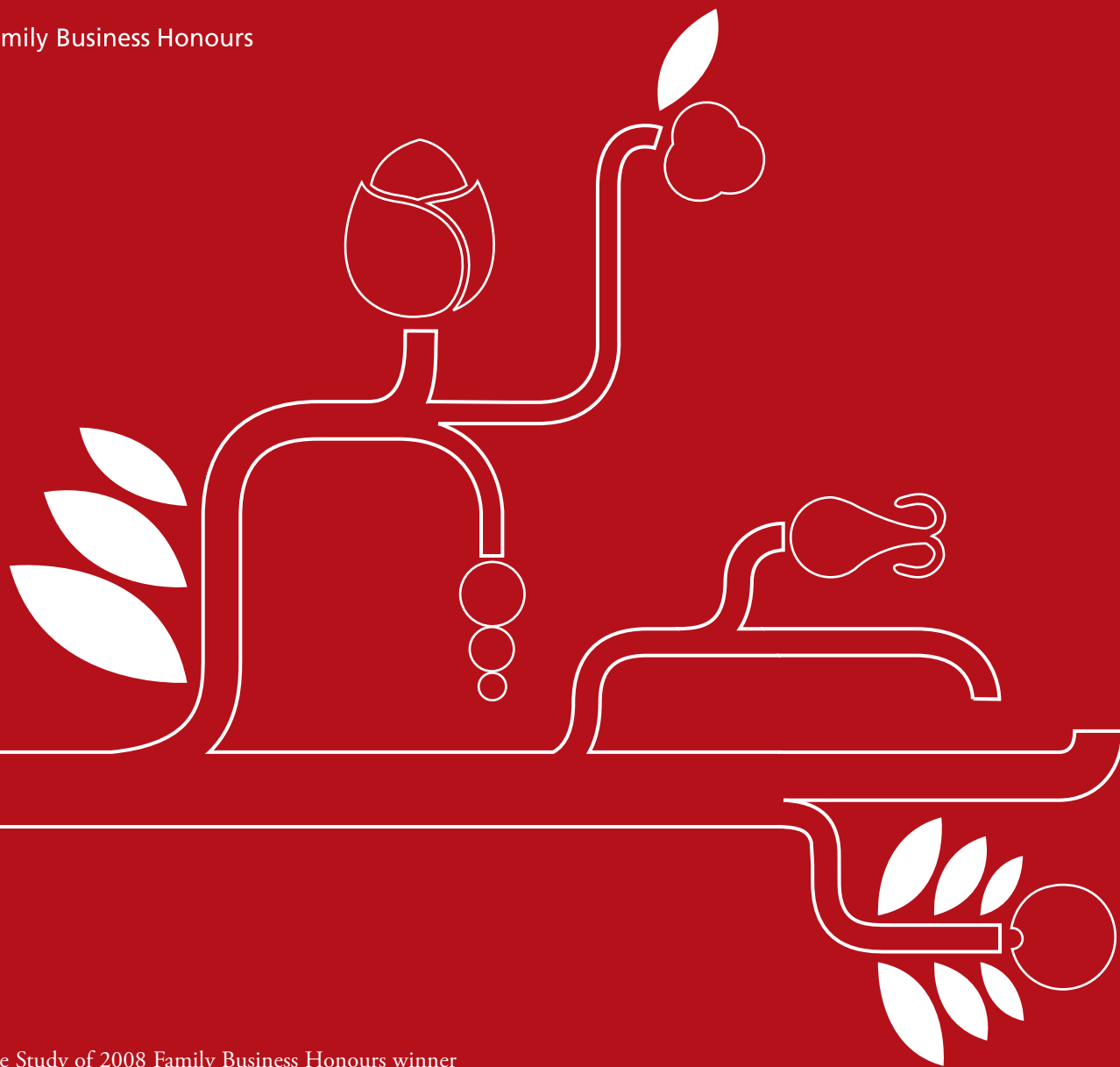


Family Business Honours



Case Study of 2008 Family Business Honours winner

---

# Timpson Group plc



**JPMorgan IFB Family Business Honours**  
Case Study

**TIMPSON GROUP PLC**



“Service with a smile”

## First impressions

“We are here to serve you.”

