



Intergenerational Succession in SMEs Transition
INSIST

CASE STUDY

Podiums Ltd.

Final version

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Leeds, 2015

This project has been funded with support from the European Commission.

The European Commission support for the production of this publication does not constitute endorsement of the contents which reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.



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1. Introduction - Presentation of the Case

The case is based on the history of a family business operating in the fabricating sector of the economy. The name of the company and the names of contributors to the case study were changed at their request.

Brief history of the firm

Paul Morton started out as a scaffolder working in the construction industry, putting up and taking down scaffolding that allowed other workers to reach higher levels of buildings during construction, cleaning or renovation projects. He learnt the trade over a number of years working on projects with a range of people, making connections and establishing a reputation for high-quality work. In 1977 he saw an opportunity to collaborate with a business partner to establish Podiums Ltd. to hire out, and later sell, scaffolding equipment. During almost 40 years of operation Podiums Ltd. has been through a number of phases of growth and consolidation. The business has changed from sales/service distribution of products to bespoke fabrication of specialist products. At its peak in 2005, the business employed 60 people with a turnover of approximately £8m *per annum* and had five depots covering the North, South, East and West of the UK. It is now much smaller and more profitable, and currently employs a core workforce of 30 people supplemented by a peripheral workforce of subcontractors as and when demand dictates. Podiums Ltd. is one of a small number of successful specialist fabricators serving a specific niche market which bucks the general trend of decline of manufacturing in the UK.

Main activities

The company website describes Podiums Ltd. as 'a leading company that provides workplace access solutions'. The company designs and manufactures bespoke access equipment and specialised tubular structures using aluminium, steel and fibreglass. The products are designed and fabricated to customers' particular requirements and to meet prevailing industry standards. The company has grown as a brand and become synonymous in the market with safety, innovation, access solutions, and design that overcomes the adversities of working at height in a variety of sectors and work



environments. Podiums Ltd. currently has a turnover of approximately £4m p.a., employs 29 people and has plans for further organic growth in the short to medium term.

Ownership structure

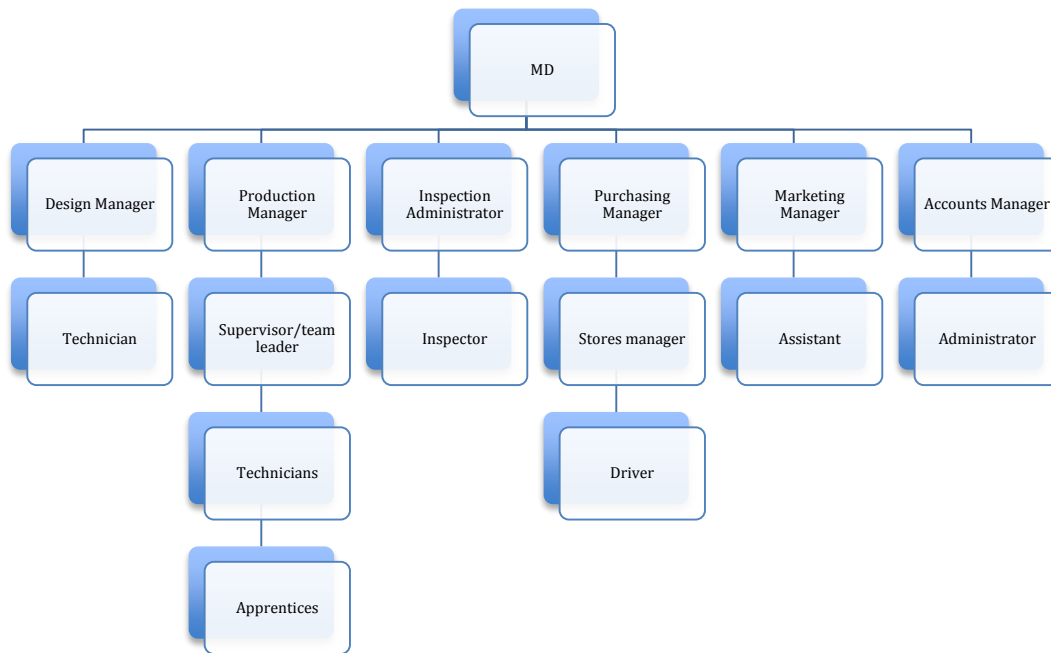
The company was founded in 1977 as a private partnership between Paul and his business partner. The business grew rapidly in the first few years of operation and Podiums Ltd. registered as a Private Limited Company to reflect the changing requirements of the business and its owners. Paul assumed whole ownership of the business in 2007 and has recently transferred 15% of the shares to each of his two sons and a further 10% to key employees by establishing an Employee Benefit Trust.

Main characteristics of its market position

Podiums Ltd. serves a market niche in a national market where there are very few competitors. The UK is the main market for its products and services, although it sources materials from elsewhere and reaches the European market through a prestigious client list including Rolls Royce, Bombardier, The Orient Express, CHC Helicopter, BAE Systems, LS Live and the PGA European Tour. Podiums Ltd. has developed high-quality assurance systems to enable it to serve markets and supply chains that demand the very highest operational standards.

