

“How to Face the Challenges of Today's Markets”

Alan Stuart



Good Morning Ladies and Gentlemen

This is my second BSB Conference. At my first, one of the speakers was a wee guy with a funny accent who goes under the by-line of ‘A Simple country Baker’, the one and only Tony Phillips. As a devoted BB reader most of my life, I have read his regular contributions with much enjoyment and a blend of whole-hearted agreement and violent disagreement. I had never met the gentleman, but I had formed a strong impression of him. I listened to his performance that day with mounting admiration. He had to be related to me, because everything he spoke about in his address suggested that he had Stuart genes in him (mind you, he’s a bit on the wee side).

His humour, his common sense, his accuracy with the hammer, hitting every nail smack on the head and his obvious ability to make things happen were all traits I recognised from my grandfather, my father and my uncle.

Then I realised that it wasn’t genetics that linked us, it was character. The character that *running* your own business creates. So today, I thought I would share with you my thoughts and experiences garnered from more than 30 years working in a family business and nearly 56 years of being totally immersed in one.

To begin with, let me tell you something about our business. We are based in the Kingdom of Fife on the east coast of Scotland, now in Methil, a place described by His Royal Highness Prince Philip, that doyen of tact, as a total dump, following a brief wartime visit. Fife is the bit of Scotland between the Forth and Tay Bridges that looks like a Scotty Dog's head.

We began trading in 1857, founded by James Stuart my great-great grandfather, and I can proudly boast that the sixth generation, my son Keith, is sitting out there in the audience. Our birth place was the then thriving fishing village of Buckhaven, described over a century earlier by Daniel Defoe on his Grand Tour of Britain as a strange place peopled by even stranger folk!

The silver darlings or herring were caught in huge numbers by a fleet of over 120 vessels. The healthy oily fish was a staple part of the diet of the general population and the many ancillary trades, such as boat building and repairing, net and barrel making, salt production and fish distribution provided ample employment for the locals who bought James Stuart's first products. Foremost amongst them were ship's biscuits and today we still make thousands of cabin biscuit, soft, slightly sweet round rolls which are very similar to Yorkshire tea-cakes. As generation followed generation, the business evolved gradually over fifteen decades, and although we have remained a small to medium enterprise, we have gained a reputation and fame somewhat larger than reality. We are in fact a wee bit like the reverse iceberg, with 85% visibility above the water-line, but with people assuming we are a normal iceberg and mistaking us for a much bigger operation. Today we have 17 bakery shops and 3 butcher's shops, all located within a tight radius of 15 miles around the bakery. We barely touch wholesale and turnover is around £3million.

I suppose what distinguishes us most is our longevity. Next year we will celebrate 150 years trading with a Stuart still at the helm. Research suggests that only 4% of businesses reach the fourth generation. I believe that figure to be grossly exaggerated, and if correct, then you can deduce that only a tiny portion of businesses will succeed in reaching their sixth generation. So how come we have survived so long? What is our secret?

I think there are a number of factors required for long life.

First, you should probably stay small.

Staying small ensures a lack of elaboration and gives you the ability to act quickly to changing situations. We do not have a Human Resources department, we have a wages clerkess, and our small management team carry out the duties of a HR department. When new laws or diktats come along, I either choose to ignore them or I do something about them, there and then. The decision to ignore or to act is based on three criteria -

- 1) Is it good for the business?
- 2) Is it good for the customers?
- 3) Is it good for the staff?

Three yeses, do it. No yeses, ignore it. One or two yeses, I'll think about it, in other words ignore it!

By the way, does any one here drink at all? Thank goodness for that. I have a question for you all. How old do you think the world's longest running family business still in the founding family's control is? I'll give you a clue, it's not in the USA or Australia. Write down a date and pass it to your neighbour. I'll let you know the correct answer later and there's a bottle of bubbly for the nearest guess.