Timpson employee

In every Timpson shop, amid the massed array of blank keys, house signs, Zippo lighters and shoe repair machinery, there is one over-riding customer message: we are here to serve you.

Strikingly, the reception of Timpson’s head office is set up like one of their shops; it is evident that the shops and those who serve in them are the focus of this business. Meanwhile, a plaque on the door reads “Leave your politics in the car park”. Employees leave light-hearted messages for one another on a whiteboard in the entrance to the training building. In the head office there is a poster on the wall for staff to make personal pledges. One read “I must learn how to speak clearly: people don’t understand my Scottish accent”. This combination of the resolutely commercial with the personal and informal is a recurrent feature of Timpson’s company culture, and epitomises the Timpson brand.

This culture applies at all levels, from the managing director who jumps behind the counter when he notices a queue forming to the entrepreneurial branch employee who at one point operated a holiday service for customers’ hamsters.

“Because we only have two rules – ‘look the part and put the money in the till’ – colleagues can do anything to serve customers amazingly. This encourages diversity and as a result we get new ways of doing things.”

Gouy Hamilton-Fisher,  
Head of People Support, Timpson Group

## Timpson at a glance

<b>Brief description:</b>	Founded in 1865 as a shoe retailing business, the company now trades from 580 shoe repair, key cutting, engraving and watch repair sites across the UK and Ireland. Timpson Locksmiths is a national 24-hour security company, while The House Nameplate Company is the UK’s largest manufacturer of house signs.
<b>Industry sector:</b>	Retail & Business Services
<b>Founding year:</b>	1865. Started shoe repairs in 1903.
<b>Founder:</b>	William Timpson
<b>Number of employees in 2007:</b>	1,650
<b>No. of family shareholders:</b>	1: current Chairman John Timpson (100%)
<b>Generation:</b>	4th & 5th: John’s son James is the current MD
<b>Sales in 2007:</b>	£107.6 million
<b>Profit before tax (PBT) in 2007:</b>	£12.2 million

# A brief history of Timpson

## 1865

William Timpson, together with his uncle, started retailing shoes.

## 1870

William Timpson left his uncle and opened his own shop.

## Late 19th century

Following the success of his first shop, William Timpson opened a number of branches in the Manchester suburbs, eventually spreading his business as far afield as Liverpool, Sheffield and Newcastle.

## Early 20th century

Timpson introduced a shoe repair service, with customers' shoes being delivered by horse and cart to a central repair factory where a three-day service was provided. This was a success and, as the chain of shoe shops grew, more shoe repair factories were opened to provide a local service for the shops outside Manchester.

## Between the wars

In 1922 Timpson opened a factory at Kettering, producing over 20,000 pairs of shoes. Meanwhile, the repair business was growing. A fleet of vans provided a 'same-day service' while separate shoe repair facilities were introduced next to shoe shops.

## 1950s-60s

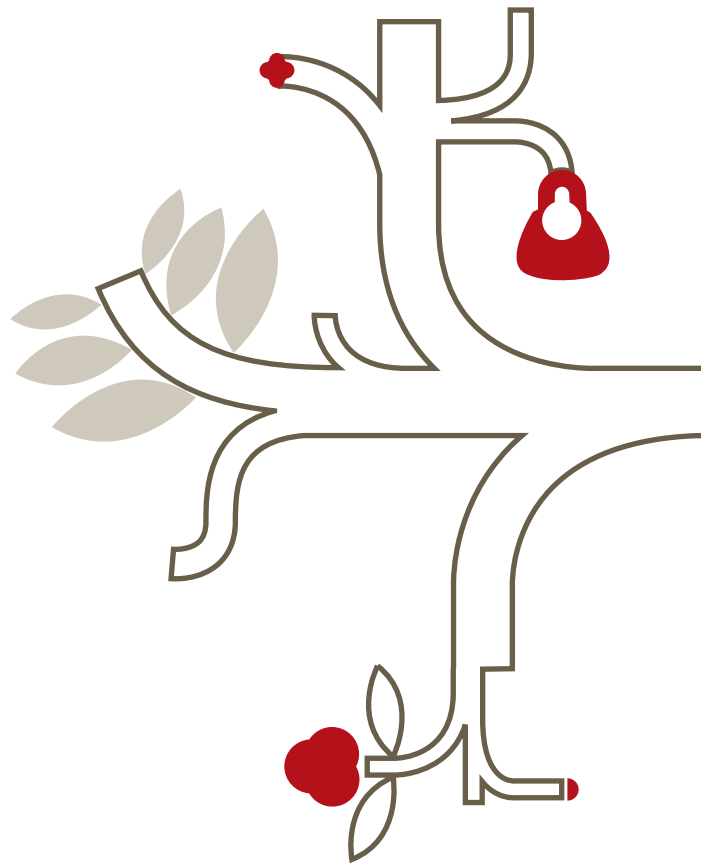
By the 1960s the growth of the shoe repair business had moved from the shoe shops into specialist shoe repair branches. At this point there were 170 shoe repair factories, but the focus was still the company's 250 shoe shops.

