

“ I don’t think it is possible for a company to get its people to pull in the same direction without a vision or strategy, expressions which seem to be interchangeable. It’s essential that you get their buy in, rather than assume you’ve got it, because the risk is that otherwise they pull in different directions because nobody know where they need to focus attention.”

David Clayden, Director, Preferred International:

“When you start a business, you are implementing ideas rather than following a



Ben Marsh, Managing Director, iMeta – previously at Reuters dealing with software licence and consulting contracts, and at Global Crossing, where he grew the extranet services within the financial community and built a £40million a year outsourcing and managed services business. Founded in 2000, iMeta develop software applications to increase the efficiency of business processors to reduce costs, extend reach, and improve customer services; customers include ABN Amro, Northern Rock, Nomura.
www.imeta.co.uk



Colin Potter, Chairman, ProposalGENIE – started Uniworld Communications which grew to a £24million turnover company in eight years; after a trade sale in 2004, he set up ProposalGENIE, the automated proposal document system.

strategy. Once you involve other people, you need to formalise those ideas and intentions.”

Nicholas Gow, Managing Director, WorksUnit:

“Part of the vision has to be to create some differentiation for the company so that customers know why they should choose you. I would say that without a strategy, your team will struggle to consistently deliver value, because you need the strategy to decide whether an opportunity is going to be of benefit to both company and customer or whether it takes you off on a tangent. Having a documented strategy means you know which opportunities to go for.”

Dr David Young, Chief Executive, Shield Corporate Finance:

“Growth can be achieved by seizing opportunities, but prosperity comes from repeatability and that in turn comes from strategy. Reliability of growth is important.”

Patrick Trant, Chairman, Trant Holdings:

“If the strategy is set in stone, then you’re doomed. You can’t control all the bases, such as changes because of technology or legislation, so there has to be some flexibility.”

Peter Harding, former CEO, Jayhard; now serial business owner:

“The strategy has to be achievable, otherwise it will demotivate the very people you need to take the business forward.”

Kim Hayward, Partner, BDO Stoy Hayward:

“The directors need to spend time looking at the values of their company, the way it does business; that process isn’t figure-centric, which is the basis of strategy.”

Ben Marsh, Managing Director, iMeta:

“I wonder how many directors sit down and define the company they would like to be in terms of culture.”



Yvonne Sherry, Finance Director, Ceuta Healthcare – chartered accountant, auditor with Neville Russell; appointed director of finance (Far and Middle East), Cortaulds Coatings, then director of finance for Stockport NHS Trust before joining Zellweger Analytics as finance director/company secretary in 1998; appointed finance director/company secretary at Ceuta Healthcare in 2000. Described as one of the leading outsourcing sales and marketing companies in the healthcare and beauty sector in the UK, Ceuta Healthcare provide total management and representation of brands in all the trade channels.

Colin Potter, Chef Executive, ProposalGENie:

“You’ve got to know what your core competencies are if you’re going to be able to get some leverage from them by being able to identify opportunities you can get real value from. Perhaps you need a defined direction more than a strict strategy.”

Yvonne Sherry, Finance Director, Ceuta Healthcare:

“The danger in closely defining your core competencies is that you also define your business too tightly.”

Nicholas Gow, Managing Director, WorksUnit:

“There’s no substitute for getting to understand your customers, to know what they really think about you rather than making assumptions. Then you’ll know first-hand what your core competencies are, not what you think they are.”

Ben Marsh, Managing Director, iMeta:

“I would make the point that an exit strategy has to include succession planning to convince the purchaser that there is a sound basis for the future of the business.”

Paul Hendy, Managing Director, Hendy Holdings:

“Succession planning is not just about the board. It has to be addressed at other management levels.”

Dr David Young, Chief Executive, Shield Corporate Finance:

“People have got to understand that business is dynamic and that value can only be achieved when a system is in place to replicate success. And succession planning is an integral part of that.”

EXECUTIVE SUMMARY

“In my experience, perhaps the biggest challenge that any business has to contend with as it develops relates to the quality of its management.

“The issues faced by management will change over time, as the business develops



Patrick Trant, Chairman, Trant Holdings Ltd – established by his late father in 1958, the civil engineering, construction, and property development group employs 700 people with a turnover nearing £100million; other directorships include Rose Bowl plc (owners of Hampshire Cricket Club), Southampton Football Club, Oriel Housing, Mantra Mercantile, PT Contractors, Mustang Sally, Kingdom Trust Company.



Alec Ward, Area Leader, Rok – formerly a regional director at Mowlem, he joined Rok in July 2005. With a turnover of more than £550million, Rok Property Solutions plc operate from twenty-eight Rok centres across the UK with the slogan ‘The Nation’s Local Builder’.

and grows, and those changes have to be matched by a willingness to make changes at the top if senior members of the management team are either unable or unwilling to raise their game to meet the new challenges that need to be addressed.

“Often, the founders of a new business struggle to recognise and accept their own limitations, and to recognise that along with their strengths perhaps there are weaknesses which have to be covered if the business is to continue prospering. In such circumstances, it is difficult for them to accept the need to bring in talented people alongside, or indeed, above them.

“It takes humility and vision to do this, but accepting, and addressing the need can make the difference between taking the business to the next level and beyond, or leaving it unable to properly identify and grasp opportunities for growth and maximisation of value.

“Bringing in the right new people, and allowing them room to work, can help to energise and focus the business. There is a fine determination here which owners have to make. Even if the components of success are in place - a perfectly sound business model, the right products sold at a good margin - the people at the helm have to possess, and demonstrate, the vision and energy required to realise the opportunities that these components provide.

“If they do not, their team won’t be enthused, the best of them will sense that the business is drifting, and they will start to look elsewhere, ultimately leaving the business with the ‘trudgers’.

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Dr David Young, Chief Executive, Shield Corporate Finance Ltd – previously European sell-side practice leader for JP Morgan, he founded Shield in 2001. Deals completed include the sale of Cambridge Pharma Consultancy to IMS which saw the owner-managers’ initial offer tripled, and the sale of Exchequer Software to IRIS. dy@shield.uk.com



Douglas Cooper, Partner, Head of Company and Corporate, Paris Smith & Randall – provides non-transactional advice on a broad range of commercial issues, such as joint ventures, corporate structuring, major trading contracts and operational finance; transactional work includes buying and selling companies and businesses, and equity and debt financing. Established more than 185 years ago, law firm Paris Smith & Randall have 200 staff including twenty partners.