THE RISE OF THE NATIONAL HOUSEBUILDER

A History of British Housebuilders through the Twentieth Century

Thesis submitted in accordance with the requirements of the University of Liverpool for the degree of Doctor of Philosophy by Fred Wellings.

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PREFACE

The Rise of the National Housebuilder is not a history of the economics of the industry, not its architecture, nor its sociology. Instead, it remedies a major gap in the supply side analysis of the housebuilding industry. It is the first comprehensive account of the corporate history of the twentieth-century speculative housebuilding industry - the firms that 'supplied' those houses and the entrepreneurs who created those firms.

This thesis has two objectives, drawn from areas of the economic history spectrum that are rarely connected. The economic history of the twentieth-century housebuilding industry has been written with little reference to the firms that supplied the industry's output. To address this important gap, Part I of this thesis presents a supply side matrix of the housebuilding firms from the 1930s onwards, identifying all the larger housebuilders at key stages in the industry's development, and tracing the growth in concentration from the local developers of the inter-war period to the national housebuilders that dominated the industry at the end of the century. Part II uses the data to analyse the reasons for both the growth and decline of housebuilding businesses. The thesis rejects the contention that increased size is necessitated by economies of scale and scope, the former scarcely relevant and the latter largely offset by the managerial diseconomies of regional structures and dilution of entrepreneurial flair. Corporate decline is examined next and this is attributed to succession issues, lack of focus and the severity of the 1974 and 1990 recessions.

The thesis concludes with an alternative explanation for the emergence of national housebuilding organisations. If economies of scale do not necessitate the creation of large housebuilders, the driving forces must lie elsewhere. They are considered to be, in no particular order, financial, with the stock market playing a key role both in facilitating acquisitions and in demanding growth from its constituent companies. Secondly, the personal ambition that motivates some businessmen to seek growth and size for their own sake. Finally, the quality of judgement that allows some housebuilders, but not others, to avoid over-expansion ahead of a major downturn in the housing cycle; in doing so, they create a 'pool of survivors' that are able to take full advantage of the next upwards phase of the housing cycle. It is hoped that the thesis adds to the understanding of the theory of firm's behaviour, by concentrating on a peripatetic industry, which possesses no physical economies of scale, and which is peculiarly dependent on entrepreneurial flair and judgement.

The thesis has been based on extensive research on the individual housebuilders and the analysis is supported by an accompanying disk containing the individual histories of 72 firms. The compilation of a corporate history is not an isolated process and I am indebted to the 180 people, frequently founders and invariably senior directors, who granted me interviews or corresponded, and to the many librarians who helped me track down obscure corporate data. In particular, I would like to record the considerable help received from Rosemary Ackland, the librarian of Credit Lyonnais Securities who provided several hundred micro-fiche records and gave invaluable assistance in tracing companies. I am also grateful to John Bundock who generously provided me with his housebuilding interview notes from the early 1970s.

Throughout the preparation of the thesis I have received both encouragement and guidance from Professor Robert Lee. He has gently steered me down avenues that I did not know existed and his contribution to the development of the analysis has been invaluable.

Two abbreviations have been used in the text, namely:

PHA[s] *Private Housebuilding Annual[s]* Written by this author; published since 1980.
DBB *Dictionary of Business Biography.*

SUMMARY

Part I The Supply Side of the Housebuilding Industry:

The standard works on the industry make virtually no mention of the individual housebuilders and their role in the development of the housebuilding industry, for the simple reason that little was known about them. Writing in 1982, Ball described the problem: 'It is very difficult to give a broad outline of the speculative housebuilding industry as little national data on it is published...no such thing as a minimum list heading, common for virtually every other industry, exists for construction...the number of volume builders...cannot be discovered'.[1] In the same year, Merrett wrote 'A systematic treatment of speculative housebuilding would be a massive work in itself and at the time of writing no such volume has been produced'.[2] The author's own published stockbroking work since 1980,[3] has begun to address that imbalance and is increasingly being used in academic articles,[4] but it covers, at most, the last two decades.

To provide a basis for an analysis of the supply side of the industry from its emergence in a recognisable form between the wars, a matrix of the leading housebuilders has been constructed for five key periods in the industry's history, ranging from the 1930s to the end of the century. As background for this data, over 200 individual company studies were prepared: these were based on public records, unpublished archival material from the inter-war period, some 140 interviews with many of the founders and entrepreneurs that ran the companies, and a further 40 written contributions. For each period, the largest housebuilders are identified and the market share of the top ten firms is calculated. It is believed that every housebuilder that has attained an annual output of at least 1,000 units has been included, with a lower threshold for the pre-war and early post-war periods. This matrix facilitates a greater understanding of the origins of individual firms and their founders' characteristics, and allows a more systematic analysis of the economies of scale, the increase in concentration, and the emergence of national housebuilders. By the end of the century, the top ten private housebuilders accounted for over 40 per cent of the industry's volume output, compared with around six to seven per cent in the 1930s.

Part II A Rationale of Growth and Decline.

Part II examines the growth and the decline of housebuilding firms: the rationale for growth and the reasons for failure, and the extent to which this can be explained by the existing theory (or theories) of the firm. The special characteristics of the speculative housebuilder have not been recognisably captured by the academic business literature, which has concentrated more on manufacturing industry: even where the neglect of the service industries has been addressed, studies have confined themselves to fixed-base service industries, and the construction industry has received limited treatment.[5]

Economies accruing to size are invariably presented by contemporary housebuilding management as necessitating growth. This thesis finds that there are almost no economies of scale and, even if there are, planning constraints mean that housebuilders are unable to influence the size of their physical operation. There are more substantial economies of scope

[1] Michael Ball,' The Speculative Housebuilding Industry' in *The Production of the built environment* Proceedings of the Third Bartlett Summer School 1981, (London, 1982), p.31.
[2] Stephen Merrett, *Owner Occupation in Britain,* (London, 1982), p.159.
[3] *PHAs* 1980 onwards..
[4] Starting, ironically, with Michael Ball, *Housing Policy and Economic Power,* (London, 1983).
[5] See Derek F. Channon, *The Service Industries: Strategy, Structure and Financial Performance,* (London 1978).

accruing to the firm, as against the individual site, but these appear to be offset by organisational diseconomies and the dilution of entrepreneurial flair. These diseconomies are peculiarly relevant in private housebuilding where the production locations are ever-changing and where there is a strong speculative element in the acquisition of land. A statistical comparison of housebuilders for the year 2001 did not support the contention that larger firms earned superior margins.

Decline (both absolute and relative) is attributed to three overriding causes. First, the industry as a whole suffered from succession issues including those owners, usually founders, who stayed on too long, and the more numerous cases where the successor to a dominant individual was unable to replicate his entrepreneurial flair and control. Second, speculative housebuilding was seemingly unable to prosper either when management diversified, even into seemingly related areas, or when other businesses diversified into housebuilding. Finally, the housing cycles of 1974 and 1990 have been extremely efficient at culling those firms that had adopted inappropriate financial strategies.

