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ON BEING TAKEN OVER BY SLATER WALKER

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THIS is perhaps not an entirely suitable contribution to a serious economic journal. It is an attempt to describe the atmosphere of a take-over—in this case a non-contested take-over—from the standpoint of its principal victim. There is no analysis of the cost-benefits of the operation but I have ventured a few comments on the take-over philosophy of industry in general.

Five years ago I could not have brought myself to compose a paper of this sort. The disappointment and the frustrations were too recent and too sharp. Now that the fire has died down and some of the smoke has rolled away the picture is clearer and can be sketched, I hope, with less distortion.

The Telephone Call

One afternoon in April 1968 the Chairman of Crittall-Hope received a telephone call at his Smethwick office. Unlike most of his calls this one was not filtered through a secretary. Immediately he picked up the receiver the caller spoke and identified himself as 'Jim Slater of Slater Walker Securities'. It says a lot for the speed of Mr. Slater's rise to fame that in 1968 the Chairman of Crittall-Hope had to cudgel his brains for some seconds before working out who this unexpected caller could be. He then remembered that earlier in the year Slater Walker's name had been linked with rumours that someone was showing an unusual interest in Crittall-Hope's shares. It is ironic that the Crittall-Hope board had been advised at the time that Slater Walker was too small a concern to be considered a real danger—unless possibly they might be acting for somebody much larger in the background. After some ritual apologetic remarks that he would have liked to come and see the Crittall-Hope Chairman personally but had found difficulty in contacting him (a white lie if ever there was one) Mr. Slater explained that he was sending round that afternoon to the Crittall-Hope registered office in London an offer for the entire share capital of the company, and that the terms of the offer would be communicated to the Press immediately after the Stock Exchange closed at four o'clock. It was then about ten minutes to four. He went on to say that he thought the Chairman might like to know what the terms were. He spelled them out in detail and said he would be happy to consider any representations or counter-proposals

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from the Crittall-Hope board if they did not think the terms he offered were reasonable.

Before describing the progress of the take-over it may be helpful to give an outline of the background situation.

The Background

In 1968 Crittall-Hope had experienced 3 years of 'combined operations' after a negotiated merger. Previous to the merger the two constituent companies each had a record of consistent profits going back over many years. But they had shown few signs recently of the dynamic growth for which investment consultants usually search, still less of the plunging losses and dramatic recoveries which make headlines in the financial columns of the press.

The business of Hope's had been founded as long ago as 1818 and that of Crittall in the mid-19th century. Both had been publicly quoted companies for over 50 years and their family interests had been diluted by periodic issues of shares, in the case of Hope's to about 15% of the total equity and in the case of Crittall almost to zero. Family management however was still strongly entrenched in both companies. At the time of the Slater Walker take-over Crittall had about 5000 employees in the U.K. and Hope's about 3000 including those of the English subsidiary companies. In their U.K. operations the two businesses were competitive rather than complementary but by 1965 the overseas position was markedly different. Hope's were strong in the U.S.A., Crittall in Germany, Australasia and Canada, while in various parts of Africa and the Far East jointly owned Crittall-Hope companies had been functioning for some years, usually with notable success.

The predominant interest of both companies, both at home and overseas, was in the manufacture of metal windows, though each had developed a number of side-lines. Hope's for instance had an important roof-glazing department and a separate central heating company, while Crittall had branched out into the manufacture of agricultural silos and domestic greenhouses.

A close informal working relationship had been established between the two Boards of Directors partly through their joint interests in Africa, and partly through the British Metal Window Association of which they were the two dominant members. The two Chairmen had become close personal friends. Although on occasions natural rivalry would explode into fierce competition there was a general understanding that neither party would stamp too hard on the other's toes.

Both companies had watched with apprehension the growing interest of some of the larger aluminium producers in various sectors of the building industry and it was feared that one of these giants might try to get control of Hope's or Crittall. In this case their metal window business might be manipulated into a mere sales outlet for aluminium instead of offering (as the directors believed was its proper function) a disinterested service of metal window supply and advice to architects and builders irrespective of the material used; this could be steel, aluminium, bronze, stainless steel, or even plastic depending on the customer's wishes and the technical requirements of the building concerned. It was believed that Hope's and Crittall taken together would be a tougher morsel to gobble up than either company taken separately—an assumption that was not borne out by the event. In fact the contrary may have been true. Certainly the merged companies proved a more attractive target to Slater Walker than either of them would have been separately.

