

2006
Family Business Honours



Case Study of 2006 winner

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The Family Business Honours Award for Social Responsibility

Newhall Publications Ltd

JPMorgan 
Private Bank

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School

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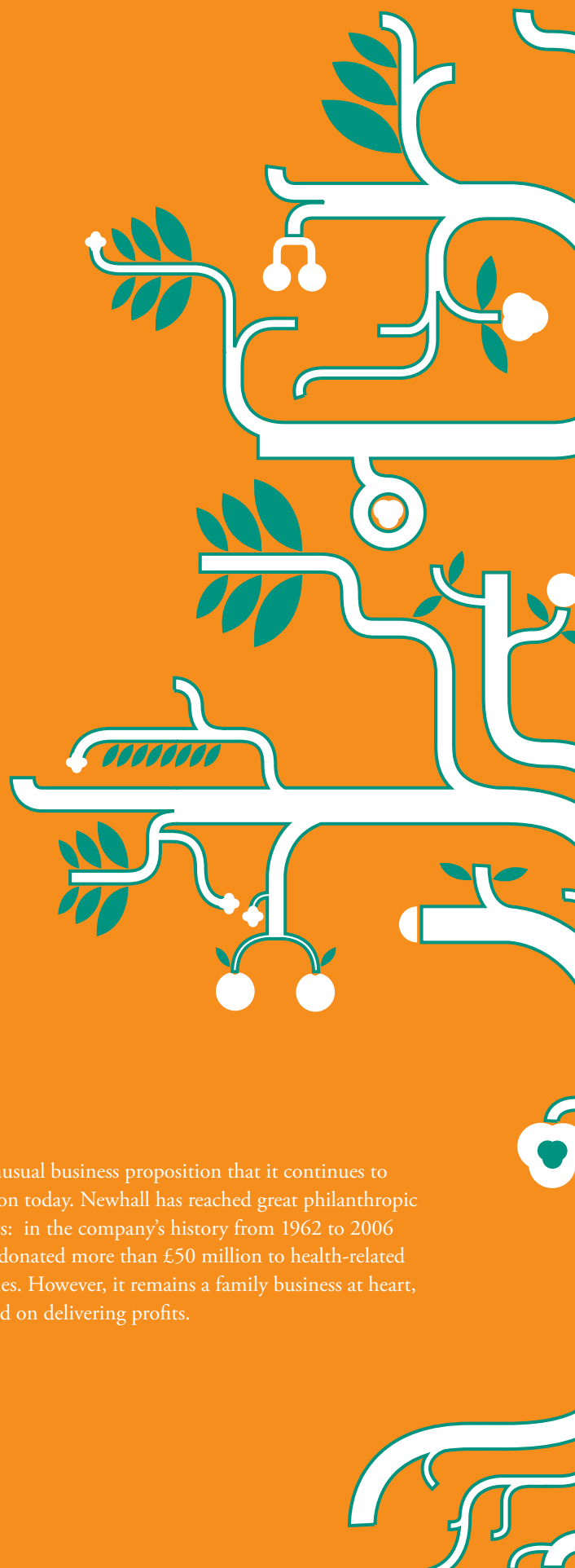
Newhall Publications Ltd



Newhall Publications has evolved a unique business model as events in the firm's history have required its leaders to adapt. From the beginning, however, Joseph Douglas, founder of Newhall Publications, was driven by an entrepreneurial spirit to create a business that linked customers with health charities.

The motivation for this endeavour was more than just an innovative business idea – it was also inspired by the loss of close family members and friends to cancer. From outside the family, government changes in regulation forced the management and owners of Newhall Publications to radically alter the company's structure and business plan over the years, leading it to

the unusual business proposition that it continues to build on today. Newhall has reached great philanthropic heights: in the company's history from 1962 to 2006 it has donated more than £50 million to health-related charities. However, it remains a family business at heart, focused on delivering profits.



First impressions

Newhall’s brand, embodied by the Candis Club and magazine, is a fusion between the ultra-modern and the old-fashioned. The company is located in a mixed rural and industrial area on the Wirral (near Liverpool). The building stands opposite a dairy farm where cows idly register your presence as you walk towards the entrance. The interior of the building reinforces the conjunction of the modern and the traditional. Visiting Newhall evokes a sense of calm confidence. One wonders, given their achievements, why they are not a household name, but their magazine is not sold on newsstands and their membership is never advertised.