## 1970s-80s

With the shoe repair trade in decline, Timpson introduced a range of merchandise including hosiery, leather goods and straw shopping baskets. A boardroom dispute in 1973 over future development of the business saw the acquisition of the firm by United Drapery Stores (UDS). However, only ten years later UDS was acquired by Hanson Trust and John Timpson led a buyout team which re-established family control. During this period the company developed a strong key-cutting business, which through the 1980s played a steadily larger part in their shoe repair shops. In 1987 the shoe shops were sold, leaving the firm to concentrate on its shoe repair and key cutting businesses.

## 1990s-present

Since 1987, Timpson has more than doubled the number of service shops, mainly through acquisitions. The company has overcome the decline in the shoe repair business by introducing a stronger engraving offering and – since 1997 – a very successful watch repair service.



## Business model

“The principal way we spot talent is through visiting branches continuously. All our field managers have been recruited from within the business. Nine members of the executive team at head office started on the switchboard!”

Steve Marsh,  
Warehouse/Projects Manager, Timpson Group

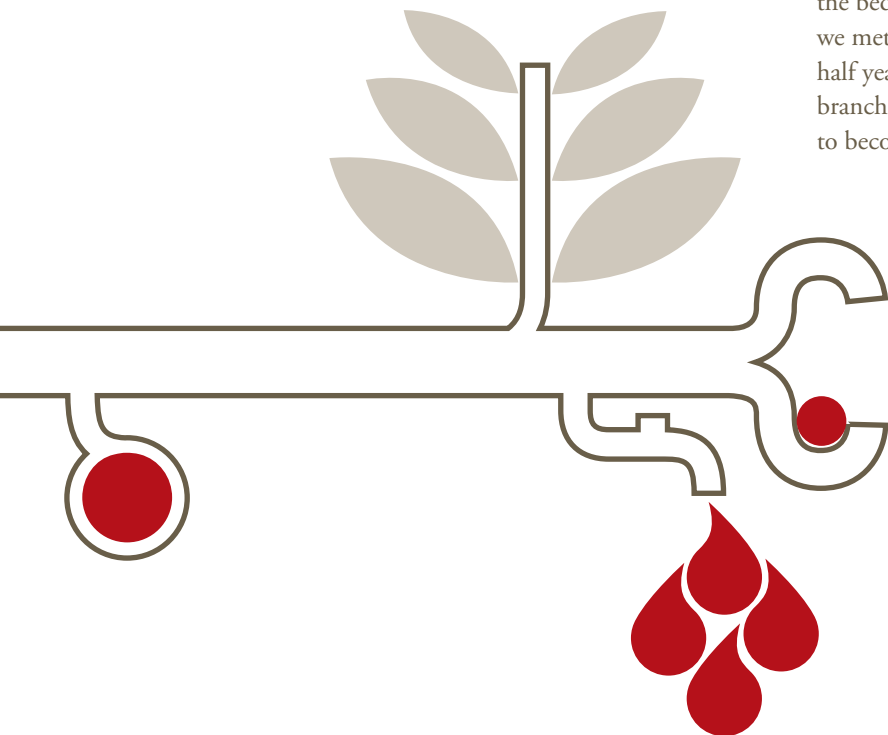
### A winning formula

Timpson operates in a tough sector where its competitors have found survival extremely difficult; the number of shops in the industry has fallen from 16,000 to 3,000 over the past ten years. Yet, over that same period, Timpson has quadrupled in size. Staff turnover is only 11%, while prospective employees must join a waiting list. The firm boasts over 100 colleagues who can point to 25 years' continuous service.