Getting back to the secrets of long lastingness, staying small is definitely one of the keys. But that does not mean standing still. Our business has constantly changed to meet the challenges that have come our way since 1857. In 1857 Queen Victoria had only been on the throne for 20 of her 64 year reign. The horse was still the dominant means of transport, although the railway was beginning to spread its tracks across the land. There was no electricity. It was as late as 1881 when Godalming became the first town in the UK to have a public supply, so the early Stuarts would have no powered equipment. Our customers were, in the main, the fisher folk in the immediate vicinity of the shop. By the turn of the century a couple of new shops had been opened in nearby towns and it was deemed necessary to build a new bakery. This was completed around 1902.

As the years progressed we pursued various methods of doing business. We opened two restaurants with a combined seating capacity of over 500 and they ran from the twenties to the sixties. An unwillingness to licence the premises owing to a family aversion to strong drink (only kidding) meant that the growing trend of pubs serving food hastened the end of almost all the traditional family restaurant/tea-rooms that had flourished throughout Britain for decades. Catching on to the rise of

the café bar in the fifties, our restaurants were replaced with small cafes wherever there was room enough in our growing chain of bakery shops and we met the needs of hungry shoppers and local workers. A fleet of shop vans toured Fife for over 30 years, before widespread private car ownership enabled people to travel more freely. These vans were run by real characters, most of whom supplemented their incomes by operating unofficial tick books, extending credit to customers at a modest rate of interest whilst balancing the books with Mr Stuart. When one of them died suddenly in mid week his family searched in vain for his tick book as dozens of customers drank his health with their credit.

We opened a mini-market and a delicatessen in the early sixties. For once we were ahead of the market and sadly Fifers were not ready for bird's nest soup, shark fin soup, snails in garlic and other exotic foods. This venture did not succeed. In true family business style the unwanted stock was sent to the family homes to avoid waste, triggering my lifelong battle with anorexia.

Variety was pursued again when, in the early sixties, a local butchery business was acquired to provide quality control over the various meat products required for the bakery, restaurants, takeaways and cafes. This has been a success with butchery now providing around 25% of our turnover. We have established ourselves as one of Scotland's best known butchers, partly through our many successes in national product competitions, but mainly through the efforts of our Butchery Director, Derek McMahon, one of the leading butchers in Scotland.

Finally, two years ago, just over 100 years after opening our first new bakery, we moved into new bakery number two, 22,000 sq ft of production and admin designed to enable our sixth, seventh and eighth generations to celebrate two hundred years and more.

Another important factor for longevity is location. It would seem that city life is not conducive to long life. It no doubt comes down to the fierce competitive nature of the big city. Life in the fast lane, an obsession with fashion and a splash of greed all takes its toll on companies. City dwellers, are by nature, more demanding, probably as a result of the harsh environment they exist in. Change and fickleness create a climate where stability is harder to come by.

A good piece of advice is "Don't go Public" which is closely linked with control.

And control is, I believe the fundamental key to longevity. Never let control of the company leave the hands of the people who work in it.

Imagine the scene. Bill founded his business, now a limited company, 30 years ago. His son, David, aged 25, works alongside Dad. Bill and his wife Jean also have two married daughters. Bill and Jean own all the shares and are the only directors and take annual dividends. They have never written wills, but now realise their folly and intend to rectify the situation. Many a Bill and Jean would think “we have three children, whom we love equally, and have always tried to treat equally. We’ll make all three directors and give them a third of the shares each, and they will split the rest of our estate equally as well”. Problem solved. “They have always got on well so there will be no problems”.

The wills are written and Bill and Jean go off to Iraq on a Saga holiday, never to return.

Sadly their emotional plan to treat the family equally fails as David resents having to pay dividends to his sisters for doing nothing. Their husbands resent David’s attitudes and influence their wives to interfere in “their” business and chaos reigns. My solution, Bill and Jean leave the whole business to David and all the remainder of the estate to the girls.

Result - David works hard in his business and the girls get a shed load of cash. Worst effect, David resents his sisters getting the cash, but eventually he realises he’s got something far better, opportunity and CONTROL.

But if it’s so easy, I hear you say, why do so few businesses manage to get past the second generation? Is clogs to clogs really the way of it?