Having rejected any operational necessity for housebuilders to become national concerns, this thesis argues that the consolidation process within the housebuilding industry has been substantially driven by a three-pronged dynamic somewhat different to that envisaged by Chandler: financial opportunity and the influence of the Stock Exchange; personal motivation; and the apparently simple concept of avoiding firm-threatening mistakes. It is financially advantageous for owners to invest surplus funds in their own business: as their product cannot be physically delivered to the purchaser, reinvestment can only be made by extending geographical coverage. The ability to float on the Stock Exchange has provided an incentive for private companies to grow to a size where they can be floated; once there, the ability to issue shares has allowed companies to finance a faster rate of growth and to make acquisitions. Furthermore, they are not allowed to stop: the pressure on quoted company managements is to produce profits growth and consolidate into more marketable entities.

Rational economic man no longer holds sway and, as in all industries, personal ambition amongst the housebuilders remains a strong motive for corporate growth. The interviews even produced the occasional honest admission of personal ambition, but the behaviour of individual business leaders provides the strongest supporting evidence. It may also be argued that success in an entrepreneurial environment can occur by default, if firms are able to grow merely because they are the ones that avoid firm-threatening mistakes. In the context of the housebuilding industry, this is the judgmental quality of entrepreneurs ahead of major cyclical downturns which enables them to withstand the acute financial pressure that ruins so many of their competitors: by default, this creates a 'pool of survivors' who are able to use the recession to buy land (or competitors) at depressed prices, thereby being best placed to benefit from the cyclical upswing.

BACKGROUND

Housebuilding is one of the largest industries in the country and one that touches us all directly. There is a substantial body of literature to interest the historian; on its role in the economy, its social history, demography, planning control, the materials and building techniques. In all this, the diligent historian has been assisted by an abundance of statistics relating to the stock of houses, annual completions, the number of households, housing condition and house prices. But nowhere do we find the history of the housebuilders themselves, the men and the firms, that gave us, for better or worse, the twentieth-century speculative housebuilding industry. Is it because the individual companies have tended to be small and often of relatively recent origin, that there have been no substantial corporate histories? Even where there are histories, as for Laing, Alfred McAlpine and Taylor Woodrow, the treatment of the housebuilding element of the business languishes besides that of the more glamorous construction side.[6] Other housebuilders have to make do with a few corporate brochures or privately circulated mini-histories. As for any work that attempts to pull the threads together and consider issues across the corporate spectrum, there are a number of books and articles covering the inter-war period but it is rare to find more than a passing mention of individual companies.[7]

The treatment of the speculative housebuilder contrasts with the world of the Victorian contractor, particularly the civil engineer: books on Abernethy, Arrol, Brassey, Brunel, Cubitt, Farbairn, Gibb, Myers; journal articles on Gooch, James Young, Joliffe & Banks and so on.[8] There are also histories of many of the major building materials companies.[9] But compared with other sectors of the construction industry there is, for housebuilders, little material available from which either historians or contemporary commentators can judge the characteristics of the successful speculative housebuilder, place them in a quantitative context, or answer such critical questions as: why they grew; why diversification failed; why there was such difficulty with succession, and why they declined. It cannot be stressed enough how limited is the documentary record of the housebuilders. Already, well-known names have come and gone with scarcely a word to remember them by. There are over 20 companies that have been, at one time or another, among the country's ten largest housebuilders: they include Broseley, Comben, Costain Homes, Ideal Homes (the largest before the war), William Leech, McLean (the largest a decade ago), and Whelmar; not to mention such well known pre-war names as G T Crouch, Davis Estates, Janes, and Metropolitan Railway Country Estates.

There have been some 130 companies listed on the Stock Exchange that have, at one point or another, been totally or predominantly housebuilders, and as background to this thesis all these companies have been researched providing the bedrock upon which the general conclusions rest. Many of the quoted firms were small, but there are 72 housebuilders that appear in the league tables compiled in Part I; these include all companies thought to have built over 500 units a year in the inter-war and early post-war periods, and, as firms became

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[6] Berry Ritchie, *The Good Builder The John Laing Story,* (London 1997); Alan Jenkins, *On Site 1921-71* (London 1971); Tony Gray, *The Road to Success Alfred McAlpine* 1935-1985, (London, 1987).

[7] For instance: Marion Bowley, *Housing and the State 1919-1944,* (London, 1945); J. L. Marshall, 'The Pattern of Housebuilding in Inter War Period in England & Wales', *Scottish Journal of Political Economy* XV, 1968, pp.184-205; Harry Richardson and Derek Aldcroft, *Building in the British Economy between the Wars,* (London, 1968).

[8] For instance: Sir Robert Purvis, *Sir William Arrol A Memoir,* (Edinburgh, 1913); Patricia Spencer-Silver, *Pugin's Builder The Life and Work of George Myer,* (Hull, 1993).

[9] For instance: A. J. Francis, *The Cement Industry 1796-1914: A History,* (Newton Abbot, 1977); Roy Christian, *Butterley Brick 200 Years in the Making,* (London, 1990); T.C. Barker, *Pilkington Brothers and the Glass Industry,* (London, 1960).

larger, over 1,000 units a year from the 1970s to the end of the century. Histories of each of those housebuilders is presented for reference on a separate computer disk together with a full list of all interviewees and correspondents.

The thesis is structured with an introductory chapter defining the industry and reviewing the literature. The body of the thesis then divides into two parts: the first describes the changing corporate structure of the housebuilding industry; the second analyses the reasons for the growth and decline of the housebuilding firms.

Introductory Chapter

In essence, this chapter defines the industry, reviews the literature and assesses the sources of information. It begins by defining the distinctive economic nature of the speculative housebuilding industry, including the development process, the wholesaling function and the capital risk. The substantial economic differences between speculative housebuilding and the physically similar construction of local authority housing are stressed. The review of the literature follows: as already indicated, there is little in the way of substantive corporate histories of individual housebuilding companies but there is a plethora of smaller and tangential works; the housebuilding industry in general has an extensive literature which serves as background to Part I, while the literature pertaining to the theory of the firm provides the background for the analysis in Part II. The final part of the Chapter outlines the sources of information for the individual companies that are at the centre of the thesis. One of the primary sources of information is the interview and particular attention is paid to the interview approach in a research context.

Part I: The Supply Side of the Private Housebuilding Industry

Part I begins with a description of the methodology used in determining which were the leading housebuilders and it contains a more detailed explanation of the sources for the housebuilders' unit volume statistics. Chapters 3 to 7 are structured chronologically beginning with the inter-war period, followed by the second war and building controls, the post-war housing boom (1955-1973), and then two periods of recession and recovery - 1973 to 1988, and 1989 to 2000. With the exception of the war, each of these periods contains one or more tables which delineate the leading housebuilders at specific points in time, ordered by the number of houses sold, in order to generate a 'league table', and to show the change in market share of the top ten companies.