A subsidiary reason for considering a merger lay in the break up of the Standard Metal Window price agreement. This agreement between Hope's and a number of other manufacturers—Crittall were not a party to it but gave it their tacit support—had been sanctioned by the Restrictive Practices Court in 1962 but fell apart in the autumn of 1964 through the defection of one of the members of the Group. A financial merger between Hope's and Crittall, even if they traded as separate companies, would allow the two companies to agree common selling prices between themselves without breaking the law. Hopefully this might do something towards maintaining the fragile price level of the standard metal window trade. The approach to the merger was rather different on the part of the two boards. Crittall were firmly wedded to the idea of full integration, if not immediately then as soon as practicable, so as to achieve all possible economies of scale. Hope's on the other hand were more interested in getting a better price for the product. They feared that full integration, by eliminating the name of one competitor (in a situation where most orders were placed by competitive tendering amongst a limited number of firms) would simply open the door to others and would tend by the law of averages to reduce the total volume of business which the two firms might expect to obtain by operating separately. Hope's were deeply sceptical of economies of scale in the particular circumstances of the metal window industry. Costing investigations by the accountant advisers of the Metal Window Association had shown, surprisingly, that standard windows were sometimes produced just as economically by a firm with an output of less than 50 tons a week as by one making 300 tons a week. Other suggested economies, e.g. in transport, warehousing and selling costs, appeared highly problematical when examined in detail by Hope's staff.

The terms of the Crittall-Hope merger were worked out in the winter of 1964/5. The earnings record and expectations of each firm were so nearly identical that it was agreed without difficulty that the equity capital of the new holding company should be allotted to the Crittall and Hope shareholders on an exactly 50/50 basis. Hope's were found to have a sizeable advantage in the amount of their liquid assets and this was recognized by the allotment of additional loan stock to the Hope shareholders. The merged company was called Crittall-Hope Ltd. and had an issued capital of £7,087,500 divided into 1,312,500 $5\frac{1}{2}\%$ first preference £1 shares, 525,000 7% second preference £1 shares, and 21,000,000 ordinary shares of 5s. It was agreed that for the time being at least the two firms should continue in the U.K. to trade separately each under its own name, maintaining not only the appearance but the reality of competition within the mutually agreed price policies. Overseas, however, integration was to be immediate and complete, and a Crittall-Hope Export manager was appointed to develop and control the export operations of both companies.

During the next 3 years limited but useful progress was made in rationalizing the manufacture of various components (including most window fittings) and there was a real dovetailing of the research and development programmes of the two firms. New developments were allocated firmly to one firm or the other so as to avoid duplication of effort. But no managing director of the holding company was appointed. The managing directors of the two operating companies reported separately to the Crittall-Hope board, of which the Chairman was to be appointed from each firm in rotation for a 3 year period.

The merger failed to produce the immediate increase in profits for which the Stock Exchange had hoped. The British building industry was being squeezed by the government into one of its recurrent recessions and Crittall-Hope joint profits fell from £1,600,000 just before the merger to £1,300,000 in 1965/6 and only recovered to £1,545,000 in 1966/7. The shares slumped from around 10s. at the time of the merger to a low of 3s. 8d. in 1966.

In the autumn of 1967 the company's brokers and merchant bankers got the impression that somebody was after the shares. Several possible marauders were mentioned but nothing definite could be established. Apart from the danger of a take-over the directors were getting alarmed at the state of trade and were coming round to the view that something drastic must be done quickly. The Henry Hope directors had already carried out a ruthless reorganization of their own management structure and they now agreed, reluctantly, that in the changed circumstances a closer degree of rationalization might be necessary and that they would not wish to stand on the terms of the original agreement that each firm should continue to operate separately. Consultants were called in to study the problem, particularly in relation to the manufacture of Standard Metal Windows. Their report was on the way to completion in April 1968 when Mr. Slater launched his bombshell.

The Take-Over

Immediately after speaking to Mr. Slater I got in touch with our merchant bankers in London, who predictably advised us to make no statement to the press or to our shareholders other than that we were considering Mr.

Slater's offer with our advisers. This of course was hardly 'news' and those financial journalists who spoke to me on the telephone that evening were patently disappointed that I had nothing dramatic to tell them—no promises of defiance nor admission of defeat. The newspapers who failed to get through before I eventually closed down the switchboard were even more disgruntled and chose to regard this as a sign of old world fuddy-duddy management. Mr. Slater on the other hand was fully prepared and had plenty to tell the press. It was far and away his biggest take-over attempt to date and he took care that he and his staff were available until late that evening to answer questions. The same evening I got hold of my Deputy Chairman John Crittall and we set in motion the series of meetings with our board colleagues, our merchant bankers and our auditors which were to take up so much of our time during the coming weeks.