.Like all sayings, there’s more than a degree of truth in it. The major obstacles to long life in a company are as follows -

The first and largest obstacle is, as I mentioned earlier, the founder. It was his passion, hard work and ambition that set the ball rolling. As retirement age approached he is faced with awkward decisions. Not every Dad is going to wander off to Iraq on a Saga tour.

I remember visiting one of Scotland's most famous family firms not long after entering our business and being introduced to young Mr So and So, well into his 60's. His 83 year old Dad still came in every day and was completely unable, or unwilling, to hand over the reins. I understand his problem. It is the Prince Charles syndrome. Pushing sixty and forlornly waiting for Mummy to do the decent thing and shuffle off this mortal coil. At least in a family business you really have a choice between retirement and Iraq. Plan ahead and take the opportunity to enjoy a new chapter in your life.

With Stuarts well into our sixth generation, I think we have created a sound culture and understanding amongst all family members of how the business works. We have always referred to "the golden goose", and if you don't cherish the goose, it soon stops laying eggs. And you can only eat the goose once! So if you want to be big, get more geese, always remembering that if you borrow to buy them, they might never become *your* geese.

Another obstacle is of course the follow on generations. In the clogs to clogs scenario, the second generation is heavily influenced and controlled by his driven father and in all probability works even harder than his father. He is probably poorer than his father, and may even feel trapped, especially if the business is all he has ever known as a career. This can pass down the generation ladder.

I remember tales of my father and uncle being fired by their old man, "and leave your car keys on my desk before you go, you can get the bus home". The ability of the senior generation to heap feelings of guilt on you is a fearsome weapon, and often tears the relationship apart. "The harder the fire, the harder the steel" was a favourite saying of my grandfather. He was a very hard taskmaster and more sensitive men than his two sons would have walked away. They were less hard, but even so I experienced very strong emotions in my twenties and thirties as I progressed. I particularly remember two incidents that were definitely not out of the modern training manual. Much to my fury I was told to apologise publicly to a senior chargehand for undermining her authority. This was to make me realise that at that point in my career, she was more important in the business than I was, and on another occasion, whilst working at the far end of the bakery, I was summoned by a snap of my father's fingers. As I walked quickly across the shop floor, blushing furiously, I was conscious of the eyes of all my staff as they watched. True I could also feel a hitherto unnoticed empathy with my plight, probably similar to that experienced by the condemned man climbing the steps of the scaffold. My execution was certainly less swift than that offered by Madame Guillotine as I was soundly chastised in full earshot of all the staff, before I eventually was released and returned to a much more sympathetic staff, who were all quite relieved to be just a baker and not poor Mr Alan.

If you survived such torrid periods, then the future of the business was deemed to be in good hands. I can still hear my Dad's words at the end of that second episode, as I stood face to face with him with the tears trickling down my cheeks, "Good, now I know you care. I've been trying to get you to do that for years". Hard or what? By the way, throughout his tirade I was also convinced he was going to deck me with a right hook and all I was thinking about was when to duck!

Modern Management methods? Phooeey. Not always the best way for family businesses.

My fondest memory of my father?

Attending a high powered three day seminar at the School of Marketing in Cookham, surrounded by whiz kids from all the major retailers and run by Peter Drucker, a big economic guru in the 70's. The course was about how to survive in times of galloping inflation and Mr Drucker, assuming that his audience was totally populated by the Big Boys gave out a stream of tactics all of which shafted the wee boys with no concern in the least for business ethics. We were given a few minutes at the end to give our thoughts, and Big Bob really let rip into this world-renowned expert, calling him a crook, cheat and charlatan. Mr Drucker responded by asking if my father had been in business long. 120 years replied my old man. "Well, said Drucker, what a pleasure this is. I have never met a dinosaur before. I predict a similar fate for your business". Well, ya boo sucks Mr D, the dinosaurs are still going strong.

So just what else makes me confident that Stuarts can continue to survive in today's fiercely competitive, indeed hostile, trading environment. Will the monstrous leviathans of the supermarket world or Greggs with their projected £1 billion mega-baker empire not simply grind us into the dust? I believe not. Just think about the birds in your garden.

