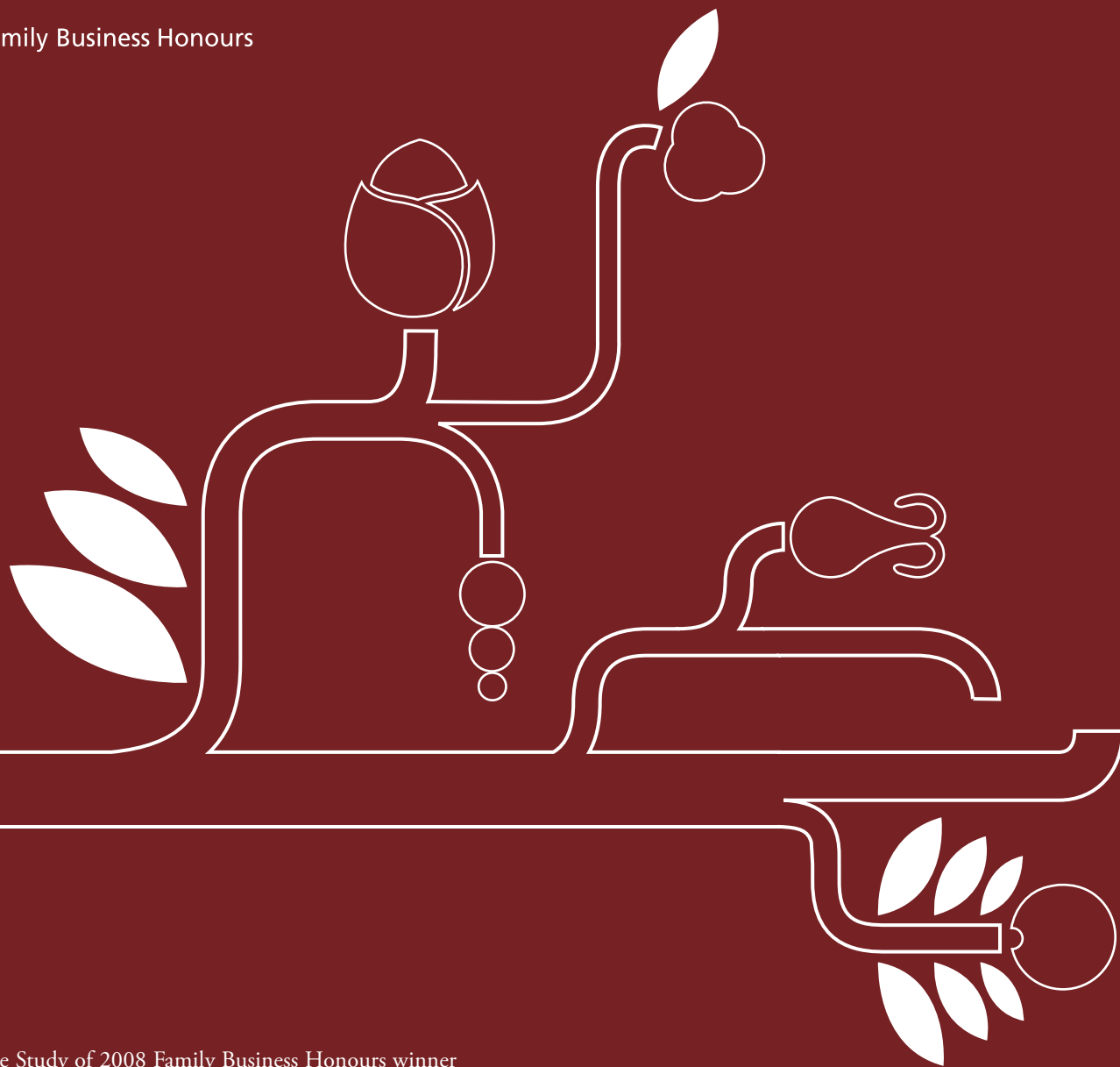


Family Business Honours



Case Study of 2008 Family Business Honours winner

Bibby Line Group Ltd



JPMorgan IFB Family Business Honours
Case Study

BIBBY LINE GROUP LTD



More than just “ships, ships and more ships!”

First impressions

Everywhere you look in the Bibby Line boardroom, there are pictures of ships, models of ships and pieces of ships; that said, amid the multitude of marine models, Group Managing Director Sir Michael Bibby is keen to point out a jack-up rig and a Bibby Distribution truck.