The inter-war period (Chapter 3), particularly the late 1920s and the 1930s, was a period of unprecedented growth in private housebuilding which saw the emergence of the speculative housebuilding industry as it now exists. Provincial housebuilders moved to London, and by the late 1930s some London housebuilders were beginning to build outside London. However, World War Two and the post-war building controls (Chapter 4) created a 15 year period where there was practically no speculative housing and many of the pre-war housebuilders either vanished or substantially changed the balance of their business. For obvious reasons there is no table of leading housebuilders for this period, but the impact that this cessation of speculative development had on the subsequent structure of the industry was profound.

With building controls finally removed in 1954, the industry enjoyed a period of growth which lasted almost 20 years. The post-war housing boom saw the emergence of a new generation of housebuilders, a contrast with the inability or unwillingness of the pre-war housebuilders to reassert their position. The period also marked the start of the housebuilders' regional expansion. The industry's first major post-war recession started during 1973 and eliminated many housebuilders. The industry had to cope with lower demand for the rest of the decade but the emergence from recession and growth in the 1980s produced another generation of housebuilders (Chapter 6). The events outlined in Chapter 6 have their parallel in Chapter 7, the period from 1989 to 2000: the post-1989 recession was as severe as that of the early 1970s and similarly led to changes in the corporate structure of the industry, in particular allowing the increasing dominance of the national housebuilder.

For each of these time periods, market share statistics are prepared and Chapter 8 concludes with a summary of market share growth from the 1930s to the end of the century. The numbers can only be approximate but, in the 1930s, the 10 largest housebuilders had combined volumes of around 16,000 to 17,000 houses, or some six to seven per cent of the market. By the end of the century the 10 largest firms had combined volumes of 65,000 a year and accounted for over 40 per cent of the industry's output. Corporate change in the housebuilding industry through the twentieth century can be analysed for the first time.

Part II: A Rationale of Growth and Decline

Part II explores the factors underlying the consolidation process in the British speculative housing industry. Entrepreneurial flair is important in all businesses but the peripatetic nature of housebuilding production and the degree of speculation involved in acquiring land so far ahead of production made this especially important in the development of the private housebuilding industry. The opening two chapters first explain why this should be so, and second, analyse the background of the key entrepreneurs.

Chapter 11 addresses the housebuilders' arguments for growth, being in simple terms that size brings economies of scale. This chapter will argue that there is no overriding economic necessity to construct ever larger firms. If the housing site is taken as the production unit, there are minimal physical economies of scale and, in any case, the size of the site is not within the determination of the housebuilder;[10] he therefore has no control over the economies of scale. However, there are economies of scope that do accrue to the firm, and land acquisition, marketing and purchasing are addressed in detail. Against this, there are also offsetting managerial diseconomies and, perhaps even more important, a dilution of entrepreneurial flair as decision-making is diffused across a regional network.. A statistical analysis of profit margins in year 2001 provided no evidence to support the assertion that large housebuilders are inherently more profitable than small ones.

Chapters 12 and 13 explore the reasons why individual housebuilding firms have declined. The chronological periods that provided the framework for Part I are used to show what happened to each of the larger companies. The dominant individual, once responsible for growing the business, frequently plays an important role in its decline, sometimes directly through aggressive over-expansion; sometimes indirectly through failure in handling succession. Lack of focus is frequently associated with decline. Housebuilders have typically operated side by side with construction, commercial property development, and overseas housing; they have also diversified into unrelated activities and, in turn, been part of conglomerate structures. Each one of these pairings is separately analysed and found wanting. Finally, whatever the structure that has been adopted by individual firms, all have been affected by the housing cycle. The cycle typically draws investment in towards the peak and the major recessions of 1974 and 1990 led all too often to sudden death; some 40 quoted companies left the industry as a result.

Speculative housebuilding is an industry where small firms prosper side by side with large firms; there are no overwhelming barriers to entry, neither does the smaller firm have to find a market niche to compete. Even from as recently as the 1990s, the evidence is that firms starting from scratch can become at least medium-sized within a decade. If size does not necessitate housebuilders reaching a given size, what then is the rationale for their growth?

[10] It is primarily a function of the planning process.

The final chapter suggests financial incentive as one of the driving forces: the importance of a stock market quotation is stressed, for not only did it facilitate growth and acquisition, but the requirements of the institutional investor placed the quoted company on a treadmill of growth. The role of personal ambition is harder to identify: few housebuilders have actually admitted to it being a driving force but observation of business leaders raises interesting questions about rational decision making. And last, but by no means least, is that elusive quality of judgement that has enabled some housebuilders to minimise the impact of the 1974 and 1990 recessions, thereby creating a pool of survivors from which flows the next phase of expansion.

1. INTRODUCTION

What is the Speculative Housebuilding Industry

The sector of the economy under review is variously described as private housebuilding, speculative housebuilding, and estate development. It is viewed as a subset of the construction or building industry yet despite its obvious physical similarity, the economics of private housing bears no relation to the rest of construction. Indeed, it is the apparent similarity between private housing and other building work that mistakenly gave some contracting firms the belief that private housing development can be undertaken as an integral part of their mainstream contracting business; observers of the industry can make the same mistake.

The term 'speculative' that often accompanies what is otherwise known as private housebuilding is an interesting one. Its first use was attributed by Ramsey to Thomas Cubitt whom he believed was the first reputable builder to offer houses completely ready for sale. However, the term came to be used more pejoratively than as a description of an economic process, or as Ramsey put it: 'Architects and superior people generally are apt to use the word "speculative" to imply a somewhat patronising contempt'.[11] A wide range of industries supplying the retail customer are speculative in that the goods are produced and made available in advance of the consumer's decision to purchase, motor cars and the retail industry being examples, yet references to the speculative car industry or the speculative clothing industry are never made. Indeed, the opposite applies in that it is only when products are 'bespoke' that the economic nature of the transaction is appended as a prefix.

The contrast between private and public sector housing is marked. Although local authority housebuilding is now virtually non-existent, for long periods of the twentieth century it was an important, sometimes even dominant, part of the total housing programme. Local authority housing was all supplied on contract. The authorities provided the land and frequently the design specification; the contractor did no more than build the houses in accordance with the contract terms, usually at a fixed price, much as he would build a school or factory. In contrast, the private housebuilder is a developer rather than a builder. The land is purchased and much, or all, of the building work is done without the benefit of a contract with the purchaser. Indeed, the operation of the estate developer is so far removed from the contractor that, over time, an increasing proportion of the physical construction work has actually been subcontracted out, leaving the developer with little more than a supervisory role over the production process.

The most common error in the description of the economic role of private housebuilders is one of omission: their wholesaling function is almost invariably ignored and the economics of the industry therefore frequently misrepresented. Thus can be found simple assertions which assume that housebuilders do nothing except walk on to a piece of vacant land and develop it immediately for a building profit or, alternatively, hold on to the land for 'speculative' profit. Gibb, McGregor and Munro suggested only that 'Housebuilding firms have two ways of making a profit. They can make profit directly on their building activities, or indirectly through land-development profit or speculation'.[12] Similar comments were made by Smyth, while Lambert asserted that 'For companies that maintain the minimum land bank...the major source of profit will be on construction, and profits will be amassed predominantly on

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[11] Stanley C. Ramsey, 'Speculative House Building', *Journal of the Royal Institute of British Architects*, Vol. 45, April 1938, p.529.

