



Important lessons from a Family Owned Business

The Blandy's of Madeira

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FAMILY BUSINESS TIPS

Lessons through the ages

André Diederichs, Chief Convener of FABASA had a meeting with Michael Blandly, Chairperson of Blandy's Family Business, in the Portuguese island of Madeira.

MADEIRA

In Madeira agriculture is not restricted to isolated areas. They farm everywhere. You see many banana trees and vineyards between the houses in the city of Funchal and other towns.



POINT to PONDER

All well-established Family Owned Businesses started somewhere. Someone had the courage of conviction to start a business. Pioneers and discoverers, such as Columbus, and entrepreneurs share the same characteristics. They have the guts to explore unknown and sometimes dangerous territories.

MEET the BLANDY'S

In 1808, the twenty-four-year-old John Blandly set sail in England. He decided to seek his fortune on the island of Madeira.

He was a penniless but an eager young Englishman in search of a fortune. He started working on the accounts of a wine merchant.

John returned to England in 1810 to marry Jennet Burden. In 1811 he returned to Madeira with his brothers Thomas and George to found the family business.

The Blandy's faced many challenges over the years. Each generation had to

deal with the challenges in their era. They explored many new business ventures over the generations.



In 1811 the brothers started trading in wine. Orders for Madeira wines were surging in from the West Indies. A severe shortage of butter created another opportunity for the Blandy's.

By his death in 1855 John Blandly had established a business that traded across much of the Western world.

His son Charles expanded the wine business. He also extended the business interests and engaged in ships agency and coal-bunkering. Charles traded coal with both sides during the American Civil War.

His sometimes reckless business investments led to friction in the family. Charles divided his business

interests between eight children. Charles's sons, John and Graham explored their own new business ventures.

John bought the premises at Rua S. Fransisco. He also bought one of Madeira's grandest estates, the Quinta do Polheiro.

The Blandy' obtained a virtual monopoly of coal bunkering in 1879 and expanded it to Las Palmas. John also entered the flour-milling business and faced many challenges

John Ernest succeeded his father John in 1912. His first love was the wine industry.

The world war started in August 1914. It had a severe impact as the shippers did not want to buy the Blandy's grape pressings. Wine growers also suffered a serious shortage of sulphur for their vineyards.

The Blandy's continued to expand their business interests. They even supplied boots for the French army. In 1923 they started a bank business with unexpected success.

The following generations dealt with many business challenges. Amidst these challenges, they explored new business ventures.

Percy Graham took over his fathers' role as chairman in 1930, at the young age of twenty-five.

He had to deal with the severe impact of the Wall Street Crash. America also restricted the import of Madeiran embroideries. *(It must have been an ancestor of Donald Trump).*

In 1931 riots started against the Lisbon Portuguese government. The Great Depression and Second World War followed.

During these challenging times the Blandy's entered the hotel business. They even hosted Winston Churchill in 1950.

Percy Graham's younger brother, John Rheede, succeeded him. He managed the hotel and Madeira Wine Company.

He also negotiated the sale of Blandy's Bank. Graham hoped that his son John would join the business, but to no avail. *(Successors must not only be ABLE but also WILLING).*

His nephew Adam succeeded him. Adam's entry at age twenty-seven brought a breath of fresh air to the Blandy family business.

He faced the revolution of 1974 and the socialist approach to disown people on behalf of the State. This practice is a typical approach in African countries after colonialism.

The Blandy's feared they might lose their businesses and properties. Through development projects and joint ventures they avoided expropriations without compensation. The joint venture with Muirhead's electronics firm is an example.

Trade Unions followed the Revolution. One day Adam found himself hostage in the factory. Governor, Brigadier Azeredo saved him by sending a platoon of soldiers to assist him. They smuggled him out past a demonstration in the street outside.

The existing chairperson Michael Blandy observed: "Perhaps it was because our business was diverse and Madeira-based that we escaped nationalization."

Richard Blandy took over from Adam when tourism was growing fast. Property development was also racing along the coast. With it came increased competition in the hotel business and massive growth in new wines.

Richard was always fascinated by politics. He had a very diplomatic way to deal with tricky political situations.

Property development became a major business driver. The hotel business also expanded.

The existing chairperson, Michael Blandy took over from Richard. The Blandy's explored the motor car industry and obtained the Toyota franchise. In 1982 they also obtained the Opel franchise in Las Palmas.

They also sold the remnant of the UK franchises, including Land Rover and Jaguar. At its peak Blandy's were selling 6000 new vehicles a year in the Canaries.

Some shareholders wanted to exit and the Blandy's had to sell some property to finance the deal. Says Michael: "This is perfectly natural. It happens in family businesses who survive for several generations."

They rekindled their hotel business and entered into a partnership with Ocean. They were to be equal partners in the Porto Bay Group. Thomas Cook took a 25% stake, guaranteeing percentage occupancy.

In 2005 Thomas Cook needed cash. The Blandy's and Ocean bought back the shares.

Alongside their Madeira Wine business they are today still expanding their hotels. The creation of a new brand of hotels- *Inspira*- intend to form an oasis of quiet in the heart of big cities.



Wisdom from Michael Blandy

Michael shared advice for family-owned businesses with André as follows:

1. Each generation needs competent successors. Successors must be willing and able to take over the reins. You need a proper Succession Plan to ensure you kindle a love for the business among family members. You must also prepare successors through appropriate training and exposure. Training is not negotiable in our family business.
2. It is also vital to have a Family Charter. It must dictate the code of conduct and rules of the business. *This "Charter" is also known as a "Family Business Constitution."*
3. External board members are vital. They ensure the family does not make emotional business decisions. It also avoids tunnel vision. Outside Directors allow you to integrate important skills. They can also assist to manage a dominant person in charge of the business. *The "external board members" is also known as an "Advisory Board."*
4. In our experience it is also wise to divide the role of the Chairperson and CEO.
5. Take good care of all your staff. We empower our staff by funding education for themselves and their families. They are your extended family. The better qualified they are, the more value they can add to your business.

André added how the Blandy's illustrates a good sense of humour. The Blandy's received a fourteen-page letter of complaint about the tea at their Reid's hotel. Michael's wife Val replied wittily: *"Perhaps it's a good thing that they didn't have dinner!"*



Reid's hotel



André with Michael Blandy