At the top of the chain you have the big birds, the crows and the seagulls. They muscle their way round the place, scaring all the wee birds and picking up all the biggest chunks of food. Hands up all those that like crows and seagulls. Just checking. Next we have the pigeons and the starlings. They're scared of the crows and the gulls and have to make do with their leftovers. Anybody fond of pigeons? Now we come to the wee birds. Finches, tits, sparrows, robins, wrens and gold crests, and loads more. See them clinging on to the bird feeders and on the bird tables. Nipping around all over the garden picking up crumbs that the clumsy big

birds have left behind. And listen to them. Their songs are a delight. The dawn chorus wakes me up most mornings and sets me on my way with a song in my heart. Now listen to the big birds. Gosh, isn't that crow melodious. Almost as tuneful as the gulls screaming overhead. And as for that flaming pigeon and its dreadful cooing. Now *look* closely at our feathered friends. The deadly black of the crows and rooks, the smudgy purple of the pigeons. Compare that with our handsome robin, the lovely blue tit, the beautiful gold crest or the handsome chaffinch. Do I think that the wee birds will survive? Not a doubt in my mind.

Now what about that bottle of bubbly? Everybody on their feet. Sit down if your answer is not earlier than 1700. Now sit down if your answer is not earlier than 1300, 1000.

The correct answer is in fact 578. That is when the Japanese family business called Kongo Gumi was founded. Now in the hands of the 40th generation, with young Masakazu waiting in the wings as number 41, the company have been building and repairing temples for 1428 years!

Before ending, may I, on behalf of The British Confectioners' Association, offer the British Society of Baking our warmest congratulations on their Golden Jubilee Year. Societies such as ours fulfil an invaluable function in our frantic world, that of bringing like-minded people together for a short spell of fellowship and networking.

Finally every Society is only as good as the person who runs it. The BCA had the incomparable John Copeman for over 50 years. Your Society has had the good fortune to be blessed with the wonderful Jean Grieves, a remarkable lady, who has made a massive contribution to British Baking and Confectionery and I would like to present a small token of our esteem to her now.



Question: Paul Morrow, Bicester

Alan, what is the one thing that gives you confidence going forward?

Answer: I think probably that the family has created this understanding of what is important for the business and what will make it go on. I listen to loads of seminars and go to various functions and everybody talks about writing down a family bible. I don't think its important to write these things down, I think its important, especially when you get, as we are to fifth and sixth generations, its just important to have that ethos understood both by the people who work in the business and by the family. For example I have two sisters who will never get a penny out of the business because they don't do the work. They can have the private estate but that's a family decision that we've taken to make sure our business goes forward. I have the odd worry, I do worry about legislation and Europe and my main worry is the raft of all these regulations and laws that come forward will make Keith's time and any future generations less fun and if being in a family business isn't about having fun and enjoying yourself, why are you doing it. It gives you certain privileges, my Dad would summon it up by saying if I wanted to go out and paint the shops pink tomorrow, I can do that, its my business I can do what I like, its that control, and its keeping that control and any threat to that control I would be worried about. But by and large what really give me pleasure just now in Scotland is the large number of family businesses like ourselves that have had the confidence to go out and build new bakeries. I think it's about ten at the moment and I think it must be decades since there was a swell in confidence in the family baking industry similar to that. So that gives me confidence and the fact that other families are feeling the same way.

Question: Paul Heygate, Bugbrooke

I would really like to know did your sisters not come into the business because they weren't asked, or because of your fathers approach, and would that be a similar view today taken by you?

Answer: I'm beginning to wonder who you've been talking to. Well I have to say I wasn't asked to come into the business either. I joined the business at the comparatively late age of 25, I had been a bit of a waster up till then and I don't think my father wanted to employ me. But I spent six years working in banking and began to really hate that and I eventually plucked up enough courage to go and ask my father for a job which, thank God, he said yes. I think it's a question of the member of the family wanting to come forward. My elder sister did actually work in the business for a short spell. She also worked for our rivals for a short spell. There's no bias there, I think it has to come from the succeeding generation. They have to want to do and you have to try and create a climate where they feel they have an option. They have to want to do it at the end of the day. I have no bias, boys or girls, but I did make sure I only had two sons I have to say.