[12] K. Gibb, A. McGregor, and M. Munro, 'Housebuilding in Recession: a Regional Case Study', *Environment and Planning A*, Vol.29, 1997, p.1745.

the volume of turnover.'[13] A final example of the failure to recognise the wholesaling and development function as an economic activity deserving of its own reward is Short, Fleming and Witt's distinction between housebuilders who derive substantial profits from increases in land prices whom they calls 'landfinders' and those that earn their profits almost entirely from construction ('the constructors').[14]

Even housebuilders who are able to acquire land and start work on the same day, in a period of total price stability, still earn far more than a construction profit. The wholesaling and development function is a vital part of the speculative housebuilder's activity. Although single plots can be found by putative house owners, they are a rarity: individuals cannot obtain single building plots in the middle of green fields, miles from the nearest utility supplies. Land is bought in bulk, planning permission is obtained, roads are constructed and services installed until individual serviced plots are available. The end purchaser might at that stage arrange for his own house to be built but none of the earlier functions can be performed on a plot by plot basis. When it comes to high-rise urban development, the wholesale function must be taken even further: the customer cannot build one flat on the sixth floor. The wholesaling function requires the exercise of a diverse range of skills and the fact that the individual plots are sold on to retail customers with the benefit of a completed house does not turn a developer into a contractor. The omission of the wholesaling function in commentary on housebuilders has, therefore, led to the loose use of the term 'speculative' as a pejorative description, implying that land is acquired solely because it is expected to appreciate in value. Some land may be bought to be held for appreciation, but the wholesaling function remains an integral and necessary part of the development process.

The contractor typically operates on low profit margins, say, two to four per cent.[15] The regular payments from the client and the delays in paying their own suppliers often means that contracting requires little capital; sometimes it is even cash positive. Returns on capital are therefore high (or infinite) and the business risk centres around building within the price quoted. The estate developer, in contrast, employs substantial capital as it purchases the land and finances the growing working capital; its operating margins are high and may be ten, 20 per cent or more. The return on capital is similar to profit margins (i.e. capital is turned over once a year). The housebuilder's risk is less related to the construction process but instead it centres on the possibility that land purchased may not obtain the desired planning permission,[16] that houses do not sell, or that house selling prices differ from those originally expected: in other words, the housebuilder is vulnerable both to specific errors of judgement on his speculative land purchases, and to the vagaries of the housebuilding cycle.[17]

High rates of inflation in house prices in the post-war era have produced periods of sustained growth and high returns for housebuilders, leading to the frequent suggestion that inflation is the prime cause of high margins: without house price inflation, it has frequently been argued that housebuilders would only earn the rates of return typically earned by contractors. This view, however, pays too little attention to the three principal reasons why housebuilders earn

[13] H. Smyth, *Land Banking, Land Availability and Planning for Private housebuilding,* SAUS Working Paper 23, University of Bristol, 1982; Christine Lambert, *New Housebuilding and the Development Industry in the Bristol Area,* SAUS Working Paper 86, University of Bristol, 1990, p.4.

[14] John R. Short, Stephen Fleming and Stephen J.G. Witt, *Housebuilding Planning And Community Action* (London, 1986), pp.58-59.

[15] Fred Wellings, *Construction Equities: Evaluation and Trading,* (Cambridge, 1994), p.159.

[16] Although much land is now bought subject to obtaining planning permission.

[17] The observations on relative profit margins are based on company accounts over the last 30 years, the period during which company turnover has been disclosed. The economics of the two industries, speculative housebuilding and contracting, are such that the margin relationship must also have existed in earlier periods.

higher profit margins even in periods of low inflation.[18] The wholesaling function is capital intensive. Even where land is bought with outline planning permission, it may take a year or two to obtain detailed consent, put in the infrastructure and build the first houses. Moreover, the land may have to be acquired in a size which is considerably larger than the optimum sales rate for that location, requiring the balance of the site to be held for a further period of years. The industry's annual sales capital ratio is currently little more than one, requiring the profit margin to broadly equate with the desired return on capital. The unmatched nature of the transaction (in that purchases are made well before sales) also dictates a risk premium.

The Literature

The literature divides naturally into that which is company specific; the general literature on housebuilding insofar as it relates to the supply side of the industry; and the literature on the theory of the firm which enables the housebuilding businesses to be set in a wider context.

The Companies

The list of company histories in the bibliography looks reasonably extensive but the reality, as far as the housebuilding sector is concerned, is more limited. There are a few histories of the larger construction companies such as John Laing, Alfred McAlpine, Tarmac (for John McLean), Taylor Woodrow and, most recently, Bovis but even though they have, over the years, derived most of their profit from housebuilding, the treatment of the specific housebuilding element of the business almost always languishes besides the more glamorous construction.[19] Nevertheless, they are useful in that they provide points of reference and are usually very helpful in detailing the origin of the firm. The recently published history of Redrow is the only substantive history of a dedicated housebuilding business.[20] Beyond that, many of the works cited are little more than corporate brochures, although Furnell's booklet on Ideal Homes or the Prowting, Wilson Connolly and Wimpey anniversary brochures are no less valuable than some of the glossier histories mentioned above.[21] Many of what might be termed corporate pamphlets or booklets are not readily available - certainly not in the mainstream reference libraries. The unpublished histories of Hilbery Chaplin and AJ Wait, for instance, were copies of the family descendants' only copies and Higgs and Hill and Ward Holdings were dug out of company archives.[22]

There are a few biographies, Coad's Laing probably being the best known while Bill Reader's biography of Bandet incorporates the history of Hunting Gate.[23] Autobiographies and reminiscences sometimes provide genuine insights into the development of the firm, as with Sir Albert Costain's *Reflections* although sometimes they reveal more of the character of the individual, as in Nigel Broakes' *A Growing Concern* (Trafalgar House) or Fred Catherwood's

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[18] This statement can be validated from the start of turnover disclosure in the early 1970s; it was undoubtedly true also in the 1960s and, although there is little hard evidence, probably also in the 1930s.

[19] Ritchie, *The Good Builder*; Gray, *The Road to Success*; Berry Ritchie, *The Story of Tarmac*, (London, 1999); Jenkins, *On Site*; Peter Cooper, *Building Relationships The History of Bovis 1885-2000*, (London, 2000).

[20] M. Burland and J. Whitehouse, *The Redrow Group*, (London, 1999).

[21] Michael Furnell, *The Diamond Jubilee of Ideal Homes*, (West Byfleet, 1989); Anon, *Prowting 75*, (Uxbridge?, 1987); Anon, *Wilson (Connnolly) Holdings Ltd the first 75 years*, (Northampton, c.1980); Valerie White, *Wimpey The First Hundred Years*, (London, 1980).

