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# Leading a listed firm

**Many leaders of listed professional firms have experienced both a partnership and listed firm culture. Neasa MacErlean explores the impact of listing on firms and their leaders.**

**B**eing a listed professional services company has one big advantage that appears to outweigh all the disadvantages: the decision-making processes have to be robust enough to withstand public scrutiny.

By contrast, the management milieu of a traditional firm of partners can be contrary and very sub-optimal. “Many partnerships are run by people who are almost unaccountable,” says the chief executive of one listed firm. “The partners probably don’t hold them to account.” So it is with great relief that he runs a listed firm today. He may be held on a short leash at times by his rather demanding investors and by the markets in general – but, at least, what he is doing is logical, sensible and right for the business overall.

So how is life different for listed firms? And what are the main hallmarks of being listed? We highlight below some of the main issues.

## 1 DECISION-MAKING

“I prefer the transparency to what goes on in private companies,” says Malcolm Paul, finance director of engineering and consultancy

company WSP. “It’s an extremely good discipline.” Share prices move in relation to what a company says about itself, as well as in response to comments from analysts and the media. “We do things more quickly and objectively,” says Andy Raynor, CEO of accountant and adviser to entrepreneurs Tenon. And Roger Siddle, chief executive of training organisation BPP, thinks that implementation can be faster in listed businesses. “Once you have made a decision you can get on and do it,” he says.

## 2 RAISING MONEY

“I would have been 150 by the time we grew the business to this level,” says Paul Jackson, chief executive of AIM listed accountancy, business recovery and tax advisory group, Vantis plc, thinking about what would have happened if he and his partners had stuck with the partnership structure. The firm’s turnover in 2008 was almost £100million, ten times the size of the predecessor firm that Jackson led just six years before. Access to finance is easier on the main market – one reason that Begbies Traynor Group might consider moving up from AIM to the Official List at some stage,

according to its executive chairman Ric Traynor. “There are quite a number of investors that invest only in the main market,” he says.

## 3 THE FINANCES

Considerable care has to be taken about putting out information into the public domain which could have an effect on the share price. The finance director is a vastly more powerful figure in listed businesses than partnerships. The FD’s domain is far bigger than the accounts, says Andy Raynor of Tenon: “The FD should be fairly significant operationally – applying the numbers to the various parts of the business.”

## 4 CASH FLOW

“Everybody looks at the way you generate or absorb cash,” says Andy Raynor, welcoming the great focus there is on cash flow – “a notorious weakness of professional firms” – for listed companies.

## 5 MEDIA ATTENTION

One major advantage of being listed is that “it gives the business a higher profile than it otherwise would have”, says Ric Traynor, executive chairman of Begbies Traynor Group

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which includes the UK's 5th largest corporate recovery firm (which competes with the Big Four accountancy practices for insolvency work). “I speak to lots of journalists, and half the time I am misquoted or taken out of context,” says Malcolm Paul cheerfully. “People write comments and you have to be big enough to handle all of that.”

### 6 RECRUITMENT

“Public companies tend to be able to recruit better than private businesses,” says Malcolm Paul of WSP. “Being listed proves that we are a sizeable, solid business moving in the right direction,” says Ric Traynor of Begbies Traynor Group.

### 7 INVESTOR RELATIONS

Andy Raynor estimates that he spends 60 days a year on this area. “It takes a lot of time but that's not a criticism. It should take a lot of time.” Roger Siddle of BPP says: “You have to highlight to investors what is important to you and what's not important.” This is a far more complicated job than it might sound. In a partnership, the investors are the partners and they understand

the business environment well.

### 8 COSTS

Being listed is expensive in both money and time terms. “The benefits are probably marginal for us,” says one professional firm with a £50million turnover. Listed businesses need to comply with a lot of regulation, and most have specialist advisers (from the law to PR) to help them do this properly. Some costs can be prohibitive: to raise money through a rights issue, for instance, would probably cost a minimum of £200,000 – and that is one reason why so few firms listed on the junior market AIM do it.

### 9 MARKETING AND RECESSION ISSUES

RWS is unique in being a listed patent translation business, a fact which “gives us an edge”, according to chairman Andrew Brode, when up against non-listed competitors, particularly in the current difficult market. Clients and potential clients can get instant access to reliable financial information about RWS and see that it is not in difficulty or about to go under, one of the major headaches that CEOs of big companies have about small suppliers at

the moment.

### 10 SHARE PRICE

Professional firms have had a difficult time, like most other listed businesses, in 2008 and so far in 2009. Share prices have been extremely volatile in the last year, some even losing 90 per cent of their value, when comparing peak to trough. Many company directors frequently make a decision not to look at their own share price, particularly at times of market volatility. Unless they are raising money by issuing shares, the share price can be of rather academic interest.

But the experience of Begbies Traynor Group whose share price has held up relatively well (and was trading at 123 pence, 60 per cent of its 12-month high as this supplement went to press) could be a lesson for other professional firms. Its share price reflects the fact that its business is 80 per cent corporate recovery and so should be doing well in a recession. The same argument applies, albeit to a lesser extent, to all professional firms. A demand exists for legal, accounting and most other professional services throughout the business cycle.