

Retirement of an Owner

ASHINGTON AUTOSPARES

Fact file

Name of enterprise:	Ashington Autospares
Location:	Ashington is a small town in south-east-Northumberland, sometimes called 'the biggest mining village in the world', although most of the coal mines in the area have now closed leaving a high level of unemployment
Legal structure:	Employee-owned share company
Type of activity:	Trade and retail motor factory, including paint mixing
Date of establishment:	Employee buyout of existing shop in January 1998
Type of members:	Employee owned
Latest annual turnover:	£200,000

Key features

- In 1997 Brian Todd and Dave Slowey were long-standing employees of Ashington Autospares, which was technically a partnership but largely run by the owner-manager. Brian had worked there since 1971 and Dave since 1989.
- The old owner-manager had often expressed his wish that the employees would take over the business on his retirement. Unfortunately, in the event, he gave them only six weeks' notice.
- This came at a time of uncertainty because a big area of work – parts supply to the local council vehicle fleet – had just been lost.
- Brian and Dave could not meet the six-week deadline. In fact it took them nearly a year to get together the necessary business plan and finance to form a company and buy out the old partners. They really felt the pressure over this period as the idea of selling to a ready buyer was mooted.
- Brian and Dave are local and know their customers personally. They have a laugh and 'a bit of banter' with them – and their word is obviously trusted – 'they may not always be the cheapest but you get a good job there'.
- The company now employs Brian and Dave, another full-timer and two part-timers, including Brian's wife who is company secretary and does the accounts.

History

Although very successful at first, in later years the old owner-manager had lost interest and the business and property had become a bit run down. Brian and Dave had been promised that they would run the business one day, but in the event the old owner gave them only six weeks' notice of retirement and instructed them not to tell anyone about it. This was clearly impossible – and only after much anxiety did Brian and Dave find advisers Economic Partnerships (EP) who assisted in the hard negotiation to extend the deadline and also bring in other supporters, including suppliers (with whom the continuation of credit was vital).

The biggest problem was raising enough money to buy out the business at all. They were turned away by several banks, and met with frustrating procedures by other funders, including the County Council, which kept asking for more and more information even for a small grant. One bank said it would help, only to ring the following day to retract their offer. In the end, support came from the Royal Bank of Scotland which provided a mortgage to buy the building, ICOF, a social lender interested in the employee ownership aspect of the business, and the local district council. Brian and Dave say it is vital to find a progressive funder who can see the possibilities of what you aim to do – but finding them is not easy!

Until they contacted EP, they also had difficulty finding anyone to listen to what they really wanted – other advisers wrote in the business plans what they thought the men ought to do. EP sat and listened to exactly what they wanted and wrote up a business plan which unlocked the money.

"You need someone to believe you can do it"

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Structure and governance:

Brian and Dave are still the company directors and share most management jobs. Over the time they have managed the business they have discovered their strengths and weaknesses, which are openly acknowledged and discussed.

Brian tends to look after the technical aspects (eg the computer) and Dave is more experienced on the paint side (for which they are well known – they can match almost any colour and finish on the market) – so they specialise to some degree but are still flexible when required. They work an average of 60 hours per week and both supervise the other staff who serve retail customers, order and deliver stock. Everyone works hard but there is a give and take attitude that engenders respect. They have regular meetings to discuss the business and any potential problems. Brian and Dave agree that being honest and talking things through were and are key to their success. They knew each other well before taking on the business together and they feel this was a big bonus – even though they don't get much time to socialise together now. They can and do disagree, but without bad feelings, and they retain their respect for each other.

Current activities and business strategy

Key success factors have been

- Self-belief
- Sense of humour
- Hard work for long hours
- Persevering when things are rough
- Working as a team
- Being honest and talking problems through
- Going out of your way for customers. "We are too soft and some things take too long – but our customers come back"

Brian and Dave don't have a formal written business plan now – "A business plan is something you take to the bank manager, who doesn't seem to take much note of it, then puts it away in a drawer".

However, they obviously do have plans. They have ploughed back profits into the business – especially improving the property and its image. They want to diversify their stock further (although they pointed out that, unlike in other types of business, the stock is always changing with new models of cars etc, so it does not make sense to fill space with stock that may be obsolete in six months). They concentrate on getting business and

servicing the customer and it is this aspect that they wish to drive forward. They rely on the Yellow Pages and word of mouth – but this supplies enough customers.

Member benefits

They have had the opportunity to run their own business and have a job that pays above the minimum wage. To date they have ploughed most of the money back into the business but can see that a few years hence there will be benefits to be reaped.

They can run the business as they see fit, which is satisfying after being in the position of employees knowing what needed to be done but not being allowed to do it. They entirely refitted and carpeted the shop front and office, and a new delivery van was purchased, along with computers, so that stock-taking and ordering (while slower at first) was much improved. All in all, the whole business has been slowly upgraded and brought into the 21st century.