[22] Anon, *One Hundred Not Out The First Century of Hilbery Chaplin 1894-1994* (unpublished typescript, c.1994); Anon, *The AJ Wait Group,*. (unpublished typescript c.1960); Anon, 'Higgs and Hill 1874-1974', *The Crown Journal*, Centenary Issue No.178, 1974; Anon, *Work is Fun the Ward Holdings Story*, (Chatham, c.1990).

[23] Roy Coad, *Laing, The Biography of Sir John W Laing (1879-1978)*, (London, 1979); W.J. Reader, *To Have and to Hold An Account of Frederick Bandet's Life in Business*, (Hitchin, 1983).

increasingly moralistic output.[24] Other books are of tangential use: Perry's *History of Pinewood Studios* illustrates the diversity of Henry Boot's operations; Beaverbrooks's study of James Dunn describes the man behind the flotation of Ideal Homes and Taylor Woodrow; and John's *History of Alfred Booth* discusses its one-time ownership of Unit Construction.[25]

Magazines, if using literature in its wider sense, are an invaluable repository of company information and, from time to time, contain profiles on companies and individuals. Prime amongst the sources that have been regularly searched are *Housebuilder*, the journal of the Housebuilders Federation, first published in 1934 as *The National Federation of Housebuilders Monthly Report* and *Building* (previously *The Builder*) from 1955 onwards. These magazines have what might be called phases of utility. After the war *Housebuilder* contained a number of speeches and reports about 'how things used to be before the war' while, from time to time, both magazines produced mini-profiles of individual companies. As the magazines widened their coverage to include City readership a more regular reporting of corporate and financial events was introduced. The financial background has been supplemented by the *Investors Chronicle*, particularly in the period 1964 to 1971.[26]

Most elusive of all are articles and profiles appearing in newspapers, particularly provincial ones. The old McCarthy's press cutting service, which began in the 1970s, now appears lost as a source although for the period after 1980 the computer based system 'Textline'[27] was used to retrieve articles from leading papers and magazines. Some of the most useful material for regional housebuilders can be found in local papers although, with few of them indexed, finding the material relies on serendipity as much as anything.

The Industry

The body of literature on the speculative housebuilding industry concentrates almost exclusively on economic, social and political analysis: a comprehensive overview can be obtained from a handful of standard works. Marion Bowley's *Housing and the State* provides an excellent analysis of inter-war housing policy, while Richardson and Aldcroft also cover the period comprehensively.[28] Parry Lewis's work on building cycles has a narrower focus but it does range across two and a half centuries.[29] Merrett's *Owner Occupation* has the advantage of extending coverage through to the 1970s and provides an excellent economic and political framework for the private housing market.[30] Burnett covers the industry from a social perspective.[31] Mary Smith's *Guide* is more of a practitioner's handbook but it provides a comprehensive coverage of the legal, planning and finance framework for the public and private sector if specific issues need to be referenced.[32]

There is an extensive body of literature, including academic articles and papers; those considered to be the more relevant being listed in the Bibliography. For example, Ramsey's *Speculative House Building* gave a contemporary architect's view of the economics of speculative housebuilding between the wars.[33] Bowen's inter-war study contains a rejection of

[24] Sir Albert Costain, *Reflections*, (Cirencester, 1987); Fred Catherwood, *At the Cutting Edge*, (London, 1995); Nigel Broakes, *A Growing Concern*, (London, 1979).
[25] George Perry, *Movies from the Mansions A History of Pinewood Studios*, (London, 1986); Lord Beaverbrook, *Courage: The Story of Sir James Dunn* (London, 1962); A.H. John, *A Liverpool Merchant House Being the History of Alfred Booth and Company 1863-1958*, (London, 1959).
[26] This gap in the corporate records is discussed later under sources of information.
[27] Later Reuters Finsbury Data, and no longer in separate existence.
[28] Bowley, *Housing and the State*; Richardson, *Building in the British Economy*.
[29] J Parry Lewis, *Building Cycles and Britain's Growth*, (London, 1965).
[30] Merrett, *Owner Occupation in Britain*.
[31] John Burnett, *A Social History of Housing 1815-1985*, 2nd ed., (Cambridge, 1985).
[32] Mary E. H. Smith, *Guide to Housing*, Cambridge, 3rd. ed. (London, 1989).
[33] Ramsey, 'Speculative House Building', pp.529-41.

Bowley's views on the elasticity of housing demand,[34] while Dyos and Saul are particularly useful if one needs the pre-1914 period to provide additional context.[35] Sometimes narrower topics give a more detailed insight into the operations of the industry such as Carr's analysis of Bexley, Johnson on the expansion of urban housing in London between the wars and Bowley's discussion of the regional aspects of inter-war housing.[36] Similarly, MacIntosh outlines the role of finance in the inter-war boom and Eccles' work on the 'quasi firm' provides a direct link between the housebuilding industry and transactional economics.[37]

However, from the viewpoint of this thesis, the overwhelming lacuna in the literature, at least on the supply side, is that there is virtually no mention of the individual companies until the last 20 years. Indeed, one sometimes suspects that the analysis is conducted in the abstract with authors being less than fully aware of the companies and people that generate the economic activity. The heyday of speculative building in Britain was in the 1930s yet works by Marian Bowley barely do more than mention the names of some half-dozen leading housebuilders while other books cited in the opening paragraph do not manage even that. There is the occasional journal article which recognises that the houses did not appear on their own: Miles Horsey does discuss Ideal, Laing and the much smaller Thomas Blade, but the historic data are no more than brief.[38] In effect, snippets of information are gleaned here and there as some authors, not necessarily used to company analysis as a central part of their existence, select individual companies as illustrations for their more general statements. Isolated examples can be found, but nothing which even begins to provide a basis for constructing a profile of the industry's structure, or to show who were the leading housebuilders or what were their relative outputs in the period before the war or the 30 or so years after. Even Nicholas Morgan's *A History of the NHBC and Private Home Building* gives only passing references to individual housebuilders and makes no use of the NHBC's extensive corporate data. Post-1980, work by Ball does as much as any to integrate the companies into his analysis of industry trends although access to earlier volume data would have provided a deeper perspective.[39]

There are exceptions to this peremptory dismissal of the industry literature, particularly Alan Jackson's very readable *Semi-detatched London* and John Bundock's unpublished M.Phil. thesis on speculative housebuilding in the London area during the inter-war period.[40] Both provide an extensive discussion of the role of the individual housebuilder before the war although both are limited to the London area. Jackson is more concerned with how the developers contributed to the built environment, but he also explored marketing methods. In

