

Chiefs relish being away from media limelight

Leadership

In unquoted companies, building the business takes precedence over sticking to the rule book, writes Jonathan Moules

Along with many chief executives, John Timpson has spent time in both publicly quoted and privately owned businesses. But the no-nonsense head of Timpson, the shoe repair business he bought out of Hanson Trust in 1983, leaves no doubt that he prefers his current position, leading a private family-owned company.

"A lot of the life in a plc is about filling in the governance bits," he says. "You are running the business in order to satisfy the rules."

"In a private business you haven't got that. You must have a much stronger bond with your staff and interest in the relationships with your colleagues."

It is an opinion shared by many private business heads, who for the most part seem to relish being out of the media limelight in order to spend

their time working on building a business.

Mr Timpson believes the key is to get to know your staff and he practises what he preaches on this point: during 25 years as chief executive of Timpson he set aside time every week to visit each of the company's branches.

The tradition has been continued by his son James, now managing director, who faces a considerable task given that Timpson now has about 800 stores across the UK.

"The biggest strength we have is we allow the people in the business to get on with it," Mr Timpson senior says.

Leaders of private businesses are entrepreneurs, according to Mr Timpson, who gives the impression that those who run publicly quoted companies are more skilled as technocrats.

It is not that there are not many good examples of entrepreneurial chief executives of publicly quoted companies – Sir Terry Leahy, the former Tesco's chief executive, or Charles Dunstone at Carphone Warehouse to name two. It is just that in private businesses, these type of people just seem to be more common.

Not everyone agrees with this division. Richard Emerton, managing director of the board and CEO practice at executive search business Korn

Ferry, says the differences in the skills of chief executives of publicly quoted companies are often indistinguishable from those running privately owned businesses.

The exceptions to this come in the strategic goals the executive will face, he adds. In a private business, whether that is one owned by a family or backed by private equity, the strategic goals are usually fairly narrowly defined because the shareholders are closely aligned. In contrast, in a publicly quoted company, whose shareholders range from short-term hedge funds to long-term pension funds, the strategic goals are often less clear.

"In a private-equity backed or family owned business the owners have a clear set of objectives, therefore the chief executive will know exactly what he needs to do and he will go and do it," says Mr Emerton.

"In a public company the language of the shareholders is much more disparate. The chief executive therefore needs a greater degree of strategic capability."

Good chief executives can easily move between publicly quoted companies and privately held ones, according to Mr Emerton.

However, he notes that the traffic is usually one way, going from public to private ownership, largely because

the latter is most purely about using your business skills rather than your political ones.

"In the plc world, you spent a significant chunk of your time dealing with investors who have a whole range of conflicting goals, having analysts on your case trying to persuade the market that what you are doing is wrong, and you have to get involved in public exchanges to justify your strategy."

"For many [private business] CEOs it is an absolute joy not having to deal with all that crap."

Jana Klimecki, co-founder and director of Tyler Mangan, a leadership consultancy, agrees.

"The leadership team [of a private business] is often freer to take more risk and can therefore be more dynamic in the decisions it makes," she says.

"However, private organisations are often leaner and might be more resource constrained. As a result many successful leaders in private organisations are 'doers' as well as 'leaders' and there is a relentless focus on execution and getting things done."

Lorenza Di Giovanni, a partner at executive search business Odgers Berndtson in Milan, is used to looking for chief executives of both publicly quoted and privately held

companies, although in Italy there is often more call for people to lead family owned businesses.

It is not easier to find leaders for family owned businesses than publicly quoted companies, just different, she says

"For family owned businesses, we usually look for leaders who have had success in several and diverse environments, for example culture and industry, thereby demonstrating a good degree of flexibility," she says.

"We also look for candidates that have been exposed to family owned businesses in the past,

or who even bring their own entrepreneurial experiences, or that have at some point worked at a medium-sized company

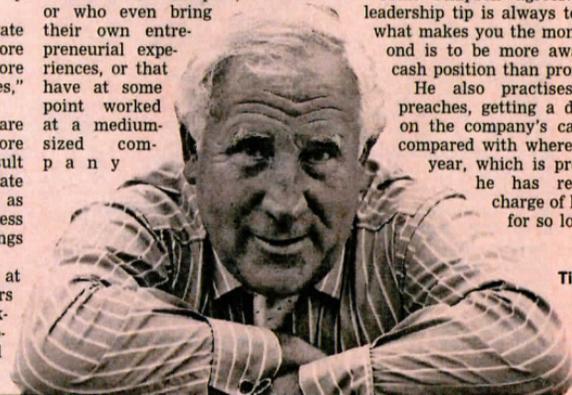
where the culture and management style will be similar to family owned ones."

Brian Chernet, who founded the Academy of Chief Executives 15 years ago to help develop leadership skills in company heads, says the most common weakness among private business heads is their grasp of financial matters.

"The biggest issue we have always had [among members of the Academy of Chief Executives] is: 'Should I be changing my accountant?' or 'Should I be using a book-keeper?'"

John Timpson agrees. His main leadership tip is always to remember what makes you the money. His second is to be more aware of your cash position than profit.

He also practises what he preaches, getting a daily update on the company's cash position compared with where it was last year, which is probably why he has remained in charge of his business for so long.



Timpson's tip: remember what makes you the money