Timpson's strong retail business has enabled it to purchase its three main competitors (Minit, Automagic and Master Cobbler). With 580 shops, the company is the largest player in the UK with a market share of approximately 20%, while its nearest competitor has fewer than 40 shops. Timpson is also the UK market leader for key cutting, engraving, watch repairs, key rings, Zippo lighters and house signs, and now opens 35 new shops per year. Timpson Locksmiths is ranked fourth in the highly fragmented emergency security business, while subsidiary HNPCo is the biggest seller of house signs in the UK, and – together with Timpson Signs – holds nearly 10% of the UK house sign market.

### Retaining talent

One key factor in this success has been the company's ability to recognise talent and develop its employees. This has been achieved in no small part through the implementation of an excellent 16-week training programme, on which £3 million is spent per year. Thereafter, there is a rigorous system in place designed to develop staff towards management, which includes various 'skills levels', training manuals and residential courses. The identification and nurturing of talent form the bedrock of the company's culture. One employee we met began as an apprentice and took only four and a half years to progress from trainee sales assistant through branch management and area development management to become an area manager.

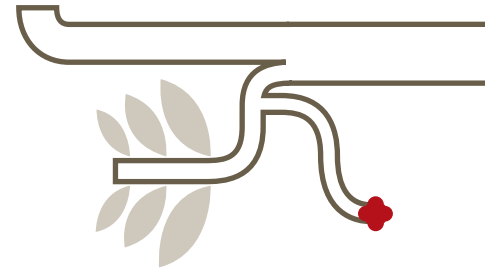


### Focus on innovation

Another success factor has been the firm's consistent ability to innovate. As an example, the watch repairs business was born when a West Bromwich branch manager started repairing watches for some extra turnover; management identified this as a profitable business line and rolled out the idea to ten further sites. Timpson subsequently displaced H Samuel as the UK market leader, with a turnover in this business line of £14 million. Another employee developed a passport photo system which the company now manufactures for use in the branches.

The firm has created a business model known as 'Upside Down Management', which promotes the idea that it is the people who serve Timpson customers who run the business, while the management's role is to support and serve them. As one employee remarked: "They come to us; it works completely". This enables employees to implement immediately new ideas and respond to their individual circumstances "without Head Office getting in the way". Shops are entirely autonomous, with each Timpson shopkeeper deciding his/her own prices and business lines. A two-way feedback system has been implemented, with semi-annual 'Happy Index' surveys giving staff the opportunity to comment on management performance. The firm has also been running a suggestion scheme for eleven years, which has led to the implementation of several excellent ideas including one for a staff gymnasium.

Another recently introduced initiative is the 'Secret Shopper' programme. Branches can expect covert visits every 3-4 months by teams equipped with 'candid camera'-style video recorders. It is up to the branch manager to review the unedited footage and respond as he or she believes appropriate.



### Business strategy and objectives

The company learned from the inability of its shoe retail business to compete against the giant British Shoe Corporation that it is preferable to stick to businesses where the firm either is or has a good chance of becoming a market leader.

Rather than spending time on complex 'strategic thinking', the company sets itself simple but demanding long-term targets based on operating profit. The goal was originally £5 million per annum, and when this target was reached it was doubled to £10 million. As profit in 2007 exceeded £12 million, the target has now been raised to £25 million.

**"Our culture is unique – and strong – and has been the route to our success. Talk to those who work for us and you'll know!"**

Board member, Timpson Group

## Social responsibility

### Designated charity

Timpson Group boasts an impressive record of social responsibility, which it has demonstrated in a number of ways. Appropriately for a company whose owners have such a strong personal attachment to children, and at the request of employees, Timpson has adopted ChildLine as its corporate charity, raising over £1 million since 2003 through various initiatives, including social functions, sponsored activities and 'free jobs'.

It is an initiative in which the family has led by example, with the chairman himself devising and participating in fundraising events, and employees throughout the organisation making contributions. For example, employees do small jobs 'for free' and ask customers to put £1 in a charity box, the proceeds of which either go to ChildLine or to a charity chosen by employees. Timpson has used its charitable endeavours as a means to engender a strong collective spirit, benefiting not only the charity but also the business.