Naturally we wished to fend off Mr. Slater. We had no confidence in his experience or skill as an industrial manager, he had a reputation (rightly or wrongly) as an asset-stripper, and we could visualize the businesses which had been built up over so many years by our respective families being ruthlessly cut to pieces, and perhaps many employees being sacked, in the interest of short term capital gains for the Slater Walker shareholders.

There are at least three classic methods of fighting off an unwelcome take-over bid. One can advise shareholders that the offer is too low and should be refused on those grounds: one can rally a large enough block of shareholders behind the board (possibly on grounds of sentiment or family loyalty) to make it impossible for the bidder to get effective control: or one can seek an alternative bidder who one hopes will prove to be a less exacting or more sympathetic task-master.

In this case none of these three defences were available to us.

Mr. Slater's offer, when translated into equivalent cash terms (it was in fact made in the form of new shares in his own company) worked out at about 16s. 6d. a Crittall-Hope ordinary share compared with the current market price of about 11s. 6d. There was a case for putting the full asset value of the Crittall-Hope shares at about 18s. a share but this would be of little interest to investors unless the value could be reflected in profits and dividends. It was clear to the Crittall-Hope directors—and to their advisers—that there was little or no prospect of increasing profits within the next 2 years to a level which would match Mr. Slater's offer. In fact the current year's profits, which had not yet been audited or announced but could be assessed fairly closely by the directors, were going to show a dramatic fall as explained below and might well depress the share price further when they were announced. It would in fact have been an obvious fiction to claim that the Slater Walker offer was not in Stock Exchange terms an attractive one, and any attempt to fight the offer on these grounds would have constituted a transparent piece of special pleading.

Nor could there be any hope of drumming up a large enough block of friendly shareholders to reject the bid on grounds of sentiment or loyalty. The Hope family interests had been diluted by the Crittall-Hope merger to a mere $7\frac{1}{2}\%$ on the most optimistic calculation while the Crittall interests were virtually non-existent. Apart from the Hope family the other major identifiable shareholders were, as could have been expected, insurance companies and investment trusts.

In searching for an alternative bidder approaches were made to several large industrial concerns who it was hoped might put in a counter-bid and who might be expected to support the continued existence of Crittall-Hope as a going concern. But any interest evaporated quickly when the terms already offered by Mr. Slater were examined.

There remained the ironic possibility that Mr. Slater would withdraw his bid when he was apprized of the company's true trading position. When he made his offer the latest published figures for Crittall-Hope were the unaudited results for the 6 months ended September 1967 which had been issued in January 1968. The full figures for the year to March 1968 were due to be released in May or June and it was within the knowledge of the directors that the figures were bound—putting it mildly—to be a disappointment. The main reasons for this were two-fold. There had been a spectacular débâcle in Crittall's German window company, where it had been discovered in January that the local manager had been systematically falsifying the accounts throughout the year, and there was an unexpected accumulation of losses on completed or near completed contracts by Hope's central heating subsidiary.

Mr. Slater had made it clear that if we were to recommend his offer without qualification he would take over Crittall-Hope 'sight unseen', but that if we wished to negotiate better terms he would expect to be given full information about the company's current trading position. It seemed unlikely that we would be able to achieve better terms in monetary value, but the Slater Walker 'paper' that was being offered in exchange for the Crittall-Hope shares carried a distinctly speculative flavour in those days and it was thought that if we could obtain a cash alternative this might be attractive to some of our more cautious investors.

We were also advised that we were more likely to obtain generous treatment for our staff and workpeople if all our cards were laid on the table before the deal was concluded than if the new owners discovered the true state of affairs only after the bargain was struck.

Actually the whole conception of trying to sell the business for more than it was intrinsically worth (whatever that might be) by means of a kind of confidence trick—even if the initiative came entirely from the buyer as it did in this case—seemed to me slightly discreditable and bound to lead to trouble somewhere along the line.

It was therefore decided to disclose all the available figures to Mr. Slater, putting the best interpretation on them that we could, and trust that he would not then withdraw or reduce his offer. For, however welcome a withdrawal might be to myself, to my colleagues and to the company's staff and workpeople, it would hardly have appealed to our shareholders. They would have had a legitimate grouse against directors who had fouled up an attractive bid for the company's shares for reasons of sentiment or personal advantage.

