

2003

Family Business Honours

C. & J. Clark Ltd

2003 Family Governance Exemplar

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Family Governance Exemplar

“You may be assured that I will make the family and the company aware that we have been awarded this singular honour.”

Roger Pedder, Chairman of C. & J. Clark Ltd.



Introduction

Impressions

This is a modern business, with a secure hold on tradition. Enconced deep in rural Somerset, the glossy West End interior of the age-old shoe factory that is the C. & J. Clark headquarters is surprising, if not startling. Expressions such as ‘rural chic’ spring to mind as you wander through the tentacles of the building that meander from the museum-like reception, filled with artefacts from past shoe-making equipment, through the top management team’s New York style loft with partially frosted glass walls that feature people’s shoes as they walk by, to the open space offices and finally “the Cowshed” – the throbbing heart of the building, a café where people meet and connect.

The small and ancient town of Street has become almost synonymous with Clarks, its patron and largest employer. The company ethos – traditional yet contemporary – is mirrored in its historic office buildings with their ultra-modern interiors. Preserved architectural features house digital art installations. The showrooms and store replicas that display ranges of shoes also carry these transformational qualities, and it is clear that innovation and continuous improvement form a large part of the business.

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History

Cyrus and James Clark were brothers in a group of seven siblings, making a living in the sheepskin business. In 1825, the brothers set up a sheepskin slippers business in a barn, and eventually progressed into long, narrow buildings that utilised daylight for the shoe making. Clarks in Street have retained this building shape as a legacy to its shoe-making heritage. The most significant event in the history of C & J Clark, however, was the high profile and very public feud of 1993 when a razor-thin majority of shareholders voted against selling the company to Berisford International. This was followed by a period of renewal and radical change in strategy, sourcing and management systems. It is a time that some recall with mixed emotions, yet most would agree that the company was in dire need of a move away from its inertial and paternalistic style towards a more modern, flexible and informal profile.

Clarks

Leadership

The Role of the Chairman and the CEO

Roger Pedder, Chairman of Clarks, describes himself as a “hybrid” – not really family, but as an in-law, as close as one can get. He is currently the only “family member” at Board level who is involved in the day-to-day running of the business. He sees his position and task to “conduct the orchestra” of the family shareholders and the Board, an interface that requires a strong Chairman. The leadership style is geared to Quaker values such as open communication and integrity, and in the role of the Chairman, the exercise of diplomacy and respect. Roger Pedder and the CEO Peter Bolliger form a dynamic team operating on the basis of trust and clearly defined roles. Peter Bolliger manages the company, and Roger Pedder manages the Board. Decision-making is quick due to the sparse number of key decision makers, and is made with long-term goals in mind. Decisions are also made with an open door policy, in order to consolidate the family’s trust in the top management strategies. The CEO has a hands-off approach that secures continuity and is supportive rather than imposing, acting on the notion that “you have to stand up and be accountable, be strong and honest.”

“The leadership style is geared to Quaker values such as open communication and integrity”

Vision and Challenges

Clarks does not have a mission statement. They say they have no need for “a lot of fluff.” Quaker values determine how the business is run. The basic purpose is to sell shoes and make a profit, treat staff and customers in the right way, be fair and reasonable, yet tough in negotiations. In Roger Pedder’s words, “a successful business that is well run” is the bottom line. This challenging vision also includes entering the international market. Challenges tend to increase with the size of a business, and likewise with the number of outside interests it comes to rely upon. The external business environment is highly competitive, but the firm feels confident in the face of it, though changes in taxation and tariffs could always pose fresh challenges for a trading business of this size and complexity.

Culture

The culture at Clarks has been in a state of flux over the past decade due to the changes in leadership that it has undergone, and it has emerged more modern, more informal yet truer to its origins.

Ideology – Quaker Values

Clarks operate on business-sound ethics that imply good employment practices, charity, community responsibility and honest dealings with third parties – treating them as stakeholders, with respect and involvement. The Cowshed café in the Clarks headquarters symbolises its character – displaying something of the Clark quirkiness, modern, artful and slick, without being arrogant or loud. It is a relaxed and benign environment, where problems are solved rather than created. It is accepted that “things go wrong, it’s a dangerous world”, whilst displaying a business-like determination to eliminate the causes of repeated mistakes. This is a culture that is said not to be for everyone, especially people who prefer less flexible and more highly structured environments.

It does not lend itself to personality cults or self-promotion, however, it is no “sausage machine.” There is space for people to develop their own style and be individualistic.

“It does not lend itself to personality cults or self-promotion”

Communication

Talking and interacting are highly valued in Quaker communities, with weekly meetings central to the practised faith. In this spirit, the Family Shareholder Council offers a venue for discussion and an opportunity to reach consensus. The idea is that family members should be engaged at the early stages of a project or policy in order to anticipate and deal with disagreements, so that they do not return later in more malignant form to derail decision-making. This represents a change in the culture since 1993 towards a more professional climate of management, leadership and strategy formulation. The future vision of the company is inculcated among the staff, through strong practices of communicated direction. Twice-yearly staff appraisals help to ensure alignment of individual with company and family goals.