When Bibby Line was founded in 1807, Britain was at war with France and shipping was a risky business. Of the first ten ships the new company acquired, seven were lost at sea while the other three were captured and taken as prizes by the enemy. The sea remains a dangerous place; a plaque on the wall commemorates the names of the 44 passengers who were lost in 1980 when the 169,000 ton bulk carrier Derbyshire foundered in Typhoon Orchid, 240 miles off the coast of Japan.

The management of risk is an undercurrent in everything the company does, and its focus is now on diversifying away from the cyclical nature inherent in the original business.

Despite the camaraderie of the management team, each of them shares the same steely, thousand-yard stare, as if they are looking ahead for a change in the weather which may require an alteration of speed or course.

“We don’t let things stand still. If you don’t change, you’re dead.”

Sir Michael Bibby,
Managing Director, Bibby Line Group

Bibby Line at a glance

Brief description:	Bibby Line Group Limited is a diversified business services group with its roots in shipping. Apart from ship-owning and operation, current activities include ‘coastels’ (barge-mounted accommodation units), financial services, retail, employment law and health advisory services and woodland burials, as well as land and sea distribution services. The company can lay claim to being one of the world’s oldest shipping companies still in private ownership.
Industry sector:	Business Services
Founding year:	1807
Founder:	John Bibby
Number of employees in 2007:	4,160
No. of family shareholders:	6
Generation:	6th
Sales in 2007:	£619 million
Profit before tax (PBT) in 2007:	£59.3 million

A brief history of Bibby Line Group

1807

John Bibby founds Bibby Line in Liverpool, expanding the reach of the business over the next thirty years as far as the Far East and the Americas.

Late 19th century

John's son James inherits the business and establishes Bibby Line at the vanguard of the steam revolution, developing a long-standing partnership with Belfast shipyard Harland and Wolff. By the 1890s the firm is manufacturing passenger ships for the Burma trade.

Early 20th century

The company makes important contributions in both World Wars, providing both hospital vessels and merchant warships, and during the interwar years offers holiday voyages to Egypt and Madeira.

Post-war

With the end of National Service and the disappearance of the Burma trade, the company is forced to concentrate on charter work, diversifying into bulk carriers, container ships and the liquefied petroleum gas market.

1970s-80s

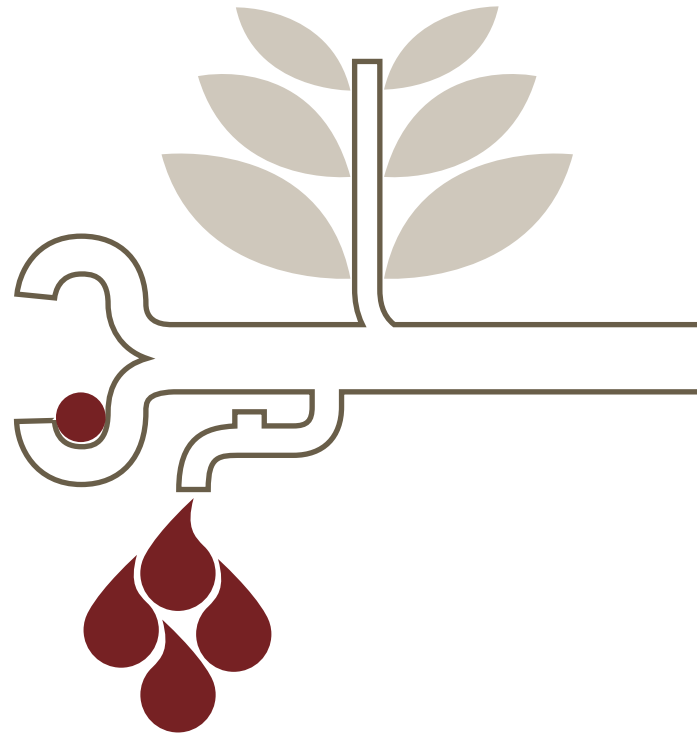
With the shipping industry in turmoil, Bibby Line is forced to make substantial economies, with the fleet dwindling to just nine ships at one stage and redundancies widespread.

1985

The company diversifies into floating online accommodation vessels – or 'coastels' – a move which proves a turning-point in its history and allows it to undergo a fresh programme of expansion through the 1990s – and beyond.