In his original telephone conversation with me Mr. Slater had suggested that I might like to get in touch with two of the firms which he had recently absorbed so that I might get independent evidence of the Slater Walker attitude and behaviour towards their newly acquired subjects. Accordingly I visited Manchester to see firm 'A' while my Deputy Chairman John Crittall went to see the ex-Chairman of firm 'B' in East Anglia. In Manchester I found a dedicated admirer of Mr. Slater and all his ways—his perspicacity, his drive, his humanity, his sense of humour, were all praised without stint or reservation. There had been economies and even closures since the take-over but basically the company had been allowed, nay encouraged, to expand and develop along the lines which he as Chairman had laid down in the past. Everything in the garden was lovely and Crittall-Hope could count themselves fortunate that they were soon to join such a progressive exciting and happy group. It was hardly likely that someone who was still on Mr. Slater's payroll would cry stinking fish about his new Chairman, but I formed the opinion all the same that the admiration was genuine. Certainly such facts as I was given supported the view that in company 'A' at least there had been nothing in the nature of asset-stripping and that the pre-take-over management had been retained and strengthened—I discovered much later that this enthusiastic attitude was not shared by everyone in the firm. So much for company 'A' in Manchester.

The situation which John Crittall found with company 'B' was rather different. The company had been in difficulties when Slater Walker made their approach. The ex-Chairman was candid enough to volunteer that Mr. Slater had achieved in, I think, 3 months, a reorganization which he himself had expected would take 18 months to 2 years. The net result of the operation had been the virtual extinction of company 'B' as a trading concern and a sizeable cash profit for Slater Walker. There had been redundancies and we were given particulars of the compensation terms which had been accepted by the executives whose service contracts had been ended. The terms appeared to have been fair. So much for company 'B' in East Anglia.

A meeting was then arranged in London at which Mr. Slater was to be asked what his general intentions were regarding the future management of Crittall-Hope in the event of the bid going through and what assurances he was prepared to give to the company's staff and workpeople. The meeting was held in the offices of one of our merchant bankers. The entire board of Crittall-Hope were present together with representatives of both our merchant bankers and of our auditors—Mr. Slater was accompanied by a single aide. He repeated what he had already told me on the telephone, that he preferred to work through the existing management, though he would naturally want to appoint his own Chairman, and he would ask for the resignation of our two non-executive directors. He could guarantee the maintenance of existing rates of pay and conditions but must have freedom to make closures and impose redundancies where he considered this necessary. The impression he left on the meeting was that he intended—or at the very least hoped—to develop Crittall-Hope as an expanding and progressive company.

He was asked why he had picked on Crittall-Hope, since he appeared to have no special interest or experience in the manufacture of metal windows or indeed in building materials of any kind. He answered that the company was the right size. We said this seemed a little like choosing a wife solely from her vital statistics. He said he also thought he could act as a catalyst between the Crittall and Hope sides of the company. He was asked if he appreciated that there were very special problems peculiar to the window industry? He said he was sure that this was so, as it was of most industries, but that in his experience the main problems were the same for all industries.

There had been some considerable activity in the company's shares since the announcement of the Slater Walker offer and it was evident that Slater Walker or their associates were buying quite heavily in the market. Mr. Slater disclosed that he and his associates now controlled 22% of the ordinary shares though some of these would no longer be at his disposal in the event of an overbid.

A few days later—or it could have been before that meeting at our merchant bankers—Mr. Slater telephoned me to ask if we had yet been in touch with the two companies to whom he had referred. He volunteered that in his view Crittall-Hope would turn out to be 'a Manchester rather than an East Anglia situation'.

We now pressed on with the completion of the accounts and as soon as the auditors were satisfied with them the results were announced to the Press and to the shareholders. Mr. Slater must have had a shrewd idea that the results of the German company would be pretty disastrous but he can hardly have anticipated the full extent of the dĕbâcle. I believe that he may have considered withdrawing his bid when the figures were announced, but in the event he did not do so. Presumably his ultimate interest in Crittall-Hope lay in its underlying assets, and these were not seriously impaired by a single year of poor trading. Since Mr. Slater was maintaining his bid and had given what seemed reasonable assurances for the treatment of Crittall-Hope employees, and since no rival offer was forthcoming from any other source, the Crittall-Hope directors had no option but to recommend the offer to their shareholders.

The formalities of preparing the necessary offer documents now went ahead. Merchant bankers, solicitors and auditors all took a hand in the drafting. Mr. Slater caused a few establishment eyebrows to be raised by employing no merchant-bankers on his own side, preferring to 'do his own needlework'.