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[34] Ian Bowen, 'Building Output and the Trade Cycle (UK 1924-38)', *Oxford Economic Papers*, 1940, Vol. 3, pp. 110-30.
[35] H.J. Dyos, 'The Speculative Builders and Developers of Victorian London', *Victorian Studies*, 1968, Vol. 11, pp.641-90; S.B. Saul, 'Housebuilding in England 1890-1914', *Economic History Review*, 2nd. Series XV, 1962-3. pp.119-37.
[36] M.C. Carr, 'The Development and Character of a Metropolitan Suburb: Bexley, Kent' in F.M.L. Thompson, [ed.] *The Rise of Suburbia*, (Leicester , 1982), pp.212-67; James H. Johnson, 'The Suburban Expansion of Housing in London 1918-1939', in J.T. Coppock, and H.C. Prince, [eds], *Greater London*, (London, 1964), pp.142-66; Marion Bowley, 'Some Regional Aspects of the Building Boom 1924-36', *Review of Economic Studies 5*, 1938, pp.172-86.
[37] R.M. MacIntosh, 'A Note on Cheap Money and the British Housing Boom, 1932-37', *Economic Journal*, Vol. 61, 1951, pp. 167-73; Robert Eccles, 'The Quasi firm in the Construction Industry' *Journal of Economic Behavior and Organization*, Dec. 1981 pp.335-57.
[38] Miles Horsey, 'London speculative housebuilders of the 1930s: official control and popular taste', *London Journal* 11 (2), 1985, pp.147-59.
[39] Michael Ball, *Rebuilding Construction: Economic Change and the British Construction Industry*, (London, 1988), pp.175-80.
[40] Alan Jackson, *Semi Detached London*, (London, 1973); J.D. Bundock, 'Speculative Housebuilding and Some Aspects of the Activities of the Suburban Housebuilder within the Greater London Outer Suburban Area 1919-1939', M. Phil. Kent, 1974.

addition, his book contains biographical material relating to most of the London housebuilders although his numerical data are based only on the number of housing estates listed in the press advertisements. Bundock's work is the only one which consistently mentions the annual outputs of individual housebuilders and his text included frequent short biographical descriptions of the London companies.

The American literature has been similarly criticised for its treatment of the housebuilding firms. Buzzelli mirrors the complaints of this thesis, arguing that the housebuilding industry had received 'little scholarly treatment' and commentators have often misinterpreted builders and their methods. Housing studies focused on demand to the neglect of supply and the housebuilders themselves 'have been understudied and misunderstood;[41] he is perhaps unfair on Grebler and Eichler (whose father founded one of the larger housebuilders).[42] Although discussing a market somewhat different to Britain, both authors provide excellent insights into the operation of the speculative developer, within an economic context and accompanied by a wide-ranging discussion of individual firms.

Sometimes, works have been based on interviews but, when conducted on any scale, the subjects are invariably not identified. Examples include Craven's thesis which contained many details about individual developers but they were all coded,[43] and Drewett's study based on 28 interviews with firms including six that built over 1,000 units a year, but without identification it is impossible to know if his sample of six large firms was typical.[44] Even more of the literature describing the modus operandi of housebuilding firms does so without even reference to anonymous companies. There have also been generalisations that would have benefited from a closer examination of the industry's corporate structure: for example, Johnson's statement that by the 1930s the suburban speculative builder was either relatively large or defunct being a case in point.[45] The last 20 years has seen a more structured use of individual house completion data and corporate analysis. The source most frequently cited for the number of houses built by individual companies has been this author's *Private Housebuilding Annual*: Ball, already mentioned, has authored several papers on the structure of the private housebuilding industry over the last two decades;[46] in the 1990s, Gillen made free use of both numbers and text from the *PHA;*[47] Alan Hooper sources units from the Annual;[48] and, most recently, Adams based his chapter on the Speculative Housebuilding Industry on contemporary issues of the *Annual.*[49]

The financial and banking background, whose vicissitudes have done so much to remove individual housebuilders from the scene, contains its own literature, the two most directly relevant works being Margaret Reid on secondary banking and the Royal Institution of

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[41] Michael Buzzelli, 'Firm size structure in North American housebuilding: persistent deconcentration 1945-98', *Environment and Planning A*, 2001, pp. 533-4.
[42] Ned Eichler, *The Merchant Builders*, (Cambridge, Mass., 1982); Leo Grebler, *Large Scale Housing and Real Estate Firms Analysis of a New Business Enterprise*, (New York, 1973).
[43] E. Craven, 'Conflict in the Land Development Process: the role of the private residential developer', PhD thesis, University of Kent, 1970.
[44] R. Drewett, 'The Developers' Decision Process', in P. Hall, H. Gracey, and R. Drewett, *The Containment of Urban England*, (London, 1977).
[45] Johnson, 'The Suburban Expansion of Housing', p.157.
[46] e.g. Michael Ball, *Housing Policy; Housing and Construction A Troubled Relationship*, (Bristol, 1996).
[47] Mike Gillen, *Changing Strategies: the 1990s Housebuilding Market*, Centre for Residential Development Working Paper 21, 1997.
[48] e.g. C. Nicol and A. Hooper, 'Contemporary Change and the Housebuilding Industry: Concentration and Standardisation in Production', *Housing Studies*, Vol.14, Jan. 1999, pp. 63-4.
[49] David Adams and Craig Watkins, *Greenfields, Brownfields & Housing Development*, (Oxford, 2002).

Chartered Surveyors' *The Property Boom 1968-73 and its collapse*.[50] A flavour of the secondary banking euphoria and collapse can also be obtained from such banking histories as Raw on Slater Walker and Gordon's history of Cedar.[51] The commercial property market offers many parallels with speculative housing Scott's *The Property Masters*, Marriott's *The Property Boom* and Hedley Smyth's *Property Companies* provide an excellent overview of that sector.[52] Equally, there are a range of building society histories that provide useful background on the inter-war financing mechanisms, in particular the builders' pool, the Borders Case and its impact on Morrell Estates - the only quoted housebuilder to suffer bankruptcy before World War Two.[53] The standard works on the movement are by Seymour Price and Cleary;[54] individual society histories are listed in the Bibliography.

The final topic worthy of mention is that of industry statistics relating to the total number of houses built. The official statistics of housing starts and completions as published in varying government publications[55] are reasonably straightforward for the post-war period and anyone interested in the definitional nuances can refer to the author's *Construction Equities*.[56] However, moving further back through the inter-war period, particularly the years immediately after World War One, the published statistics are in greater need of clarification. The most convenient source is the *Statistical Abstract for the United Kingdom* (although some of the figures for Scotland have different year ends) and the *Report of the Private Enterprise Sub-committee of the Central Housing Advisory Committee of the Ministry of Health* gives a full analysis of completions for England and Wales subdivided under each Housing Act.[57] Useful works include those by Marshal and Marion Bowley;[58] should an earlier base be wanted for comparison, this can be found in Weber and Saul.[59] Holmans' unpublished work contains the only attempt to trace house price changes back to the inter-war period.[60]

Housebuilders and the Theory of the Firm

Whereas there are finite limits to the company literature, and to a lesser extent the supply side of the housebuilding industry, this is less so for the literature on the theory of the firm. Most has some relevance, although it is necessary to avoid being drawn into every nook and cranny