Present

Today Bibby Line Group is the world leader in the ownership and operation of coastels and offers extensive technical marine services and ship management to the maritime community. In 2007, the company acquired Costcutter, the convenience stores network, while its factoring business has grown over the last decade into the UK's largest independent factoring organisation and its distribution business can claim to be the largest family-owned distribution company in the UK. The company's diversification into a woodland burials business and employment consultancy has further widened its portfolio.



Business model

“The real reward lies in being allowed to promote new products through the business and to be responsible for driving their success.”

Sir Michael Bibby,
Managing Director, Bibby Line Group

A portfolio of leading businesses

Currently consisting of six substantially autonomous operating subsidiary companies involved in marine, logistics, offshore, retail, financial services and an intermediate holding company for its smaller investments, Bibby Line Group boasts impressive longevity, leading businesses and good positioning for future growth.

Embracing change to create long-term growth

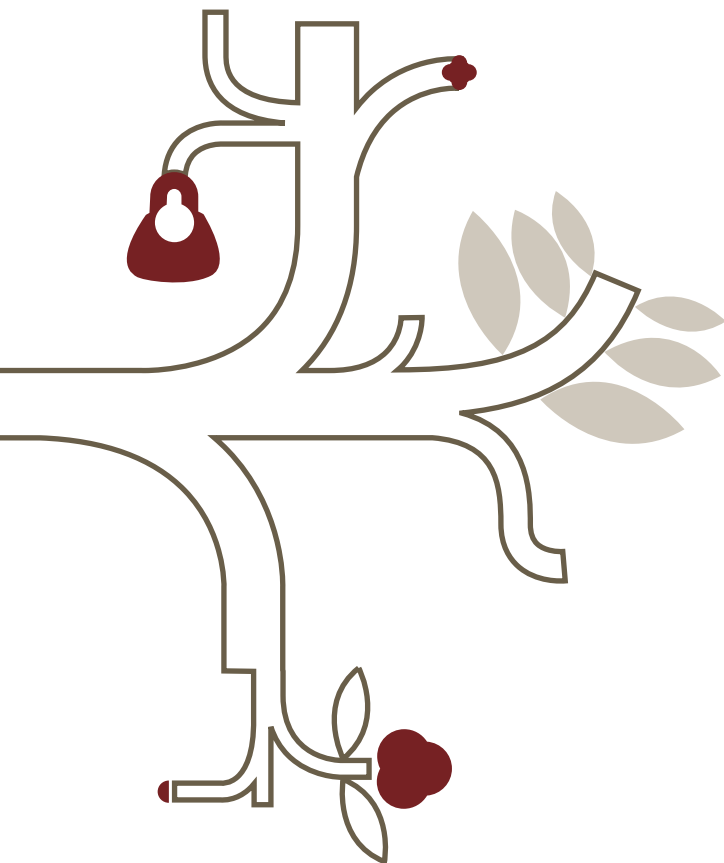
The company has prospered for 200 years by embracing change. Its existing businesses constantly develop and evolve the services they provide, while continuous research is devoted to the potential of expansion into new markets. The financial services business, established in the 1980s to provide debt factoring to SMEs in the UK, is a good example. In recent years the business has expanded its overseas operations into Ireland, India, Germany, France, Poland, Czech Republic, Slovakia, Australia, the USA and Canada.

Retaining talent

A key factor in the firm's success has been its focus on developing the skills of its employees. The firm carries out a semi-annual appraisal for each employee and assigns training courses accordingly. The company places great importance on training staff and recruiting from within; one employee we met began as a graduate recruit and advanced through the ranks to become the top salesman in the financial services business. He has since been entrusted with leading the new Manchester office, and won the IOD's Young Director of the Year award for Manchester before becoming first regional, then UK, Managing Director.

Management has identified three key 'learning points' from its past experiences as a family business:

1. it is imperative to keep changing in order to meet customer needs;
2. never 'bet the ranch' on one project or risk;
3. the family's values form a crucial factor in attracting employees of the necessary calibre.



Focus on innovation

For any business to survive, innovation is essential. Bibby Line encourages management and employees to contribute to a firm-wide suggestion scheme and rewards those whose ideas are implemented.

Innovation is apparent in the day-to-day running of the business, as in the case of one employee who worked out a way to fit an extra 3,000 pallets into a space for 6,000 in his warehouse; and on a strategic level, as demonstrated by the recent investment in a woodland burials business.