I was advised that it was necessary for me to include a forecast of the coming year's profits, something which I have always detested. It is one thing to prepare a budget for internal use by the company's managers and quite another to go out on a limb publicly forecasting profits 12 months ahead in terms which shareholders are almost bound to interpret as a promise however much they are hedged with reservations. Forecasts for our overseas companies could only be provided by the managers on the spot, and there was a good deal of hectic overseas telephoning meticulously monitored by our auditors before we could reach a combined figure. With the benefit of hindsight it would have been wiser to discount some of the more optimistic features of this forecast. In particular we should have taken a harder look at the possible costs of winding down some of the companies—such as the German one—which were showing losses and might have to be closed down or disposed of. However it seemed right at the time to assume that the existing Crittall-Hope management would be allowed to function as it had in the past and to ignore the more pessimistic possibilities.

Reorganization

From the moment the offer documents went out to the shareholders things moved very quickly. We learned with some surprise that Mr. Slater intended to take over the Chairmanship of Crittall-Hope himself and that he would personally control the reorganization which he had in mind. John Crittall and myself were each given the title of Joint Deputy Chairman but it soon became clear that this was a piece of public relations and that the positions were purely nominal. The two non-executive Crittall-Hope directors were asked to resign and a number of Slater Walker nominees were added to the Board and given overriding authority over different sectors of the company's business.

Mr. Slater undertook an extremely detailed scrutiny of such things as charitable donations, fringe benefits of directors and senior managers, credit terms from suppliers, prompt invoicing and anything else which might improve the cash flow. I doubt if this achieved anything of significance but at least it established an atmosphere of urgency and made it clear that no slackness would be tolerated. He also called for a report on the price level of every one of the company's major products and insisted on an immediate increase in most of them, to John Crittall's chagrin and my relief.

A number of specialists had been engaged to look into every aspect of the company's business, e.g. production, research and development, marketing, advertising, subsidiary companies, overseas operations etc. These specialists were now let loose to produce reports on possible savings through rationalization or through the closing down of unprofitable or unpromising operations. In most instances the Slater Walker specialist was assisted by a small fact-finding team from both Crittall and Hope's. The reports were then supposed to contain the agreed recommendations of each team. But they were in fact written largely in the Slater Walker offices and it was made abundantly clear that opinions which did not square with Mr. Slater's plans for maximum and speedy integration of the two companies' operations would not be welcome.

John Crittall and I were excluded from all these fact-finding teams. We were given copies of their reports and were free to comment on them at the monthly board meetings, but I certainly began to feel like an overworked cipher—for we were still responsible for the day-to-day running of the two home companies. I became so disillusioned that I seriously considered resigning my meaningless title of Joint Deputy Chairman, but I was afraid that this would only increase the alarm of the Henry Hope employees at Smethwick and Wednesbury. They were already thoroughly despondent at the prospect of redundancies and regarded my presence on the Crittall-Hope board as at least a partial safeguard against unfair treatment. Meantime drastic steps were being taken with the overseas subsidiaries. Almost before the formalities of the take-over were complete the German company had been made over *in toto* (after a sizeable injection of cash) to the individual with whom we were hoping to negotiate some form of partnership. The South African company was sold, without consulting its managing director, to its principal South African competitor. Arrangements were also put in hand to close down or dispose of the company's operations in Canada, Rhodesia, Zambia, Australasia, and the Far East. The only overseas subsidiaries to be retained were the companies in Nigeria and the U.S.A., and of these the latter was in the event sold next year in spite of its consistent profit record.

Mr. Slater announced that he would visit the American company himself during August and it was agreed that I should meet him there, since I had been personally responsible for the overall direction of the company for a good many years, and was more closely in touch with their personnel and their problems than anyone else. Mr. Slater made it clear that he thought my presence entirely unnecessary but eventually agreed to my coming. What I had not appreciated was that he was not really interested in the management of the American company or its future as a going concern. I knew that one object of the visit was to arrange for a smooth transfer of the company's surplus investments and cash (which were very considerable) into the Slater Walker portfolio so that they could increase their operations in the U.S. stock market, and I anticipated some resistance to this transfer on the part of the American directors who set great store by the financial independence which these investments provided. Mr. Slater's other objectives were to find a purchaser for a small subsidiary company making ornamental metal work whose future was somewhat unpromising, and—though I did not realize this until later—to take preliminary soundings for the sale of Hope's Windows Inc. itself.

In the event Mr. Slater was unable to come to America himself being too deeply involved in another take-over operation in England. One of his principal aides, who had taken a major part in the disposal of the German company, came in his place. The securities were duly transferred without objection and the small subsidiary sold to its managing director. I took a much needed holiday visiting various American friends—possibly, I thought for the last time, since my future with Crittall-Hope began to look extremely dubious.