As we spend our day with the kindly and down-to-earth people of Newhall we realise that, to them, business is more than just bottom-line delivery – it is about getting together, doing good and feeling good. At the same time, there is a spirit of positive competition for excellence. In the board room a large wooden panel displays the names of the company’s top sales managers in gold letters. Against the entries for two years there were blanks; that is, no winners. When quizzed about this, the reply was that their standards are high, and so mediocrity is not something they want to celebrate.

Newhall Publications at a glance

Brief description:	Newhall Publications Ltd publishes and distributes the <i>Candis</i> magazine to the members of Candis Club, a membership club owned by Newhall Publications Ltd. Candis Club receives 10% of the subscription proceeds – all of which is donated to charity on behalf of its members.
Industry sector:	Publishing
Founding year:	1962
Founder:	Joseph Douglas, OBE
Number of employees in 2006:	159
Number of family shareholders:	4
Generation:	3rd
Sales in 2005:	£11 million

Clarifying note regarding the company structure

The Newhall organisation is divided into three distinct units: Newhall Group, Newhall Publications and Candis Club. The Club is a proprietary club owned by Newhall Publications and the board of Newhall exercises power over the Club under the group’s constitution. The Club is a member-based organisation in which members take out magazine subscriptions. Run by a committee of family- and non-family members, the Club oversees all of Newhall Publications’ charitable activities and receives and distributes 10% of all subscription income via Gift Aid.

Candis is one of Britain’s best-selling women’s monthly magazines, with a paid-for circulation of 301,309. It has more subscribers than any other women’s monthly magazine and features information on health and lifestyle, celebrity profiles, charity news and consumer affairs. It is published and distributed for Candis Club by Newhall Publications Ltd.

Social Responsibility

“I can't think of another company that has helped charities as much as they have. This year in particular we should celebrate their raising £50 million for charity. It's an amazing feat.”

Ms Rebecca Morek, Marie Curie Cancer Care

The Club's constitution clearly proclaims the company's dedication to health and philanthropy as an article:

From all or some of the foregoing activities, to give funds to and otherwise support the charitable purposes of health-related charities and the purposes of members' community organisations and projects, or exceptionally of other charities.

Anyone who purchases *Candis* is giving money directly to health-related charities. In the financial year October 2005-September 2006, the Club gave donations totalling more than £850,000 to its selected charities:

Marie Cure Cancer Care – 42% of the Club's donations

To date, the Candis Club has donated £4,107,618 to Marie Curie Cancer Care. This year, the Club has given £350,000 to help support cancer patients, enabling the charity to further its work in home nursing, hospices, research and education.

Throughout 2004-2005, specific initiatives supported by the Candis Club include:

- funding for terminally-ill cancer patients;
- funding for the Candis laboratory at the Marie Curie Research Institute;
- support for 10 Marie Curie hospices;
- bereavement support for patients' loved ones;
- psychological and technological support for Marie Curie nurses, including funding for a pioneering communication system that will enable nurses to keep in 24-hour contact.



British Heart Foundation – 30% of the Club's donations

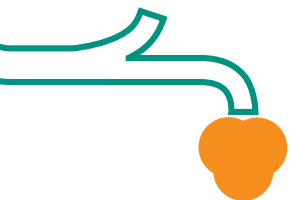
Candis Club is in the process of raising funds for the recruitment of eight new BHF Heart Nurses across the UK. Each week, a BHF Heart Nurse helps up to 30 patients escape the misery of heart disease. To date, the Candis Club has donated £1,079,885 to the BHF. In 2006, the Club donated approximately £250,000 to help combat Britain's leading cause of death.

BLISS – 30% of the Club's donations

BLISS is a charity dedicated to helping premature and sick infants who need specialist care. Over the past 15 years, the Candis Club donations to the charity have totalled £2,998,608. Donations in 2006 approximated £130,000 towards helping this vulnerable group.

Candis Club Community Awards

In addition to the larger health charities, Candis Club supports the work of local community causes throughout the UK. Community Awards of between £500 and £5,000 are channelled each month through the Charities Aid Foundation. The Club has £8,000 available monthly to disperse to these awards. Candis Club makes these contributions to support non-profit local community schemes, voluntary organisations and self-help groups. The types of projects funded vary greatly and the grants are open to any Candis Club member so long as the scheme is of direct benefit to the residents in the member's area.



Newhall Publications over the years



Founded in 1962 by Joseph Douglas as a fundraising football pool, the company's roots are firmly set in the business of charitable gambling. Below we outline some of the major historical events in the company's past:

1962

Joseph Douglas set up the Cancer and Polio Research Fund after losing friends and family to cancer. Twenty-four thousand members entered the weekly football pool organised by Newhall Publications' predecessor Pembroke Promotions, which supported medical research with regular donations.