Disciplined ambition

The board sets the business clear and reasonably demanding objectives.

The business has a ten-year target of achieving PBT of £100 million requiring an average annual growth rate of 15%.

Management intends to develop the business into a family-owned portfolio with at least ten different trading companies within the business.

The marine division has pledged to improve its financial performance in the coming years, with a series of targets already agreed. These include: an improvement in financial performance with no losses in any year until 2011; an average 25% growth in profit each year; and \$200 million sales in 2011, a growth of 70% over 2005.

Bibby Line Group sees the continuing diversification of its business as an essential part of the future. The company has a good track record in acquisitions, and expects all its acquisitions to generate a £10 million annual profit over the next ten years. At the same time, the company's disposal of its LPG fleet, chemical and jack-up businesses demonstrates that management does not shirk from divestitures where it sees an opportunity to rebalance the risk of the portfolio.

“[We aim] to create a business mix with progressively fewer cyclical sales whilst retaining the desire for pursuing high risk/reward opportunities in a safe and environmentally-friendly way.”

Project ACCORD, Bibby Line

Social responsibility

Charity

Ever since the 1800s, when the Bibby family donated the training ship *Indefatigable* to the Merchant Navy, Bibby Line has been involved in charitable activities. In 2007, the company adopted Fairbridge, a charity which helps young people in danger of falling out of mainstream society to turn their lives around, pledging £1 million over the next five years to support the operation of their tall ship. The traditional sailing ship is dedicated to operating as an essential part of the Fairbridge course, a programme that builds a sense of self-respect and respect for others by showing young people what they can achieve. The company has established a team to oversee and coordinate fundraising activities, and has even recruited two employees for the project.

In addition, staff raised over £500,000 (which was matched by the company) for charities of their choice, as part of the Bibby Line Bicentenary Celebrations. These activities were coordinated via a central charity team using the website, in-house magazine and sheer persistence to communicate effectively with all employees; as an example, a fundraising trip was completed in which 18 employees walked the Inca trail to Machu Picchu.

The company donates at least 1% of all profits to charity.

Employees at all levels give their time and expertise to help charities. Many employees act as school governors or assistants, while Chairman Simon Sherrard is involved with several charitable organisations, including the White Ensign Association and the RNLI.

Other initiatives

The Bibby family leads by example in charitable activities: Sir Michael Bibby is Chairman of the Merseyside branch of Fairbridge, while Peter and Geoffrey Bibby are, respectively, Chairman and Treasurer of Birkenhead Youth Club.

Moreover, the family actively encourages employees to support the community, whether by making home visits to the disabled or by undertaking company-sponsored team 'challenges'.

The company has also started a recent EcoNet initiative, which will involve bringing together like-minded organisations to improve carbon emissions.

"[In our anniversary year] we blew the budget on our charitable donations. It's the kind of thing you don't mind to blow your budget on."

Sir Michael Bibby,
Managing Director, Bibby Line Group



Bibby Line philosophy and culture

“We give management the benefit of the doubt and have a motto to ‘never bet the ranch’.”

Sir Michael Bibby,
Managing Director, Bibby Line Group

Vision and values

Bibby Line Group aims to have a single corporate culture across the organisation. In 2005 the shipping subsidiary Bibby Line set about distilling its corporate philosophy into a physical document. It introduced Project ACCORD, an official programme circulated to all employees that articulates a series of values and principles by which the business is to be run.

The aim of Project ACCORD is to create a better working environment while improving company performance. Building on values derived from the employees, the programme emphasises that the business must be capable of satisfying the expectations of all stakeholders, from shareholders and employees to customers, partners and suppliers.

Project ACCORD sets out Bibby Line’s nine ‘core values’:

- delivering quality
- maintaining integrity
- valuing people
- providing a healthy and safe environment
- putting the customer first
- contributing creativity, innovation and entrepreneurship
- achieving results
- working in teams
- being flexible and adaptable

This framework has then been adapted to the context of each of the group’s businesses. For example, the company’s acquisition of the Woodland Burial Parks cemetery business has necessitated an especially sensitive code of conduct around the families of the bereaved, which in turn has informed the broader company and its core values. Indeed, each Bibby Line Group subsidiary has its own statement that describes how that subsidiary interprets the nine core values. The values are included in the induction process, and all the employees we met had a clear sense of what they are. Achievements in the arena of safety have enabled the company to win Chevron Europe’s safety award for the past three years.