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[50] Margaret Reid, *The Secondary Banking Crisis, 1973-75 Its causes and course*, (London, 1982); Royal Institution of Chartered Surveyors, *The Property Boom 1968-73 and its collapse A supplementary memorandum of evidence to the Committee to Review the Functioning of Financial Institutions*, (London, 1978).
[51] Charles Raw, *Slater Walker An Investigation of a Financial Phenomenon*, (London, 1977); Charles Gordon, *The Cedar Story The night the City was Saved*, (London, 1993).
[52] Peter Scott, *The Property Masters: a History of the British Commercial Property Sector*, (London, 1996); Oliver Marriott, *The Property Boom*, (London, 1967); Hedley Smyth, *Property Companies and the Construction Industry in Britain*, (Cambridge, 1985).
[53] See accompanying disc.
[54] E.J. Cleary, *The Building Society Movement*, (London, 1965); Seymour J. Price, *Building Societies Their Origin and History*, (London, 1958).
[55] e.g. HMSO, *Housing and Construction Statistics 1981-1991*; DTLR, *Housing Statistics 2001*.
[56] Wellings, *Construction Equities*.
[57] Central Housing Advisory Committee, *Private Enterprise Housing. Report of the Private Enterprise Sub-committee of the Central Housing Advisory Committee of the Ministry of Health*, (London, 1944), p.49.
[58] Marshall, 'The Pattern of Housebuilding in Inter War Period', pp.184-205; Marion Bowley, 'The Housing Statistics of Great Britain', *Journal of the Royal Statistical Society Series A*, Vol. CXIII ,1950, pp.397-411.
[59] B. Weber, 'A New Index of Residential Construction and Long Cycles in House Building in Great Britain 1838-1950', *Scottish Journal of Political Economy II*, 1955, pp.104-32; Saul, 'Housebuilding in England', pp. 119-37.
[60] A.E. Holmans, *House Prices: Changes through Time at National and Sub-national Level*, Government Economic Service Working Paper No. 110, 1990.

of theory and debate. The general economic histories by Jeremy and Wilson have provided a helpful framework,[61] but particular issues have been selected for mention according to their relevance to the subject and style of this thesis.

The literature of the firm contains a continuing criticism of the role of the company history or case study: within the issues of *Business History* can be found comments on the accumulation of facts without apparent aim ('the cobwebs of antiquarianism')[62] and an approach to entrepreneurial history lacking analytical penetration.[63] The criticism is sometimes based on business history's lack of intellectual underpinning and sometimes on the quality of the product. David Coleman's 'uses and abuses' lecture of 1986 blamed commissioned business history: business historians would all like to write comparative, analytical history but they are unable to do so because they cannot obtain access to the necessary business records. He argues that the only way to obtain access is to agree to write a commissioned history of a single firm,[64] an opinion readily accepted by Wilson.[65] This thesis is a contradiction of that view: it has been possible to access records and interview key entrepreneurs without compromising the integrity of the material; no restrictions were imposed on the use of archive material and all interviews were substantially on the record. There are counter-arguments to the criticism of company histories, of which Gourvish's assertion that there was no obligation on the historian of an individual business to theorise is the most stark.[66] Gourvish, in fact, appears to do more than most to pull the two approaches together, pointing out the historical precedent of Chandler, who had shown how case-studies could be incorporated into general syntheses of business development.[67]

The theory of the firm has been extensively based on manufacturing industry to the neglect of conclusions which might have been drawn from the service industries. This is true of Chandler's work; as it is also of Penrose, Prais, and Hart and Clarke, and even a general work as recent as Wilson's.[68] Conclusions drawn from manufacturing industry do not always - or, indeed, often - sit easily with the experience of the speculative housebuilding industry. More recently, attention has been drawn to the service sector, for instance in Matthews' review of the periodical literature for 1989 and by Wardley.[69] Wardley argues strongly that it is service companies and not industrial enterprises that are typical of Britain's largest modern companies and he stresses the importance of the individual businessman in determining the fate of particular companies. His closing recommendation for specific case studies is echoed in this thesis.

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[61] David J. Jeremy, *A Business History of Britain 1900-1990s*, (Oxford, 1998); John F. Wilson, *British Business History 1720-1994*, (Manchester, 1995).
[62] Derek Matthews, 'A review of the periodical literature for 1989', *Business History*, Vol. 33, April 1991, p.186.
[63] C.H. Lee, 'Corporate Behaviour in Theory and History II', *Business History*, Vol. 32, April 1990, p.176.
[64] Donald C. Coleman, 'The Uses and Abuses of Business History', *Business History*, Vol. 29, April 1987, p. 142.
[65] Wilson, *British Business History*, p.2.
[66] T. Gourvish, 'British Business and the Transition to a Corporate Economy: Entrepreneurship and Management Stucture', *Business History*, Vol. 29, April 1987, p.18.
[67] T. Gourvish, 'Business History: In defence of the Empirical Approach?', *Accounting Business and Financial History*, Vol. 5, 1995, p.18.
[68] A.D. Chandler, *The Visible Hand The Managerial Revolution in American Business*, (Cambridge Mass., 1977); Edith T. Penrose, *The Theory of the Growth of the Firm*, (London. 1959); S.J. Prais, *The evolution of Giant Firms in Britain A Study of the Growth of Concentration in Manufacturing Industry in Brita*in, (Cambridge, 1981); E. Hart, and R. Clarke, *Concentration in British Industry 1935-75*, (Cambridge,1980); Wilson, *British Business History*.
[69] Matthews, ' A Review of the Periodical Literature for 1989', pp.185-202; Peter Wardley, 'The Anatomy of Big Business: Aspects of Corporate Development in the Twentieth Century', *Business History*, Vol. 33, April 1991, pp.268-96.

One author who had earlier addressed the service industry at length is Derek Channon who described the service industries as the 'cinderella industries of academics and politicians alike.'[70] Despite the fact that the service sector was replacing manufacturing as the dominant source of employment in the developed economies it remained extraordinarily underresearched. He argued that much of business organisation theory drawn from manufacturing-based studies was scarcely meaningful within many of the service industries.[71] While that may be a harsh view, this research into the speculative housebuilding industry would be reasonably supportive of his attitude. However, having stressed the different characteristics of the service sector, Channon tends to generalise as if the individual service industries had more commonalities than differences. Channon's chapter 'The Rise of Property and Leisure' actually included construction companies, property investment companies, and leisure companies; there were no pure development companies and their peculiar characteristics were not identified.[72] In effect, the role of the speculative development industry has been ignored in the central literature of the firm.

Implicit in its very title, the questions of growth and economies of scale are central to *The Rise of the National Housebuilder.* Unfortunately, as was noted in the previous section, the theories that rely heavily on manufacturing experience are difficult to translate into the world of speculative development – for instance in the case of Chandler where they date back to the nineteenth century and are heavily US-oriented. Chandler argues that the success of the large industrial organisation was heavily dependent on three successive stages of investment, none of which find a parallel in the twentieth-century British speculative housebuilding industry.[73] The first of Chandler's three stages, an investment in production facilities large enough to exploit economies of scale has little practical relevance as housebuilders are unable to choose the size of their production facilities, i.e. the site, and this is discussed more fully in the body of the thesis. Without this first stage, the following two lose their relevance: investment in marketing and distribution can impact on the totality of a housebuilder's sales but it is not undertaken to enable sales to keep pace with the new volume of production; and the investment in management as described by Chandler is not central to the entrepreneurial core of the successful speculative housebuilder. However, the distinction that he does make between the scale of the individual location and the scope of the total business is relevant to housebuilding and will be discussed in Part II of this thesis.