Number and structure of employees

Information on the number and structure of employees at Podiums Ltd is based on the organisational chart supplied (adapted in Figure 1 below).



Paul and his team highlighted the loose application of such a structure in the business. Podiums Ltd have established a culture where ‘everyone pitches in’ with formal job descriptions or ‘job titles’ playing little if any role in the day-to-day management and operation of the business. Paul (MD) and his son Tim (Specialist Production Manager) are the only members of the Pemberton family in the business at the current time. Tim’s brother Joe is a freelance graphic designer who provides professional services (e.g. website design) to the business.

Number of employees: 29

Female	14%	Male	86%
Senior Manager	28%	Supervisor/technician/administrator	73%
Production/Fabrication:	59%	Design/Purchasing/Inspection Marketing/Accounts	41%

Main characteristics of interviewees

Name	Age	Sex	Family relations	Education	Responsibility
Paul Morton	68	Male	Father	15 years old	Owner and Managing Director
Tim Morton	42	Male	Son	Degree in Product Design	Specialist Manager
John Miles	42	Male	No relation	n/a	Marketing Manager

2. Succession process

Rules of Entry and Exit

A critical incident played a key role in the development of the succession process at Podiums Ltd. In 2005, Paul's son Tim had recently started work in the business in the fabrication of platforms at about the time that Paul made the decision to take some from the business to look after his wife, who had been diagnosed with cancer. Paul left the main management and control responsibilities with his business partner, as his son was relatively inexperienced at the time. Paul spent less time in the business for over a year, returning after the death of his wife and at a time of considerable family stress. On his return, Paul uncovered a major fraud which centred on the activities of his business partner. Paul felt he had no alternative but to take sole control of the business. It was at this stage that his son Tim began to take on a bigger role, with much more management responsibility for the production side of the business.

It was at this time that Paul developed a new strategic plan for the business. The external market was changing, with fewer opportunities for distributors of access platforms and specifiers of work. This was being driven by technological changes and the wide availability of online information for clients to use. Paul began to change the focus of the business from sales of other companies' products to the development of bespoke design, manufacture and installation of specialist access platform solutions. With his son taking an active role in managing the operational part of this, the business moved away from sales

and service and Paul began to consolidate the business. A key element of this consolidation was to sell the distribution depots located in other regions of the country. These were all sold as going concerns, with the last unit being sold in 2012. The business became more knowledge-intensive with a design office being established and the development of systems for producing bespoke solutions no matter how simple or complex. The result of the change in strategic direction has been a significant improvement in the productivity and profitability of the business.

Around this time Paul recognized the value of the skills and experience of key members of staff employed in the company. A plan to enable Tim to succeed Paul as owner and MD of the business was developed and remains in place today. A key element of this plan was to strengthen the ties with existing managers working in the business, and Paul worked closely with the company's accountants and solicitors to develop and consider several options. For a variety of reasons (not least achieving effective tax efficiency for the owner, employees and the company) an Employee Benefit Trust was established to transfer 10% of the business to eight key employees. When the company makes a profit, the managers share in the profit equally under this scheme. The Employee Benefit Trust acts as an incentive for managers to help make the business more successful and encourages retention, whilst maintaining the principle of family ownership.

The new arrangements have provided space for Paul to step back from the day-to-day strategic management of the business. Paul sees that through this mechanism he is planning for the wider conditions that will support his son in taking over the business, which is now almost complete. Paul currently spends 2 or 3 days off per week without any direct involvement in the business. Paul is keen to assert that there is no fixed timescale for the succession to complete and that he will ensure that it will be completed at a pace that supports rather than impedes the development of the business. Paul reports that he has 'no plans to retire just yet... I enjoy it too much and have too much fun'. Tim clearly values his father's leadership and support, highlighting the mentoring role that Paul has played as he learns about the business.

Learning generally plays a key role in the sustainability of the business, and Podiums Ltd. supports the professional and technical development of their workforce, providing time off work to study and paying course fees where appropriate. However, much of the learning is on the job, with coaching and mentoring by peers and leaders a key element of work-related and personal development. Progression is supported in the business with, for example, welders moving on to design positions and shop-floor workers being promoted to supervision and management positions.

Business- and Family-Related Goals and Performances

Business- and family-related goals and performance clearly overlap and interconnect to varying degrees and at varying times at Podiums Ltd. Whilst seeking to control costs, the company pays above the living wage, but there have been no wage increases recently as the company has weathered the recession. However a profit related bonus scheme has recently been developed which means that each employee benefits equally if the company makes a profit each quarter. This has resulted in an increase of +10% in take home pay for some employees and generated considerable goodwill amongst the workforce. There are plans for wage and salary increases this year in addition to the profit share scheme.