“This company is better-equipped to deal with problems than most others I can think of; and I have been involved with many!”

Sir Michael Bibby,
Managing Director, Bibby Line Group



Company ethos

The transition from the previous generation has seen a change in management style. Whereas Bibby Line Group used to operate with a 'top-down' culture, the company now believes in 'bottom-up' management, an approach that encourages employees to assume greater responsibility for their area of the business. One employee we met said that this model allows members of staff to act 'as if running their own business'.

The 'bottom-up' model testifies to a healthy relationship between management and staff. Mistakes are definitely tolerated, with an expectation that people learn from them, based on the knowledge that mistakes are a corollary of innovation.

"Ours is a learning organisation. We are open and honest; managers don't get shot... but we are not softies either!"

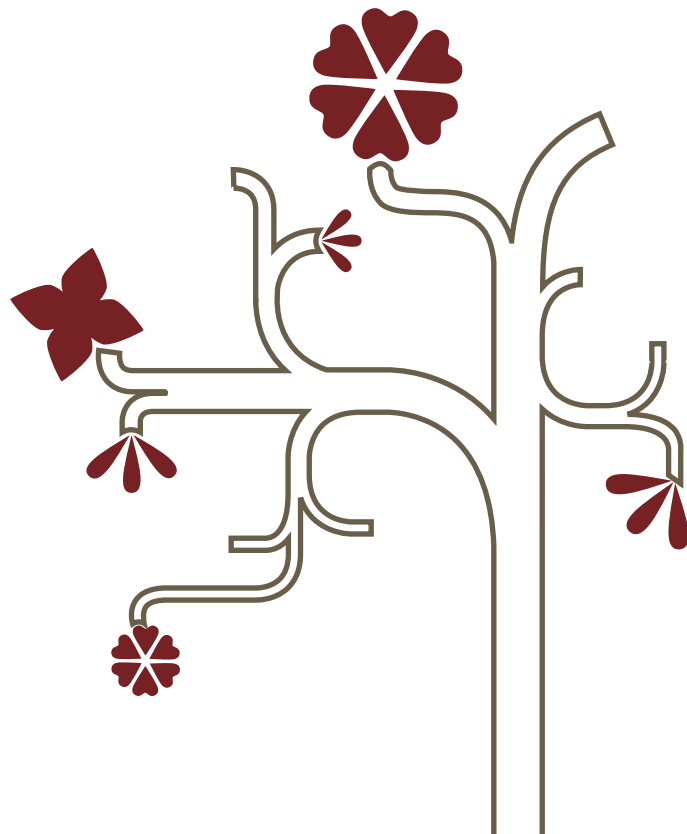
Sir Michael Bibby,
Managing Director, Bibby Line Group

Communication

Good communication with colleagues, customers and suppliers is clearly appreciated at Bibby Line, with internal newsletters and management conferences designed to fortify the relationship between people in different areas of the business.

The company ensures that trust and mutual respect with regard to its customers and partners are maintained by a number of methods, including customer feedback and surveys, regular meetings with key suppliers and the monitoring at board level of customer gains and losses. In addition, the company has recently activated a new intranet system for the benefit of employees.

These broad internal communication channels are used to promote the sharing of best practices between different divisions. For example, there is a shared senior management development programme, while a project management best practice workshop originated by Bibby Marine has included many employees from other divisions. There are also now group-wide HR and IT forums for senior managers to share best practice.



Governance

Family governance

Although all family-owned businesses face a similar challenge in how to prepare for changes in both ownership and management, each business approaches its task differently.

Bibby Line Group has a relatively informal arrangement. Its Family Constitution is the same as the set of values espoused previously in Project ACCORD, with two additional points: first, the company is required to give preferential treatment to suitably-qualified family members; and second, the business must not require further equity from shareholders.

In lieu of an actual family council, the six main beneficiaries of the family trust meet as required to endorse the company's plan and set new targets. Sir Michael's mother, Lady Bibby, exerts some influence; while his sister, Jennifer Smith, is a Non-executive Director responsible for communication with the family trust, established by Sir Michael's father to ensure no one person had control of the business. Jennifer is the official conduit between the family and the business, liaising with the beneficiaries of the trust when the need arises.

Regular communication between the company Chairman, Simon Sherrard, and the Chairman of the trustees is also maintained and has precluded any significant problems. Furthermore, there is a clear understanding that the interests of minority shareholders will be properly represented.