1971

A fortnightly newsletter, costing 15 new pence, was published. It reported on the work of the Cancer and Polio Research Fund and its support through research grants for the Imperial Cancer Research Fund and the National Fund for Research into Crippling Diseases. It also still included the football pool.

1984

HRH Princess Alexandra opened the Douglas Cyclotron Centre in a hospital on the Wirral in 1984. The members' subscriptions had raised over £750,000 for this unique cancer treatment centre, named after Newhall's founder.

1985

The Douglas family's involvement was continued under the leadership of the founder's grandson Andrew Douglas. By this time the newsletter had grown to a 28-page magazine.

Mid 1980s

The regulation of fundraising football pools and new case law regarding door-to-door trading hit the business hard, and the link with charity was temporarily severed. This was repaired via the official formation of the Candis Club, reinstating the charitable donation route via membership.

Early 2000s

A major change in the organisational structure took place as the 8,000-strong countrywide door-to-door agent network was replaced by postal fulfilment, and direct debit payment replaced cash collection. Today the Club has over 300,000 members, and the magazine is around 160 pages thick.

Family members do not see these changes as great strategic strides, but rather as steps in a natural evolution. Whilst the product has changed, the direct sales approach has remained constant. At its height, there were 15,000 agents in 30 regions across the nation knocking on people's doors. Newhall's business proposition still relies on a direct sales approach. Increasingly, new business is also generated over the phone and in shopping malls/precincts – in fact, this now represents more than 75% of all new business. Sales are planned across regions, following demographic patterns, targeting people in their mid-30 to 50s with a middle income and family.

The new approach of selling *Candis* in shopping malls started a year and a half ago. Newhall's business model is built on a club of subscribers; selling single magazine copies to the general public is not possible. A face-to-face sales interaction is however necessary, where potential members can have *Candis*' unusual proposition fully explained to them. Typically, a sales person would spend a day or a week in the shopping mall, engaging in direct sales. Having a presence in a crowded shopping mall also lends a higher brand visibility.



A different proposition

In 1962, the idea of a commercial organisation enabling people to combine their charitable donations by buying a product and thereby achieving greater impact was practically unheard of. In 2006, it is still the fresh 'hook' of the company.

So why is Newhall not simply a charity? This is a question of sustainability, borne from the relationship between commercialism and philanthropy.

Andrew Douglas, Managing Director and family member, explains:

“The way in which money is donated is not through the public but through the Club. We're not collecting money from the public. It is only after an individual has joined the Club that contributions to health and communities are made from their subsequent subscription to the magazine.”

Fundamentally, the business must make money, which enables it to “do good work along the way”. However, it cannot make profits until the donations have been made. In fact, this clause has even pushed the company into the red in the past.

Organisational culture

Identity

Because Newhall Publications is so different, family members and non-family management find themselves having to explain what they are and what they are not on a recurring basis. Their tendency not to shout from the rooftops about their endeavours is perhaps related to this. However, the business is in the process of strengthening its brand and brand awareness, both among employees and in the community.

Being immersed in such complicated legislation has also meant that they often end up more knowledgeable than their legal advisors. Although these factors can be tiresome, it has also meant that Newhall's management has been repeatedly forced to scrutinise its organisational identity and mission, and thus one could say they have become experts on themselves.

Competition and charity

With its roots in charitable gambling, the notion of combining charity with competition permeates the business in more than one way. For example, although there is no longer a football pool, competitions are still a strong feature of the *Candis* magazine. Elements of competition and charity also coexist on a more fundamental level – in the marriage between entrepreneurial commercialism and philanthropy. To the outsider, this symbiosis might seem counter-intuitive. Yet, the striking thing about this formula is that there are only winners.

Values and ethos

The company has a specified set of values deriving from the family and the founder of the business:

- Respect and encouragement of individual initiative
- To work as a team and treat each other with respect
- Honesty and absolute integrity
- Commitment to excellence
- Profit – but never at the expense of quality, service, or reputation

“The core values of the company build on respect, encouragement and initiative. We expect a lot but we are very supportive as an employer... [as such] we appreciate individual needs, but expect the staff to deliver.”

Bryan Douglas-Dala, Marketing Director



Community: working together

The concept of community is central in Newhall's culture. The Club's mission is "bringing people together to promote healthy living, community and family life, and to support and advance the cause of health-related charities".

