

# With ownership comes responsibility...

**Simon Hoare**, HHA Member & Partner, C. Hoare & Co., Private Bank.  
Contact him on 020 7353 4522 or email [simon@hoaresbank.co.uk](mailto:simon@hoaresbank.co.uk)

Owning a business, or indeed a historic house, that has been in your family for generations brings with it a substantial amount of responsibility. As a member of the 11th generation of the Hoare family lucky enough to work at the Bank, my duty is to ensure the 12th generation ‘inherits’ a Bank that is in even better shape than the one I joined.

The privilege of being one of the current Partners of C. Hoare & Co. does not represent outright ownership in the traditional sense, but carries a ‘custodial’ duty to preserve and enhance the business, and its reputation, for future generations. It is vastly different from setting up and running a sole proprietary business, where control is virtually boundless, and the ultimate responsibility for whether the business succeeds or, in many cases, fails is often solely in the lap of the owner. While it would be fair to assume such an entrepreneur considers the long-term welfare of his children and even grandchildren, the basis for decision-making changes markedly when one expands one’s vision to think of an enterprise in terms of perpetuity.

This understanding provides a different perspective from which to view risk, investments and strategic planning, and one that is similar in many ways to the perspective of an owner of an Historic House.

## **Risk**

As a starting point, managing risk is more straightforward when there are neither external shareholders to answer to nor pressure to generate excessive profits, especially over the short term. Like most estate owners we meet, we are quite happy being the steady-paced tortoise as opposed to the hare running at break-neck speed.

Having unlimited liability also plays a key role in a risk-averse approach, and this highly unusual structure has clearly helped us navigate difficult economic times, including the most recent liquidity crisis. We are, by nature, conservative with our balance sheet and the way in which we manage the bank. We recognise the same attitude in many estate owners, which explains the longevity of their own family businesses; this like-mindedness is part of our attraction, as a Bank with safe haven status.

## **Investing**

Our experience has also shown us that most landed estate and historic house owners would benefit from focusing on improving the cash flow and return on capital employed on their estate. Sitting on £100 million worth of property is very different from £100 million of cash in terms of the options available for increasing the capital value.

Many landowners are significantly increasing revenues by staging events in the estate’s gardens or buildings rather than trying to attract more visitors to the main house. Events range from concerts to weddings, sizes from an intimate few to several thousand, and landowners are able to exercise a certain amount of creativity in order to express their character and highlight the individual

characteristics of the estate. Allocating funds to the development of potential venues could therefore pay dividends in the long run.

The upcoming refurbishment of a building adjacent to the Bank’s historic Fleet Street premises is one such example. While representing a sizable cost in the short term, this investment should cover our accommodation needs for the next few decades.

To offer another example, the Bank is expanding and investing in the services it offers in order to stay relevant in the market. This a tactic that many historic houses are using successfully to increase their return on capital employed.

## **Long-term planning**

Strategic planning is also easier without external shareholder demands. With public companies, corporate strategies are typically geared on rolling three- to five-year time horizons and management teams will budget accordingly to support the same relatively short periods. There are notable drawbacks to being answerable to external shareholders, especially as management will be unsurprisingly influenced by their demand for them to set short-term targets and deliver results.

For many companies, and in particular some of our banking brethren, the financial crisis unearthed the dangers of such short-sightedness. By concentrating on maximising short-term profits, and not being able to look too far ahead, the risk management function was, it could be argued, woefully neglected. This was despite the fact that few, if any, management teams actually intended to put the businesses at risk.

Multi-generational businesses not only look ahead three and five years but also 25 and even 50 years. This longer-term vision and lack of short-term pressure helps reduce risks to the business – and reputation – and also increases investment options.

## **Succession**

Succession planning is another important consideration both for the Bank and most landed estates. With any family business, there are likely to be certain defining characteristics, and ours is observable in the values that guide not only the Partners but indeed every one of the bank’s 300+ staff. As the American cleric Charles Swindoll once said, “A family is a place where principles are hammered and honed on the anvil of everyday living.” Integrity, honesty and independence are some of the values laid down by the Bank’s founder and carried down from one generation to the next ever since.

Deep-rooted passion is another crucial element of owning a family business, and is one of the principal reasons why they are unlikely to be sold. Owners do not simply possess a piece of land and collection of assets, but a family treasure, a national treasure, a heritage, a history, and the future of the family for generations.

With the privilege of ownership comes responsibility and, with that responsibility, the attitudes that enable owners of historic houses, like Hoare’s Bank Partners, to fulfil their duty.