**"Every year we raise more money, and charity plays a central part in the way we do business."**

John Timpson, Chairman, Timpson Group

### Other initiatives

In any organisation, the personal problems of employees – if allowed to grow unchecked – can have an adverse effect on the business. It is therefore of paramount importance to track such issues and, where possible, to resolve them. Timpson's focus on supporting its staff is nowhere more apparent than in its Company Hardship Fund, which is designed to help employees who find themselves in financial difficulties. It is a practice founded on genuine care for employees but also sound business sense; 98% of loans are repaid in full. The company also has a designated Head of People Support in place, whose role is to arbitrate and defuse staff disputes.

William Timpson, the company founder, was renowned for his generosity to colleagues, a tradition the company has taken care to uphold; employees are permitted a day off on their birthdays, and £100 and the use of the family's Bentley when they get married. The company has won numerous awards for being a good employer, and since the turn of the decade has been included each year in the top ten of The Sunday Times list of 'Best Places to Work'.

The company runs further initiatives for its employees. These range from allowing them to use company holiday homes free of charge to the 'Dreams Come True' scheme, which sees one employee per month treated to a special, one-off experience. In the past this has included paying for an operation or sponsoring an employee's journey to see a relative on the other side of the world. The company also offers 'Life Skills' courses which provide practical advice on how to manage debt and other everyday challenges.

The company maintains a strong belief in giving people a second chance, and hires new recruits direct from prison. Employees still serving a sentence are not allowed to retain a salary, yet Timpson keeps the money for them until they are released, thereby helping them to make a fresh start in life.

Timpson is fully committed to the environment, and is currently carrying out an audit by the Carbon Trust to ensure that energy consumption is minimised. The firm is also using several techniques to promote environmental awareness in the business.

**"This is the most caring company I have worked for."**

Employee, Timpson Group



## Timpson's philosophy and culture

"We see too many family businesses full of brothers, sisters, uncles and aunties – some of whom are good, others not so good. At Timpson you can only work in the business if you are good enough."

James Timpson,  
Managing Director, Timpson Group

### Family values

Timpson has a strong company culture derived from the values of the Timpson family. The staff have a strong sense of what type of person will make a successful, or 'Timpsonised', employee: normal, down to earth, and not afraid of hard work – or, indeed, hard play. Most of all, staff emphasise that aspiring new recruits need to be 'happy' people.

As a company, Timpson advocates the involvement with and nurturing of the broader community, operating under the assumption that everybody, regardless of their background, has potential. As an example, the chairman and his wife have been enthusiastic foster parents, fostering over ninety children in a remarkable endeavour which the family downplays. Similarly, management at Timpson takes great care in nurturing employees.

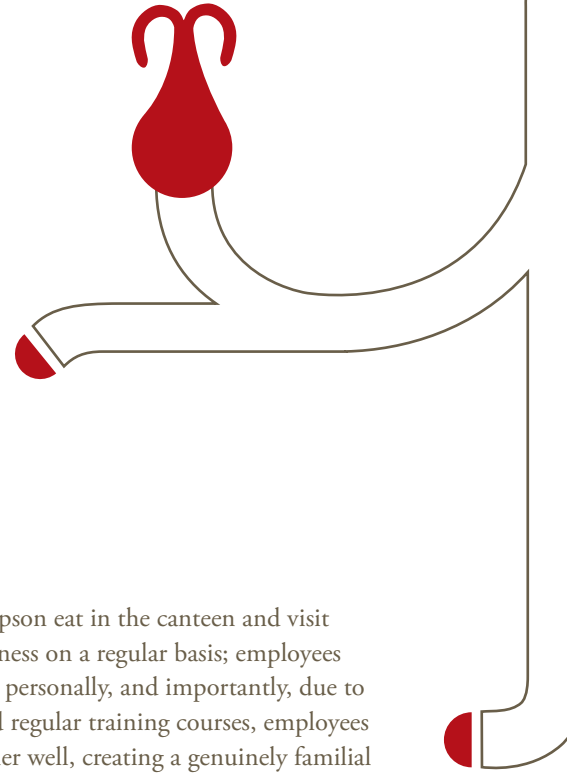
James and John Timpson eat in the canteen and visit each area of the business on a regular basis; employees feel they know them personally, and importantly, due to the low turnover and regular training courses, employees also know one another well, creating a genuinely familial atmosphere in the workplace. Management's policy of paying visits to sick employees at home further bolsters this strong bond.