As one employee describes it:

"We aim to make [customers] feel special... our benefits and offers make their lives easier as a family unit... we as a country have lost the community [feeling]. We're all about putting that back."

In the offices of Newhall there is a conscious effort to uphold a dialogue between different functions. Promoting a team ethos is facilitated by the community mindset, where the staff feel they are looked after and listened to.

"I like the atmosphere and the camaraderie. I quite enjoy coming to work. Not a lot of people can say that. They do look after you here."

Non-family employee

"The editorial team has always gone to press without effort. I've worked in many magazines and I have never seen that anywhere else. It's real teamwork."

Jenny Campbell, non-family Editor-in-Chief

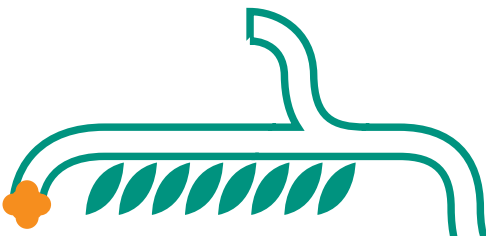
Interface, dialogue and trust

Interface and dialogue are important aspects of how Newhall operates, both within the business and with customers. Newhall is heavily sales-led. Since customers consist of a closed group of subscribing members, no *Candis* magazines can be sold on newsstands. Personal contact established in the direct sales situation is a key point of interface in the member recruitment process. The company has a Code of Practice for its sales force, ensuring that the highest standards of conduct are achieved in all face-to-face interactions with customers.

The Code of Practice requires that all sales people are:

- Friendly and courteous
- Legal, decent, honest and truthful
- Do not give false or misleading statements to secure a sale
- Understand and remain 'on message'

The aspect of legality is crucial because of the company's history in facing complex regulation. It is therefore vital that customers understand the concept of membership and the process of donation via the purchase of *Candis*.



Feel-good factor

Our vision is to make our members feel special.

Candis' vision statement

With well-being as a main concern, the organisation engages in efforts to make it easy and nicer for their member families. For example, Candis has a helpline with a directory of over 450 health issues for its members.

The following illustrates how the Candis vision applies also to members in the company, in this case leading to a uniquely low turnover in the telemarketing division:

“Telemarketing receives very little rejection. You say ‘Candis’ and they listen, they are not rude. We have carefully selected [demographics] when calling. We try to make it as nice as possible [for our sales team].”

Non-family employee

Another employee told us a story that exemplifies the founder's vision of creating something positive out of hardship. The story is about a member of Candis Club, whose video machine and videos were stolen from her home. She contacted *Candis* magazine with the request to put in an ad, asking the burglars to return the videos that featured her little child who had cancer. Although the videos were not returned, Newhall's Managing Director made sure that the family, who were not well off, received a new video recorder.

“When the child died, the mother wrote us a beautiful tribute... She also sent a photograph, as a thank you. It brings tears to my eyes just thinking of it.”

Non-family employee





Family

Generational handover

The founder's presence in the business remains strong and alive through a profound engagement with his philosophy and life experience. Joseph Douglas' son, who was also involved in the business, tragically died from cancer at a young age, and so the family leadership was forced to move to the next generation earlier than planned.

The current Managing Director, Andrew Douglas, came in at 22 years of age. To compensate for his young age, he needed mentoring from his grandfather before running the business on his own. Grandfather and grandson spent a lot of time working together preparing for the handover. At the beginning of this process, Joseph Douglas was 75 and working full-time, but "looked like 60". In fact, he was still coming in to the office in his late 80s, fit and playing his part.

When Andrew Douglas joined, the business was run by a senior management team in their 60s in need of a "refresh". For example, the young Andrew was at times frustrated about the tendency to put decisions to a "committee for pondering". However, his family connection lent some extra weight and, although he came in at a very young age, this was not seen as a problem among the other directors. From a family point of view, it gave the family a renewed chance to bring back control into the family.

Besides Andrew, family members involved in the business are his sister Victoria Jackson, who sits on the Candis Club Committee, and their cousin Bryan Douglas-Dala; all of them in their mid 30s and 40s. Their children are still very young and succession is not an immediate concern.

Family involvement and ownership

When asked about the significance of family ownership, the reply focused on doing something together as a family and being cohesive. As a family, the Douglas family are very close, sharing family meals four times a week. Their grandmother has kept the newspaper clippings about the Award for Social Responsibility and keeps a copy of the company book next to her easy chair.

“There has to be that close link [within the family] to maintain commitment to the business. If you do not get on with your family, then what’s the point of working together?”