People

The intrinsic value of learning is a central Quaker value. In this spirit partial or whole grants are offered to all employees who want to learn a new skill, whether job-related or not. There is also a graduate scheme, in-house training for employees and a “fast track programme” for identifying talent in the company. Clarks is supportive of its employees through such measures as its final salary pension scheme, job share arrangements, flexible working hours and compressed working weeks. In many other ways the company pays close attention to the differing individual needs and concerns of its staff. Most of these are locally recruited, and they are an extremely loyal and long tenure population. Employees also include non-local professionals, such as high-end, specialised designers, attracting such people to a rural setting and retaining them requires a confident attitude and best management practice.

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Governance

Family Governance

In addition to the Chairman, the Board of Directors consists of eight members, four executive and four non-executive directors. Two of the Board are members of the Clark family nominated by the Family Shareholder Council (FSC). The Family Shareholder Council is a central organ in the organisation's anatomy. It represents virtually all of the family, and has its own full-time secretariat paid for by the company. Its representatives are elected for three years and can serve up to three consecutive terms. The FSC has seventeen shareholding members, but meetings can attract up to thirty participants, including lawyers and other professional advisors, as well as seats for the attendance of next generation family members to train them for supply of "the young to replace the old". The qualifying ownership threshold for membership is currently set at 4.5% per person.

"The Family Shareholder Council is a central organ in the organisation's anatomy"

In the family feud of 1993, a bid was made by Berisford International to buy the company. 52.5% of the shareholders voted against the sale (70% of the Clark family voted to reject it), and a commitment was made to consider stock exchange listing in the future. The dispute, described more in terms of "the family against the company, not the family against the family", resulted in a small group of family members seeking advice for corporate governance. Roger Pedder was appointed Chairman shortly thereafter, and the company brought in an external chief executive for the first time. Coming out of this conflict, the FSC was created, and aims to unify all shareholders into a single voice, and to keep family issues separate from the business.

“A total of 200 family members own 80% of the equity; the remainder is held by employees, institutions and the Rowntree Trust“

In true Quaker style, decisions are typically not made by vote, but by the sense of the meeting and the conduct of the FSC is generally through presentations and discussions. The family feeds into the Board via the Council. The Council holds meetings with the board 4-5 times per annum, and is perceived to be an effective conduit. There is also a written Constitution to guide process. The other main governance bodies are the Appointment and Remuneration Committee, chaired by a family member, and the Audit Committee which is chaired by an independent non-executive.

Ownership

A total of 200 family members own 80% of the equity, the remainder is held by employees, institutions and the Rowntree Trust (another well-known Quaker institution). Non-family members are rewarded with cash rather than shares. In 2002, £62 million worth of shares were bought back by the family. C. & J. Clark has remained a family company for 178 years, and hopes to remain a private company with a majority of shareholding for the foreseeable future.

Succession

There are currently five family members working in the business, all below Board level. Younger members are welcome to apply for the trainee scheme or existing vacancies, and positions are allocated on merit. It is deeply engrained in the company to avoid nepotism. Succession will occur in 2006 to replace the retiring Chairman. Plans are already in place for this event, in the shape of a joint committee to guide the process. A sub-group of five in this committee will consider the options and assess the impact of candidates, with another sub-group of six making the selection. This succession is viewed as a "real test" for the company.

"It is deeply engrained in the company to avoid nepotism"

Social Responsibility

Clarks is very committed to its community. There is also a strong interest in providing amenities for the community among family members. The Clarks Family Trusts have built a number of facilities for the benefit of the local area. These include a swimming pool, a theatre and other similar venues. This generosity also manifests itself through events such as school sales organised by Clarks and the educational grants issued. On a more international level, Clarks has a programme in place for its sourcing operations in various countries, where social auditors are consulted in order to ensure that ethical trade guidelines are adhered to. However, they are "careful about wrapping this social responsibility into the marketing" of the business.

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Conclusion

In every interview we asked: “So how do you know that this is a family business?”

This question was asked in order to assess how success was built upon “familiness” and how this has contributed to the profiles of excellence achieved.

As we have observed, the Quaker values and all they represent are an integral part of the family business, particularly in its management. Although the Quaker ideology may be less explicit to the employees, the “familiness” of the business manifests itself mostly through the staff conditions and the support given to people. In the words of one employee, “you feel it in the local community” and it is embedded in the fabric of the building itself.

The heritage and past of the company comes across through the family, even though their presence is less strong than it used to be. Their individual, fun, different and quirky style is evident throughout the company. Family ownership is strong, and the feeling that you work for known shareholders – not faceless institutions – is very clear. In the top management team, “when you work for a family, you do it all”, decision-making is easier and there is nothing short term. There are huge ups and downs, a lot of patience is required, and you need to “believe firmly in a great future”.

Roger Pedder is probably the only man in his position that can make a pair of shoes with his own hands – and judging by his capacity as Chairman, they will be rather big to fill.

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