"At Timpson, rather than publishing bland 'mission statements', we concentrate on employing the right people, people with character, aptitude and a genuine interest in our business; and we reward them."

Mike Donoghue,  
Customer Care Manager, Timpson Group

### The bonus system

Every branch employee at Timpson is paid a weekly bonus based on the sales performance of the branch. The bonus is a material part of compensation and is a key part of the Timpson culture, with its emphasis on getting money in the till and directly and immediately aligning the interests of shareholders and employees.



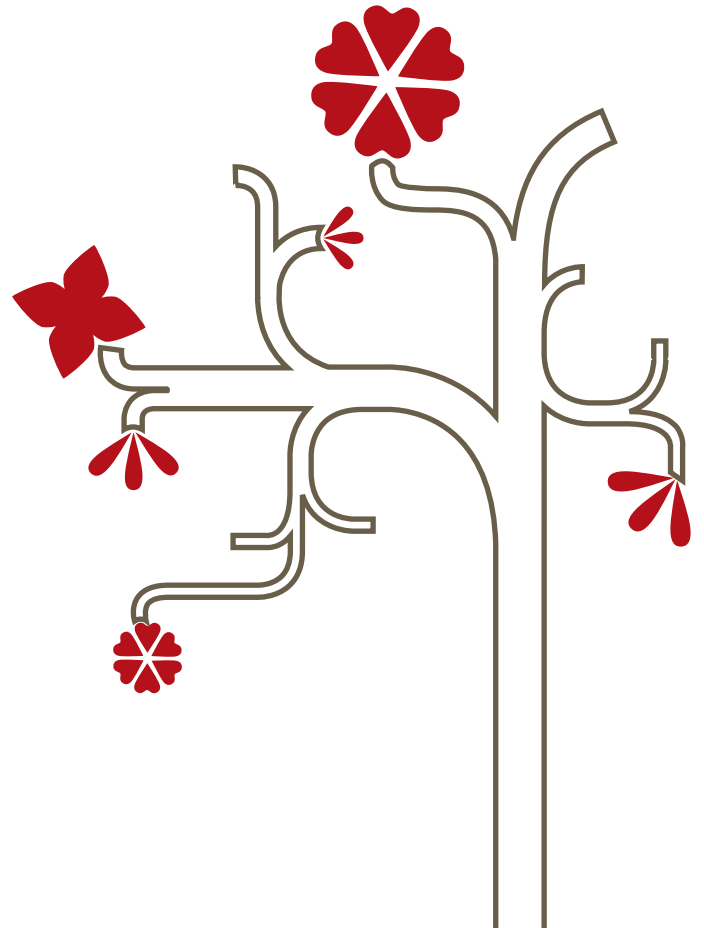
### Communication

Openness and honesty with colleagues, customers and suppliers are important for any successful business and form an integral part of the Timpson culture. The company operates an 'open door' policy allowing all staff access to senior management, while all colleagues, whether at work or off work at home, receive a weekly newsletter. The company communicates regularly with suppliers, both by newsletter and through an annual awards ceremony at which future strategies are planned. The Timpson philosophy is neatly encapsulated in its training and management guides, where the family and company leaders challenge the famous quote from Voltaire: "Common sense is not so common".

For a large organisation to be successful, it is vital for management to take a genuine interest in the development and value of its employees. John and James Timpson pride themselves on the number of branches they visit and insist on everyone at Timpson House visiting at least one branch a year. They recognise that making each employee feel valuable is the surest route to a motivated, enthusiastic workforce, and that this will result in both stronger and longer-lasting relationships with customers.

"Everybody at the office has one aim: to help colleagues who serve customers. This is the backbone of our business and the mainstay of our culture."

John Timpson,  
Chairman, Timpson Group



# Governance

## Family governance

In order to survive, any family-owned business must, at some stage, confront the challenges of management and ownership succession, in addition to successfully managing the boundaries between ownership, management and family. Different businesses have different ways of achieving this. Some have a family constitution, laying down the values according to which current and future generations know the business is to be run; others use a family council to address important issues.

Timpson does not follow these models, preferring to operate a less formal policy. The company has structures and procedures in place for business, tax and family issues, on which all parties are kept fully updated.