Victoria Jackson, Candis Club Committee member

Financial ownership is thus of secondary importance next to its symbolic significance in terms of family commitment:

“The business is part of what we do as a family – how the shareholding is divided up is largely irrelevant. It only becomes relevant if you want to sell the business. Otherwise, it signifies commitment to making the business successful long-term.”

Bryan Douglas-Dala, Marketing Manager

As a testament to their support for the business, the family has never taken dividends. Any surplus generated is reinvested in the business.

Challenges going forward

The company's darkest moment was when the law was redefined in 1986, restricting charitable donations on people's doorsteps. It was a defining moment for the organisation. Its survival depended on the flexibility and ingenuity of its leaders in providing a plan and vision for continued existence.

Current editorial challenges include long term content delivery and form – keeping it fresh and lively. Being outside London in a quiet space can present difficulties when it comes to maintaining a creative tension.

As the Editor-in-Chief, Jenny Campbell, describes it:

“No one is stepping on people's toes here... in many ways it's good, but being too happy can lead to stagnation...”

From a sales point of view, getting to the customer is challenging since copies cannot be sold off the shelf. Recruiting members means really having to talk to people, and thus keeping a good and motivated sales team.

“Given our product, we have to have an environment that allows us face-to-face contact. This is an enormous challenge with a sales force ranging from Inverness to Cornwall... it is a different attitude: a softer sale and not double glazing. It isn't easy, but at least we understand what the challenges are.”

Joan Jones, non-family Sales Director

In fact, Newhall was the first UK company to introduce hand-held PDAs to communicate with its sales force, prompting O₂ to make a case study about them. Providing information to the business as it changes, and to help the business understand its new business model, is difficult.

As non-family IT director Chris Harman points out, it helps that

“everybody has a commitment to change... there is no long chain of command, we can move quickly and flexibly.”





Nigel Nicholson is Professor of Organisational Behaviour at London Business School, where he is directing a major initiative on leadership in family firms. He has published twelve monographs and over 200 articles on many aspects of business psychology, leadership and organisation. He is a much sought-after executive speaker and directs two major leadership programmes at London Business School: High Performance People Skills and Proteus, one of the world's most innovative executive programmes.



Chris Hancock is a Director of JPMorgan Cazenove, JPMorgan's investment banking business in the UK. He is responsible for the delivery of investment banking services to private individuals and families resident in the UK and has led JPMorgan's Family Business Honours Programme in the UK since 2004. Chris studied classics at Oxford University and qualified as a Chartered Accountant before entering investment banking. He joined JPMorgan in 1999, moving to work exclusively with privately held businesses in 2002.



Åsa Björnberg is the IFB Research Fellow at London Business School. Her research focuses on psychology, leadership, culture and the next generation of family businesses. Åsa helps family firms develop effective top management teams, and creates education programmes for their next generation members. Her consultancy experience includes international blue-chip corporations, primary schools, NGOs and hospital clinics. For example, she consulted to the organisations that provided psychosocial support to children in Sarajevo in the aftermath of the Balkan war. At London Business School, Åsa coaches teams in MBA and executive education programmes. She also runs a private bilingual coaching practice in London.

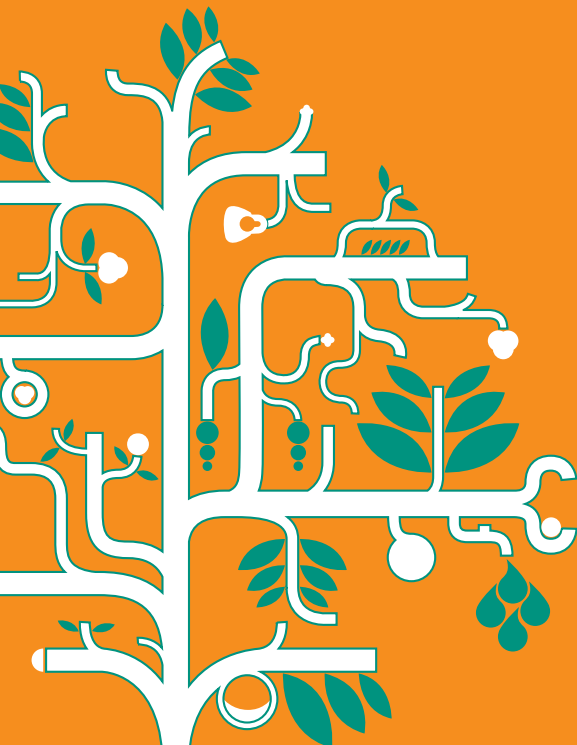
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