"It is terribly important that the relationship between board and trustees is maintained, as shareholders' reactions are a key risk in any company."

Malcolm Gourlay,
Non-executive Deputy Chairman, Bibby Line Group

Bibby Line Group governance

Each Bibby Line subsidiary has its own board with clear authority levels. The main board has three executive and four non-executive directors (three of whom are not family members), a model which demonstrates a clear appreciation for best practice. Each subsidiary has an independent executive team with the group Managing Director and Finance Director sitting as non-executives on the subsidiary board. The company's flat management structure allows decisions to be made quickly, while directors refrain from interfering in the governance of the individual teams.

"Bibby Line achieves some separation between family and business leader, with company Chairman Simon Sherrard hailing from outside the family."

Sir Michael Bibby,
Managing Director, Bibby Line Group

Succession

On a business level, each Bibby Line subsidiary has its own planning in place, with succession for senior roles usually planned five years in advance.

No concrete plans are in place for the transition of family involvement, since the eldest member of the current generation is still young. However, it has been decided that family members wishing to be considered for a senior role in the company must undergo a thorough evaluation procedure.

"One big advantage we have over other companies is the extent of our liquidity; it is not a problem for us to raise cash, and it should always be possible for us to return money to our shareholders without wrecking the business."

Simon Sherrard,
Non-executive Chairman, Bibby Line Group

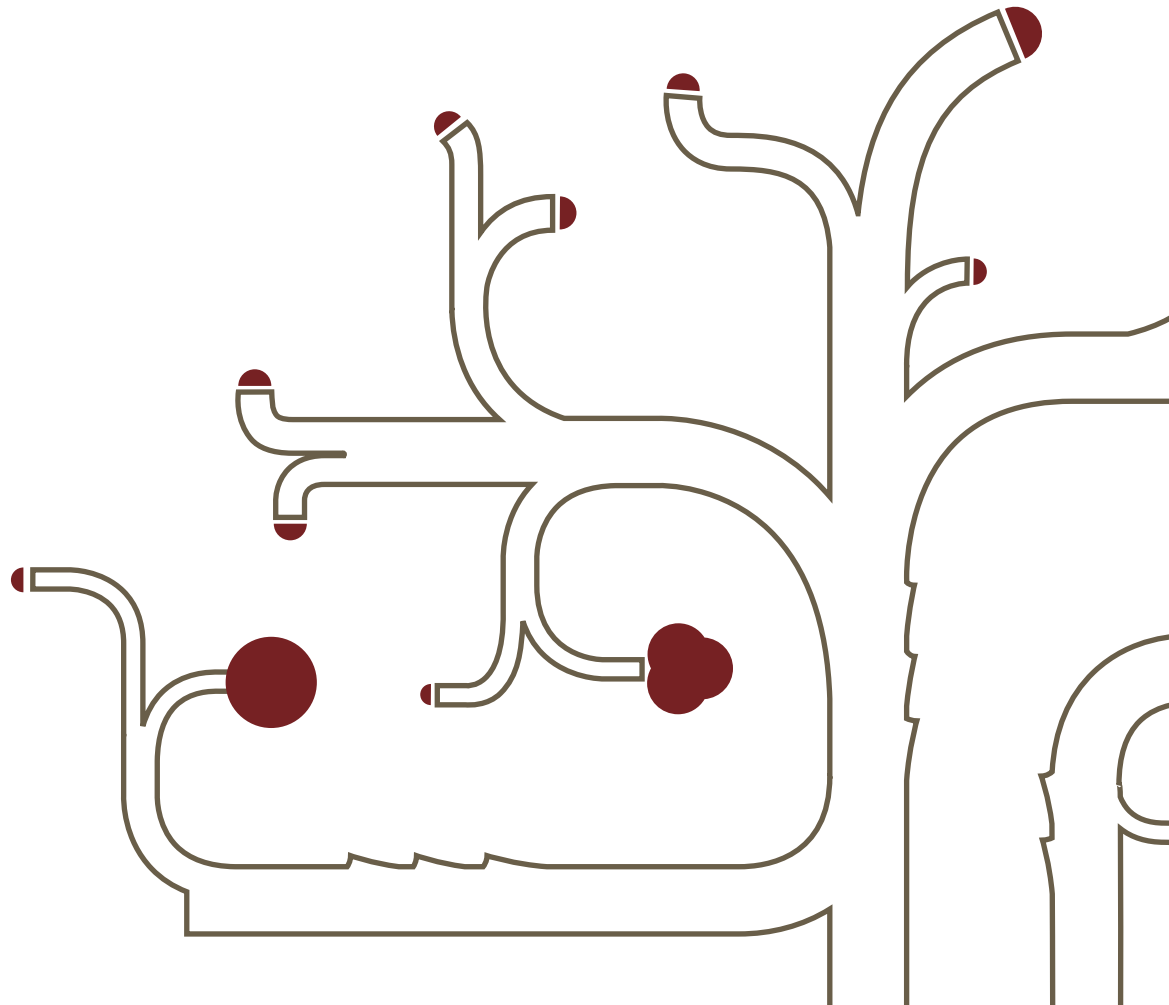
Challenges going forward

In order to develop to its potential, Bibby Line is committed to continually identifying future challenges and potential problems. Like many other family firms, it takes the 'long-term view' and has outlined a number of issues which must be addressed in the coming years.