Paul has two sons, both of whom studied at university and initially pursued their careers outside the family business. Joe has become a freelance graphic designer and currently works in London. He provides professional services to Podiums Ltd including the design of the company website. He is about to embark on the production of a company film to commemorate the 40-year anniversary of the founding of Podiums Ltd. Tim is directly involved in the strategic and day-to-day management of the company. He has taken an interest in the business from an early age. Throughout his childhood Tim spent school holidays and weekends in the business helping out and getting to know it. He went to university and studied Product Design, with a year-long placement back in the the family firm. After university Tim spent some time in Australia, in his words 'playing rugby and growing up'; when he returned to England he worked in sales for a year for a company in the East Midlands. When a vacancy for a driver came up at Podiums Ltd. he decided to

work in the family business. He has worked there ever since, taking on a variety of roles, learning through experience and progressing in the company.

Paul has always intended to pass on his wealth to his two sons irrespective of their role and activity within the business. Having experienced the uncertainties associated with the financing of business in the early years, including personal guarantees and a mortgage on the family home, Paul is keen to place the business and the family on a firm financial footing and he is far more risk-averse now than in the past. Paul has planned the transfer of wealth to the next generation largely through property holdings and investments, made gradually over the years and held in a separate company. The company now has a strong balance sheet and can provide assets where required to support the organic growth planned for the business.

Dynamics of the family business

In some respects Podiums Ltd. was not started as a family business, and has always employed 'outsiders' in key management positions. Paul's initial business partner shared management responsibilities, and they turned to the external labour market to fill other management positions as demand increased and the company expanded. Paul's sons became associated with the business in a professional management capacity more than 20 years after the business had been founded. When John (the company's Marketing Manager) was asked during the interview if Podiums Ltd. felt like a family firm, he paused, reflected and responded that it did feel like a family business, with Paul clearly at the head of the family. However, he went on to point out that there were a number of other family groups represented in the business: employees who were mothers and daughters, siblings, cousins or had different family ties worked across the organization, helping to reinforce that 'family feel'.

Paul believes in teamwork, 'rolling up his sleeves to get the job done' and taking a strategic approach to maximizing the return on effort invested in the company. He appears to have established a motivated, organized and committed workforce who work together in a business environment and socialize together outside work. The company is able to

effectively respond to the needs of its customers and has developed enduring and productive relationships with customers, employees and key business advisors such as accountants and solicitors.

Paul has imbued the business and his children with his core values through hard work, reciprocity and respect for other people. He values the commitment of his employees who will often work unsocial hours 'to get the job done', and recognizes this through the provision of flexible working arrangements. For example, 'if someone is getting up at four in the morning to get to a job on time they should be able to finish earlier than usual', or if someone is late for work it is worth finding out what the circumstances are – you see in other companies examples of three strikes and you are out but we do not apply this [...] people have lives outside the business and they sometimes impact on it [...] We will help and support people where we can.

This approach to management and performance has led to the development of a very loyal and committed workforce with negligible staff turnover and a willingness to 'go the extra mile' when necessary.

Most of the employees have been with the company many years and an environment of reciprocity is encouraged. The senior management know all the workers personally and if there are problems (e.g. sickness or timekeeping) they take the time to understand the context and to seek to deal with situations positively. Team-building events are organised and many workers participate outside work. This contributes to a company culture which develops a loyal and stable workforce who understand the business and its values and expectations. The management team have a combined experience of more than 100 years working in the company. New blood is brought into the business through apprenticeships, and the company supports the upskilling of staff by paying for courses and allowing employees to attend courses in work time. This has enabled the company to respond to technological and market change, as welders have progressed to being CAD designers and managers have updated their skills through professional qualifications.

When the critical incident that triggered the transition occurred, there was a significant emotional response from the workforce. It was clearly an upsetting and uncertain time and

Paul reflected that 'the worst part was getting all the staff together to tell them – people were crying and very upset.' The company weathered this storm, and through a change in strategic direction has developed a more productive and profitable way of working and a company culture with high levels of workforce engagement. The establishment of the Employee Benefit Trust has helped to secure the commitment and motivation of managers towards the achievement of higher levels of business performance and reward, whilst retaining the principles underpinning Podiums Ltd. as a family business.




The company is outward-looking, playing an active role in business networks to support the development of local services and the manufacturing sector. They regularly support the local community, sponsoring local football, rugby and cricket teams as well as causes that resonate with the interests of a company that takes pride in its Yorkshire heritage. They are currently supporting and donating to 'Yorkshire Rows', a team of four women in their forties who are rowing the Atlantic in aid of the Yorkshire Ambulance charity.

3. Conclusion and lessons

- A critical incident triggered the development of the family firm - a combination of family and business circumstances acted as a catalyst for Paul to consider succession issues
- Changing strategic direction to focus on more value-added activities supported the sustainability, productivity and profitability of a family business;
- Management and ownership succession are processes, that progress at different rates over an extended period of time
- Trusted independent advisors (accountants and solicitors) played a key role in the development of options and the selection of courses of action to support both management and ownership succession
- Succession at Podiums Ltd. has involved two different plans for ensuring a strong financial future for the business and a strong financial future for the family, with both related to business assets and ownership



- Non-family members can form an important 'bridge' from when one generation steps back until the next generation are ready to assume management responsibilities in the business
- The planned succession that is taking place is gradual, ongoing and not part of a time-bound plan.

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