**“The whole family are on board with what we are doing.”**

James Timpson,  
Managing Director, Timpson Group

## Keep the family informed

During the 1970s, family members fell out and John Timpson's father Anthony was fired as Chairman, leading to the sale of the business to UDS and the consequent management buyout by John from Hanson Trust. The company is determined to avoid a repeat of this traumatic experience, and will not participate in any transaction which involves the sale of shares.

In addition, all family members are regularly updated on the business and are very happy with the way the company has grown under the stewardship of John and James.

## Only work in the business if you are good enough

In an effort to avoid the nepotism that is associated with some family businesses, management has always applied this maxim. As the chairman says: “All my children have worked in the business but only James has made Timpson his career. One of my sons tried three times, resigned twice and once was asked to leave”.

## Timpson group governance

The company has a tripartite board structure, with separate boards for the retail and locksmith businesses and a main board which meets on a monthly basis. The main board concentrates on the strategic issues of the group, covering group cash flow, acquisitions, career development and property. As the chairman is also the sole shareholder, communication is necessarily immediate and clear.

## Succession

With 90% of all UK family-owned businesses failing to progress to the third generation, succession is arguably the most critical issue these businesses face. Timpson has responded to this challenge creatively by entrusting the career development of the current Managing Director, James Timpson, to Patrick Farmer, a Non-executive Director, and by making him work in all areas of the business. Consequently James gained experience as a shop manager, area manager and marketing manager before assuming his current post. His training has involved study tours to Europe and the United States, where James has examined other aspiring companies with unique cultures. James is also involved in the Young Presidents Organisation, an international business collective for young managers.

**“We can't remember a specific conflict in the last 15 years... our culture works in a way that ensures issues are resolved early on before they can boil up.”**

James Timpson,  
Managing Director, Timpson Group

## Challenges going forward

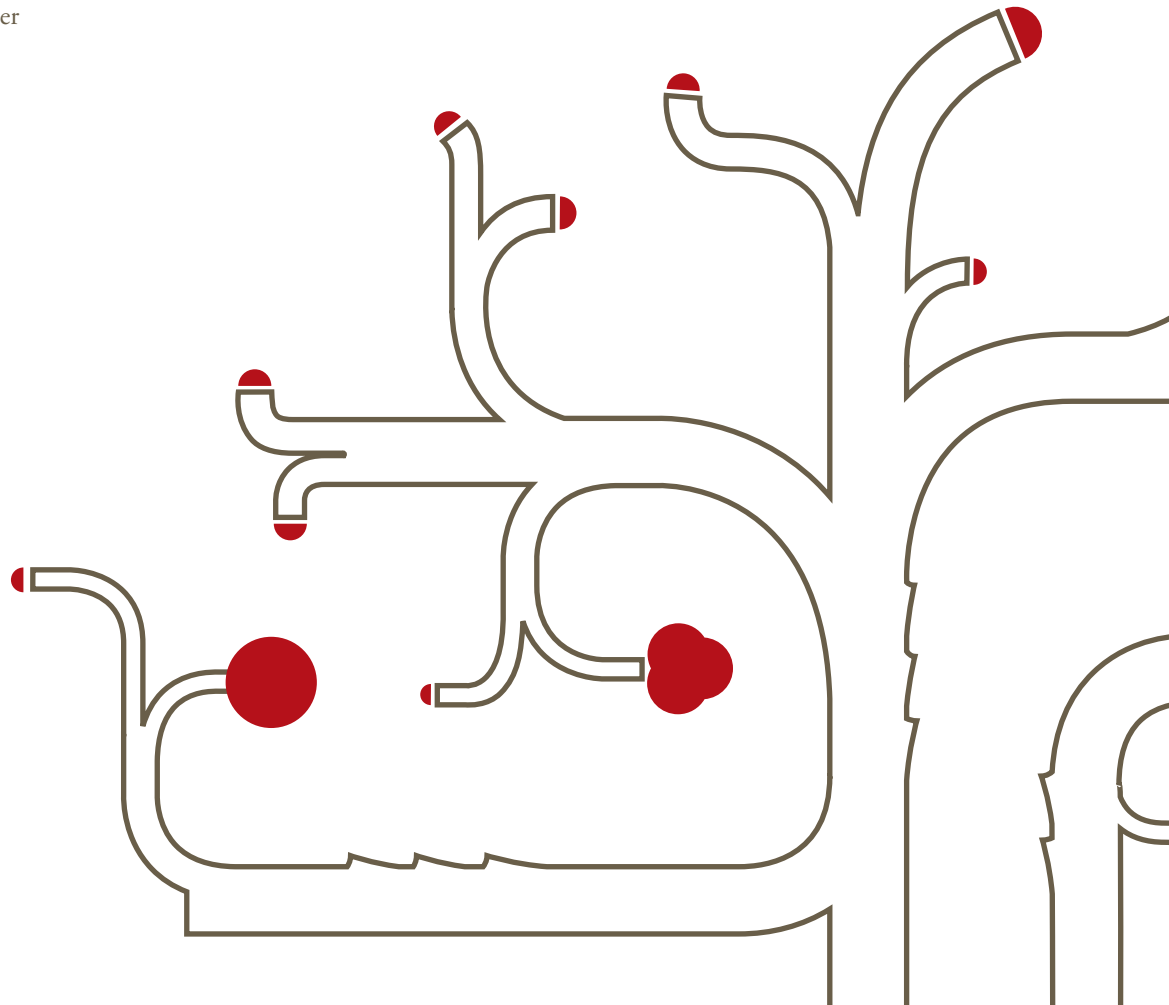
The company has manifold plans for further expansion. The locksmith business is becoming a particularly successful area and operates in a fragmented sector, offering opportunities for the future. The company also plans to build on its existing success and expand into upmarket watch and jewellery repairs.