By the time I returned to England most of the reorganization reports had been prepared and circulated. The loss-making Heating Company had been disposed of to a competitor on terms which seemed to me to be fair to both sides. The staff and workpeople of this subsidiary were all—apart from the managing director—to be retained on their current terms of employment which was a considerable relief. Other subsidiaries or departments which were thought to be unprofitable or just unpromising were to be closed down and a clear picture was emerging of the products which were to be retained and developed.

It was now plain that Mr. Slater intended to concentrate everything possible in Essex and that he would only retain factory and office space at Smethwick for such production as could not be squeezed into the Essex factories. This was a bitter pill to swallow for the Henry Hope personnel who were conditioned to claim and to believe that they ran a trimmer ship, and usually turned out a better product than their partners in Essex. I do not imagine that Mr. Slater's decision was affected in any way by his judgement of the comparative efficiency or inefficiency of the two firms. He probably thought that both were equally capable of improvement. There were, after all, three cogent reasons for concentrating in Essex.

1. The Crittall complex of factories was by far the larger of the two and any scheme for concentrating production in the Midlands would have resulted in a greater excess to be retained in the subsidiary centre.
2. Large scale redundancies—in the end there were some 600 at Smethwick and Wednesbury—would be easier to absorb in the West Midlands at that time than in Braintree and Witham where there were far fewer alternative opportunities for employment.
3. Empty factory premises would be easier to sell quickly in the West Midlands than in Essex where the Crittall factories—like the Crittall labour force—might have taken some time to dispose of.

One of Mr. Slater's first actions when the take-over became effective in June had been to arrange a personal visit of inspection to the Crittall factories in Essex. At the same time he said that he would discuss with me possible dates for visiting the Hope factories at Smethwick and Wednesbury, but several weeks went by without any further mention of this and I became suspicious. Eventually I did persuade him to fix a date for the visit but owing to his numerous commitments it could not take place until after the projected trip to America. He was curiously reluctant to come at all, saying that he was 'no engineer' but I pointed out that, if he failed to meet the departmental managers and superintendents of Hope's after his much publicized visit to Crittall's, my staff would draw their own conclusions and lose heart. So he agreed to come.

Looking back I believe that long before visiting any of the Crittall-Hope factories, possibly even before finalizing the terms of the offer, Mr. Slater had virtually decided to concentrate production and control in Essex. I can well understand that in the circumstances he may have found the visit to Hope's not only pointless but rather distasteful. It can hardly have been pleasant to be introduced, portentously, as the new Chairman to an array of managers and senior executives, many of whom he had already decided in principle to sack. The visit finally took place at the and of August in an atmosphere of considerable apprehension. Mr. Slater appeared to be far more interested in the real estate value of the factories and offices and how much of them could be released for sale than in the use to which they could be put by Crittall-Hope. Towards the end of the day he told me his final decisions. Both Henry Hope factories were to be sold and part of the Smethwick one would be leased back by Crittall-Hope from the new landlords in order to accommodate the rump activities—curtainwalling, roof-glazing and ventilation for the most part—which could not be squeezed into the Crittall factories in Essex. There were to be about 700 redundancies, mostly in the Midlands but a few in London, and perhaps 450 extra jobs in Essex. I and one or possibly two of my Henry Hope colleagues would be made redundant. Three of the Crittall directors, one of whom was in poor health, were also to go. There were to be a number of other redundancies or early retirements among the managerial staff of both companies and fair compensation would be paid for early termination of any service contracts. A few of the Smethwick staff would be given the opportunity to transfer to Essex if they so wished (in the event less than a dozen chose to do so). A scheme of enhanced redundancy payments would be worked out for all those who were to be sacked.

Mr. Slater himself was giving up the Chairmanship of Crittall-Hope in favour of one of his colleagues who specialized in industrial management. John Crittall was to remain as Deputy Chairman of the company and a new managing director from the Slater Walker stable would be appointed from among the experts who had been reporting on the reorganization. The Henry Hope managing director would be allowed to remain at Smethwick under a new service contract with the task of demonstrating to his sceptical colleagues that the rump activities left in his charge could be run profitably. I myself could remain until the end of September—this was later extended to the end of October—to hand over what remained of my responsibilities and satisfy myself that our employees were getting fair treatment. Mr. Slater insisted that any cases of individual hardship must be dealt with sympathetically.

I told Mr. Slater that if I had foreseen the full extent of the redundancies which he was now determined to impose I could not have brought myself to recommend acceptance of his bid to the Crittall-Hope shareholders. He said that in that case I would have been ignoring the shareholder's best interests and on this we agreed to differ.

