



THE FUTURE OF THE FAMILY BUSINESS

Interview with **LIZZY RUDD**
CHAIRMAN
BERRY BROS & RUDD

Report commissioned by

FARRER & Co

Introduction

The dynamic of a family business isn't the same as that of an owner-managed business. Of course there are similarities, but the differences are profound. A conversation about the business will elicit their sense of being the custodian of the company, a fear that they might be the one who "drops the ball," a desire to encompass staff, suppliers, and customers in that sense of family. Should the owner encourage their children to succeed them? It would be hard to find one who is voluntarily considering a complete exit.

Every family company is a lifestyle business in the truest sense. Because on one level it exists to deliver the requirements of the family, and on another, it is an intrinsic part of the lives of every member of the family, who will live and breathe it, or in some degree rely on it financially.

But is the new generation going to be committed to prioritising the business in their lives in the same way as baby boomer or generation x family business ownerdirectors have done? Indeed, is the next generation willing to actually take the reins, and are their parents encouraging or discouraging them to join the business? Are we going to see a new era of family-owned rather than family-run businesses? And what prompts, and importantly, what will enable the family-owned business (across all generations) to look beyond the day-to-day and define or rekindle its ambitions?

In a report commissioned by Farrer & Co, long-established family businesses look to the future.

This is one of papers to be published in the report.

Entering the premises of Britain's oldest wine and spirit merchant through the shop where it started trading in 1698, a sense of its heritage from the stone flags and oak panels is all enveloping. It gives a somewhat Dickensian feel, which executive chairman Lizzy Rudd was aware of as a child.

She enjoyed seeing where her father (John Rudd, a previous chairman) worked, not least because he never talked about the business at home. "We were not brought up with conversations around the dinner table about business, and in some ways that's good, as the company can be all a family ever talks about. But the downside was that we didn't know much about it. Even when my brother and I started here, in our twenties, our father still didn't talk to us much about business in the home environment."

Berry Bros & Rudd are perhaps unusual among family businesses because two separate families are involved. Lizzy Rudd is the third generation of her family to be involved, while the Berry family are of even longer provenance, with the eighth generation now working there.

Rudd says they have worked together for so long that they have become more like branches of

the same family. "We feel like we are more like cousins rather than from two different families. My father's generation even picked up mannerisms and expressions from each other."

Most members of the two families – whether they work in the business or not – have met each other, and interaction at an early age is encouraged, says Rudd. "The current generation were put together as children by our parents and we are great friends. But the first time our boys met as toddlers they really didn't get on and we told them 'you need to as you might share an office one day'! They're really good friends now."

There are currently five members from the two families working in the business. Each has a mentor, who is always somebody from the other family. "For me, the key value is encouraging generosity of spirit, collaboration and trust, and listening rather than telling," says Rudd. "I have an open-door policy, and I hope people feel they can come and speak to me."

Rudd is the third woman to head up the business: her grandmother was once chairman as was the original founder, known as the Widow Bourne (her first name has been lost in the

mists of time). About half of the senior leadership team are female.

However, Rudd recalls that while her two brothers were expected to join the company, as a girl she was not expected to make a career of it. "It just happened," she says of her eventual rise to the top. "Life just unfolds, and not necessarily in the way you expect it to."

She joined as a temporary "general dogsbody," doing "soul-destroying" data entry work in the marketing and sales department. After six months, she was given a more interesting task, shadowing one of the regional managers, and then taking on responsibility for a minor export market at a time when the business was trying to build up its European operations, having been mainly focused on the US.

After ten years in marketing the Cutty Sark whisky brand that her grandfather helped to create, Rudd left to raise her children but remained a non-executive director. Then she returned in 2005 as deputy to chairman Simon Berry before being appointed chairman herself in 2017. Rudd observes that she was never actively groomed to become chairman, even during her period as deputy chairman. "There was a tradition of

family members being chair, but we used to be terrible at talking about it and planning for it. No-one ever asked me if I would like to work my way up, or helped me do that. It's different now. Not only do we now have a clear policy of having somebody from one of the two families as chairman, but younger family members are consulted from an early age about their aspirations.

"We used to almost have barriers in place to discourage the next generation - my first job here was the most boring in the world," says Rudd. "But we realised that we want them to want to come to work here, so we need to inspire them and engage them and make sure that the work is interesting. We need to give them the tools to give them the best chance, tools that could also help them if they want to run a different business.

"But they have to be employed on merit; they have to be the right person for the job, whether they are family or not," she adds. "My father certainly didn't want to favour me and my brothers in any way."

Both families were "decimated" by the two global conflagrations, as, very nearly, was the business itself, says Rudd. "My uncle was killed in the second world war so my father had to cancel his plan to go to Cambridge

University and join the business instead.”