“The main challenge for the future is to resist the temptation to run the business like everyone else.”

Timpson Board Member

Management is determined to keep all the company's shares together. This entails finding an entrepreneurial owner-manager in each successive generation.

Timpson remains committed to ensuring that all employees embrace company values, enabling them to maintain their commitments not only to customers and shareholders but also to the community. As they grow, it will be important to ensure these values remain at the heart of the company.



# 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:

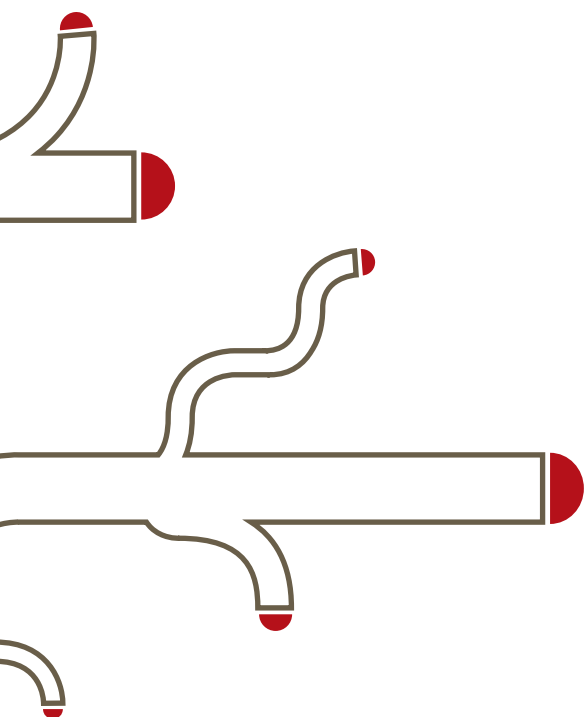
Kate Murphy  
Head of Family Business  
JPMorgan Private Bank  
Tel: 020 7325 9252  
Email: [kate.m.murphy@jpmorgan.com](mailto:kate.m.murphy@jpmorgan.com)

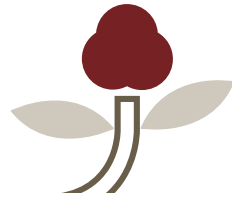
[jpmorgan.com/fbh](http://jpmorgan.com/fbh)

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

[ifb.org.uk](http://ifb.org.uk)

Chris Hancock  
Director  
JPMorgan Cazenove  
Tel: 020 7155 4849  
Email: [chris.hancock@jpmorgancazenove.com](mailto:chris.hancock@jpmorgancazenove.com)





[jpmorgan.com/fbh](https://jpmorgan.com/fbh)