Our interview, and his subsequent one with one of my colleagues, were interrupted by frequent telephone calls from financial journalists who were seeking statements about other rumoured Slater Walker bids and deals. Mr. Slater was clearly in his element in dealing with these calls and seemed to have no difficulty in switching his mind from the affairs of Crittall-Hope—which were of some complexity—to his other financial commitments and projects and back again.

At the end of the day, while the necessary announcements to the staff and workpeople were being drafted etc., one of Mr. Slater's colleagues—he is now dead—came across to offer me his personal sympathy in what must be, he felt sure, a most distressing situation. Then the party took themselves off, indulging in some private joke which I was not invited to share.

I had no responsibilities in carrying through the multifarious arrangements which were involved in the transfer of so much work from Smethwick and Wednesbury to Essex and in the complete closing down of some of the Hope's departments. I was only supposed to be satisfying myself that proper compensation was being paid and that our employees, both those who were being retained and those who were to be sacked, got proper treatment. Nevertheless I was able, being on the spot and occupying my old office for several weeks, to gather some impression of the way things were going.

The first impression I received, after the shock of the announcements had worn off, was of relief that Mr. Slater was no longer involved in the day-to-day management of the company's affairs. The colleague who now took his place as chairman of Crittall-Hope was far easier to approach, quicker to appreciate the force of arguments, and in short, more open-minded. It subsequently transpired that he was all too frequently away in Australia for the comfort of his fellow directors in Crittall-Hope, but this was not foreseen at the time.

It had been made clear to Hope's management that all details of the proposed enhanced redundancy payments scheme would be worked out, or at least vetted, by the Slater Walker management. This seemed reasonable enough in the light of their reputation for expertise in the closing down of factories. Surprisingly they turned out to be relatively inexperienced in this field and the details of the scheme were largely worked out by Hope's personnel department. The scheme was accepted as reasonable by the Trade Unions concerned and I understand that there was comparatively little difficulty through employees leaving in advance of the planned dates for their redundancies.

In marked contrast the Slater Walker management showed considerable skill and sophistication in dealing with compensation for broken service contracts. Their basic attitude, with which one could not quarrel, was that no-one should be worse off financially than they would have been if they had been retained and allowed to work out their contract. But they were equally determined that they should not be better off either if this could be avoided. Compensation was paid as a lump sum in every case, calculated as the total amount which the recipient could have expected to receive under his contract of service. But this was then discounted in at least four ways:

(a) By the amount of his national redundancy pay.
(b) By the amount which he could be expected to earn through taking up other employment (this was interpreted quite generously, plenty of time being allowed to look round for a suitable job, and those over 60 being deemed unemployable for this purpose).
(c) By a statistically calculated amount to reflect the advantage of an immediate single payment over the monthly payments which the recipient would otherwise have received.
(d) By the saving in income tax and surtax which the recipient could expect in virtue of the compensation element of the payment.

The combined effect of these reductions was quite startling but in spite of this the total compensation paid out must have been large. I was personally involved in all the calculations and assessments and as far as I know there was no serious disagreement between those concerned, at least on Hope's side, and the Slater Walker management. The Smethwick and Wednesbury redundancies took place in a period of full employment in the West Midlands and most of Hope's employees found other jobs within a comparatively short time. Exceptions were the redundant directors and a few of the older employees who preferred to retire. Mr. Slater was as good as his word about hard cases. Wherever I considered there were special circumstances which merited additional compensation I invariably had a sympathetic hearing from the Slater Walker directors and my suggestions were usually met in full.

The Aftermath

By the spring of 1969 it was clear that the building industry was heading for one of its periodic slumps and that it would not be necessary to create all the extra jobs in Essex which it was thought would be needed to compensate for the lost production at Smethwick and Wednesbury. To this extent, at least in the short term, Mr. Slater's policy of deliberately getting rid of surplus capacity earned its justification. Whether the company was able to take full advantage of the subsequent upsurge in demand I have no means of knowing. Nor is it practicable, from published figures, to compare the performance of Crittall-Hope under the Slater Walker direction with that of the previous management. The spate of disposals and acquisitions of subsidiary and associated companies both at home and abroad since the take-over makes it out of the question to compare like with like. Even if it were possible to make such a direct comparison it might not tell us very much about the quality of management since conditions quite outside management's control vary so much in the building materials industry from one year to another.