As it expands the number of businesses under the Bibby Line Group banner, Bibby Line faces a challenge to establish appropriate governance and to maintain a 'familial' environment as it continues to grow.

"Having survived for two hundred years, Bibby Line enters the next century as a motivated, profitable and growing business, determined not only to be successful but also to contribute to the communities in which we live."

Sir Michael Bibby,
Managing Director, Bibby Line Group



JPMorgan IFB Family Business Honours

Case studies 2008

Acknowledgements

We wish to thank Chris Hancock, Director at JPMorgan Cazenove, and Frederick Windsor, family business analyst at JPMorgan Private Bank, for their outstanding contribution in writing and editing the 2008 case studies.

We would like to acknowledge the key role played by Professor Nigel Nicholson and researcher Åsa Björnberg, from London Business School's Department of Organisational Behaviour, which involved gathering and analysing a comprehensive set of company information to assess and benchmark this year's winners.

Finally, we wish to express our thanks to the winning companies and to their senior managers and employees, for their co-operation and patience during the due diligence process and for sharing their insights for the production of the case studies.



Kate Murphy



Grant Gordon

For further information on the JPMorgan IFB Family Business Honours Programme, please contact:

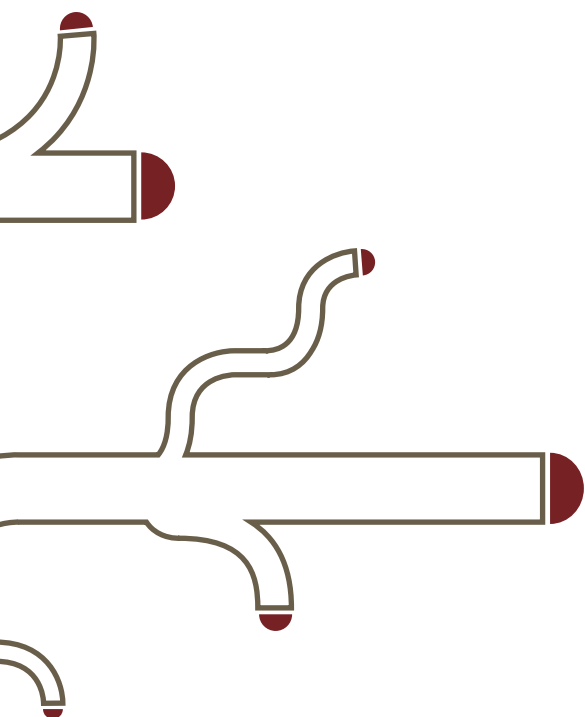
Kate Murphy
Head of Family Business
JPMorgan Private Bank
Tel: 020 7325 9252
Email: kate.m.murphy@jpmorgan.com

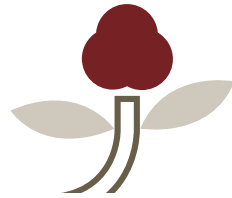
jpmorgan.com/fbh

Grant Gordon
Director General
Institute for Family Business
Tel: 020 7630 6250
Email: grant.gordon@ifb.org.uk

ifb.org.uk

Chris Hancock
Director
JPMorgan Cazenove
Tel: 020 7155 4849
Email: chris.hancock@jpmorgancazenove.com





jpmorgan.com/fbh