But since then, the number of family members has been increasing – faster than the rate of growth of the business, says Rudd. That presents possible implications that a larger family business can’t ignore. “Having a lot of shares held in trust provides some protection, but this is something a family business needs to think about more. Should it consider developing an internal market in the shares for example?”

With thirty individual family shareholders, communication is a pre-requisite regardless. “The family council aims to make sure they are all engaged with the business, whether they work in it or not,” Rudd explains. “That’s important because we see them all as being brand ambassadors and we want to make sure that as shareholders they are prepared to be responsible owners,” says Rudd.

To support the executive board, the company has an owner’s board and there’s a family council. “There was a time when my father was already semi-retired yet my generation were not senior enough to take over, which meant we’d had professional management in charge for some years and the family had become a

bit removed from the big decisions,” explains Rudd, who in a dual role as both executive chairman and shareholder reports both to the board of directors and to the owner board.

Keeping up with the speed of change is a potential challenge for any business, family owned or not. Rudd is keeping an eye on is the trend among younger people to shun alcohol. “About a third of people aged eighteen to twenty-five in this country don’t drink, and we have to anticipate that growing. How will that affect the fine wine trade? We consider ourselves to be best in class with product and advice, and we hold two Royal Warrants.

“So in one way that trend could be good for us because we encourage people to drink less but better wine; our values are about personal relationships with discerning people who would like to be more knowledgeable.

“Maybe different kinds of product could become more prominent for us. After all, this company started selling coffee and tea and spices before it sold wine and then whiskey.” There has already been more diversification, such as the launch of Spice Hunter rum and the re-launching of their iconic No3 gin.

Another challenge is the growing issue of fakes - blends and their bottles imitating fine wines. "The demand for fine wine means there is a huge market for fraud," says Rudd. "We now have a full-time 'wine detective' who checks everything we buy, especially if it doesn't come direct from the producer, to see if the bottles have been refilled or contaminated with fake product."

Rudd says she has no preconceived ideas about the potential role of any of the younger generation of family members, including her own children. "It would have to be right for them and right for the business. I do look at them and wonder whether this one could do it, whether that one has the potential," she muses.

"But we would never push anyone; unlike previous generations, when it was very much assumed and expected that they would go into the business regardless of whether they wanted to or not."

Young Rudds and Berrys who show an interest are offered the chance to do work experience as youngsters, but are encouraged to start their careers in the outside world to get broader business experience. Rudd accepts that there is then a risk they might like it there and not want to join the family

firm at all. She has been thinking about collaborating with other family businesses to set up informal staff exchanges, to address this.

The ambition of the business is to be "the best and most trusted fine wines and spirits merchant in the world", says Rudd. "Turnover obviously comes into it, but the emotional aspect about a sense of belonging, trust, integrity in how we behave is what drives us. Family firms are culturally very different in this respect: we try to balance tradition and heritage with being forward thinking; new generations might do things differently but our values, culture and brand must stay the same."

In this context, despite this being the age of rapid and constant change, Rudd believes that long-term decision making has never been more important. "As a long-established family business we can take a long-term view and make any necessary adjustments as we move gradually towards it," she explains. "We don't have the ups and downs and constant changes that you might have in a public company."

It's often said that family business owners are just caretakers for the next generations, custodians of the brand. Rudd reflects on this. "That's the great

thing about a family business,” she suggests. “We think about what is it going to be like for the grandchildren. A big topic of conversation in business now is sustainability and corporate social responsibility, but they have always been the hallmarks of a family business.

“Our children and grandchildren will hold us accountable. I don’t want them to look back and wonder what on earth we thought we were doing. There is a sense of stewardship, of looking both back and forward, and sometimes that can be a heavy weight and a big responsibility. But the responsibility is a driver rather than a challenge. And today, that responsibility is to the family, the wider community, and now the planet.”



Farrer & Co have worked with family businesses for decades, over many generations.

That specialisation means they understand that for family businesses, success means balancing commercial wins today, with stability and cohesion for the long term, and are adept at creating the efficient, practical solutions the family business need to address whatever the challenges are ahead.

In addition to advising on M&A and joint ventures, property sales or acquisitions, branding, shareholder disputes, or data protection, Farrer & Co provide support as families make fundamental calls which will shape the future of their businesses.

That includes advice on governance and decision-making structures, succession planning, and how best to remunerate those working for the company whether family or non-family executives. Farrer & Co support family businesses putting in place ownership arrangements to help manage transition through the generations, and regularly help design and structure trusts and foundations, and pre-nuptial agreements that protect the interests of both spouses while retaining ownership within the family.

www.farrer.co.uk

Researched and published by
DECISION magazine

www.decisionmagazine.co.uk

FARRER&Co