It is interesting however that in order to re-sell Crittall-Hope—which may indeed have always been Mr. Slater's ultimate objective, and which he eventually achieved in 1974 with an agreed take-over by Norcross (another conglomerate)—the strategy was adopted of first merging the company with a quite dissimilar engineering business. Crittall-Hope was combined in 1971 with Butterley Engineering, a Coventry-based engineering group in which Slater Walker had a controlling interest. As far as can be ascertained there was no industrial logic in this merger. No production or management economies were achieved or even claimed. The sole *raison d'être* of the merger was to make Crittall-Hope shares a more attractive Stock Exchange proposition by spreading the risk of cyclical boom and slump which is associated with the building industry over a wider spectrum of products. The old management had of course achieved a rather different type of spread by its overseas investments, especially in U.S.A., most of which Slater Walker had sold.

It is also interesting that when Norcross had completed their take-over they announced that the window business of Crittall-Hope was then running at a loss. Under the old management this had not happened to Crittall or to Hope's, either separately or together, since the days of the great slump in the early 1930s.

Comments

Without attempting to make detailed comparisons of performance, however, one can venture some general comments on the Slater Walker approach to industrial management.

1. At a time when most of the country's industrial production is financed by issues of shares on the Stock Exchange it is only logical that control of industry should increasingly fall into the hands of people with a Stock Exchange outlook. 'The product we are going to make is MONEY', said Mr. Slater at his first Crittall-Hope board meeting, and this undoubtedly reflects the wishes of most Stock Exchange investors, who are far more interested in their dividends (or their capital appreciation) than in the products of the companies which they collectively own. This is not the attitude

I should hazard of the men who founded most of the country's greatest industrial undertakings. Many of these have been built up by men who were predominantly and even passionately interested in the products they were making (or the services they were providing). If ever control of the country's industry falls exclusively into the hands of men whose sole interest is in the return on their investments British industry will become a duller, feebler, less resilient growth than it has been in the past.

2. The average Stock Exchange investor, at least as mirrored by the brokers and financial journalists who set the tone for so much of the country's investment activity, expects quick results and takes short-term views. Mr. Slater reflected this attitude faithfully, indeed to an extreme degree. I cannot speak of his direction of Crittall-Hope after I left, but during the reorganization any activity with a speculative or long-term future was ruthlessly pruned in order to release capital for exploiting lines which were proved certainties. 'Inventors are very dangerous people', he said on one occasion. Such an unadventurous attitude is surely bound, in the long run, to lead to ossification and decline.

3. In 1960 many of the leaders of British industry were men who had been brought up, as I myself had been, in a time of cheap money. In the early 1930s my company raised a good part of its working capital at no more than $2\frac{1}{2}\%$, and a return on capital employed of 8–10% was not considered at all unreasonable. Under these conditions it was often a matter of elementary prudence to keep a reserve of potential capacity in the form of undeveloped land or under-used plant and machinery so that quick advantage could be taken of any sudden upsurge in demand. Labour was always available at the factory gates and the cost of maintaining unused capacity could be considered as no more than a cheap insurance premium.

By the 1960s conditions had changed. Money was dear and the unemployed work-force had disappeared. It should have been a simple management decision to recognize the change and act upon it but habits of mind are not so easily changed in real life as in the classroom. There is no doubt that many industrial leaders (myself probably among them) failed to adjust sharply enough to the new situation and did not recognize—as Clore, Slater and others did—the full importance of releasing under-used capital resources and deploying them to better advantage either inside or outside the undertakings for which they had been intended.

4. There is no doubt that Mr. Slater showed himself to be a master of the art of 'disposal'. Most progressive industrialists have far greater interest and expertise in acquiring new undertakings than in getting rid of unwanted ones. Slater Walker on the other hand had a disposals team who were experts at getting rid of anything from an ailing subsidiary or a surplus piece of land to an unwanted lathe or a set of board room furniture. Their special flair was in dealing with land and buildings. Here they were able to act with greater speed and probably with better results than the average industrial

or commercial undertaking could hope to act, even when taking professional advice.

5. Much has been written, often in deeply emotional terms, of the human distress which can be caused when a century-old business is taken over and its identity perhaps extinguished by financial interests whose stated objective is to get the greatest possible return on their invested capital. I have every reason to appreciate the force of these pleas. Nor is it only the directors and managers of a business who identify themselves with its prosperity and its tribulations. Craftsmen, clerks, even labourers can be found in any well-run business who are pleased to link their future with that of the company for which they work. No scale of compensation for redundancy or breach of contract can heal the wounds which are inflicted when a man's whole working surroundings are brusquely annihilated for reasons utterly beyond his control. No reasonable person would maintain that the industry of any country should be run solely for the benefit of the managers and workers who man it. Nevertheless it will be a sad day for the country when it is accepted that the sole criterion of success in any business is the immediate return on the capital employed therein, and when it is assumed that those who work in it are solely concerned with the financial rewards of their labour.

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