Penrose's *The Theory of the Growth of the Firm*, also has its base in manufacturing; moreover, the author elected to deal with the 'managerial firm'. For many of the housebuilders in this study, the managerial firm is the exception and not the rule. Penrose argued that there is no evidence to support the proposition that 'diseconomies of size' will arise at some point in a firm's growth. That proposition was based on the assumption that the 'single-minded direction ' which is essential for success is constrained by the limited capacity of any individual. Penrose argued that this single-mindedness could be achieved by passing on an appropriate form of organisation to people who shared a common tradition and who were accustomed to the organisation,[74] but the evidence drawn from the entirely differing housebuilding industry looks to be at variance with Penrose's approach.

Prais, too, concentrates on manufacturing industry and his distinction between economies of scale that determine the size of the *firm* rather than the sizes of the *plants* owned by the firm

[70] Channon, *The Service Industries*, p.xv.
[71] Ibid., p.1.
[72] Ibid., pp.143-69.
[73] A.D. Chandler, *Scale and Scope The Dynamics of Industrial Capitalism*, (Cambridge Mass.,1990).
[74] Penrose, *The Theory of the Growth of the Firm*, p.18.

parallels Chandler's distinction between scale and scope.[75] Despite all the limitations of the manufacturing framework, Prais has questions of relevance for speculative housebuilding. He queries whether the desire for greater market power can be regarded as the dominant motive behind the rise of large multi-plant manufacturing firms (c.f. multi-site housebuilders).[76] Prais argued that the typical giant enterprise had progressively become one that owns an ever-greater multitude of plants, that the average size of its plants had tended to fall which was consistent with the view that purely plant-economies had not been the dominant element in promoting growth. Prais's references to 'plant' can easily be replaced in the housebuilding industry by 'site', and his question about the desire for greater market power is asked of the housebuilders in Part II.

The role of the entrepreneur is extensively discussed in this thesis. It is a topic that may be discussed more widely outside than inside economic theory, with CH Lee going as far as to argue that although the entrepreneur had been a familiar figure in business and economic history literature, until recently his role in economic theory had been minimal.[77] This is perhaps a harsh judgement for one can go back 40 years to find Francis Hyde pointing out that the entrepreneur did not always behave as classical economics dictates he should; Hyde pondered how the historian could check the validity of economic theory when his observations suggest that the entrepreneur 'takes decisions inconsistent with the strict premise of theoretical hypothesis'.[78] Penrose also discussed the nature of enterprise and defined differing types of entrepreneur, including those 'pushed by visions of creating a powerful industrial empire extending over a wide area.' [79] Hannah argued that Chandler had hindered the study of entrepreneurship which had become over-influenced by the Chandlerian emphasis on the manager.[80] But even when focusing on the subject, the specialist books on management still have difficulty in agreeing what makes an entrepreneur. Maude noted that 'when one meets business leaders or reads the biographies, one is struck by the dissimilarities between them'.[81]

There is, within the literature, a tendency to compartmentalise the entrepreneurs on the one hand, and the managers on the other, as if they were different classes with no common links. In this context, the Hannah quotation 'there is as much variation, if not more, within the two groups of firms – those still controlled by family and those run by salaried managers – as there is between them' is particularly valuable. [82] There is rarely any distinction in the literature (Chandler would be typical here) between the entrepreneur who operates in a managerial style (Barratt in this study) or the manager who operates in an entrepreneurial style (Mike Robinson of Wilcon).[83] One who does understand that entrepreneurship and control do not require ownership is Livesay and his expression 'dominant individual' is used in this thesis to describe the driving force in a business.[84] Chapter 13 of this thesis provides some numerical analysis of the causes of decline and failure in the leading housebuilding firms, and it would have been helpful to place this in a comparative context; however, the literature, both general and industry-specific, appears to contain only illustrative examples rather than comprehensive coverage.

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[75] Prais, *The evolution of Giant Firms in Britain*, p. 63.
[76] Ibid., p. 60.
[77] Lee, 'Corporate Behaviour', p. 27.
[78] Francis E. Hyde, 'Economic Theory and Business History A Comment on the Theory of Profit Maximisation', *Business History*, Vol. V, 1962, p.7.
[79] Penrose, *The Theory of the Growth of the Firm*, pp.39-40.
[80] Leslie Hannah, T*he Rise of the Corporate Economy*, (London, 1976), p.12.
[81] Barry Maude, *Leadership in Management*, (London, 1978), p.xi.
[82] Quoted in Peter L. Payne, 'Family Business in Britain: an Historical and Analytical Survey', in Mary B. Rose,[ed.], *Family Business*,(Aldershot, 1995), p.83.
[83] See accompanying disc.
[84] Harold C. Livesay, 'Entrepreneurial Dominance in Business Large and Small, Past and Present', *Business History Review*, Vol.63, 1989, p.4.

Entrepreneurial succession is generally, although not always, discussed in the context of the family firm and the difficulties of a son succeeding his father are well illustrated in such diverse sources as Boswell and the *Financial Times*.[85] Inheritors have less chance to develop along distinctive lines of their own, stand in the shadow of the founder and have difficulty in replicating the instinct and experience that underpinned the founder's success. There are many variations of the hypothesis that 'So many businesses built up in the first generation are lost in the third', although this is a view contradicted by Church who concluded that 'The view that...the third generation of a founding business family typically experienced failure or extinction is not now widely shared.'[86] Casson broadens the succession debate to include managerial succession showing that even managerial companies can develop their own form of dynastic succession.[87] The research for this thesis suggests that succession is hard to achieve in a successful housebuilding firm - whether from a family or a manager.

Coase's 1937 study of *The Nature of the Firm* raises theoretical issues about the nature and purpose of the firm that will only be addressed tangentially by this single-industry thesis. Coase pointed to a gap in economic theory between the assumption that resources are allocated by means of the price mechanism and the assumption that the allocation is dependent on the entrepreneur; this led on to the suggestion that the main reason to establish a firm is that there is a cost to using the price mechanism.[88] The philosophical questions posed are ones that are not easily incorporated in interviews with entrepreneurs who started life as bricklayers, carpenters or even estate agents. None would reply that they started their firm because they perceived there to be a cost to using the price mechanism. However, the cost of using the price mechanism clearly influences, if not the formation of housebuilding firms, then their structure. This can be seen clearly in the debate over integrated construction/housebuilders versus focused housebuilders: does the cost of concluding a separate contract for each construction transaction outweigh the cost of organising the construction process within the firm?

Mark Casson develops the role of information in economic organisation, and his description of the trade-off between increasing specialisation within mental work and the greater costs of communication involved is perhaps more relevant to a speculative industry than are the traditional manufacturing based theories.[89] His descriptions of how firms deal with transitory and persistent shocks; his belief in the quality of entrepreneurial judgement; his analysis of entrepreneurship and leadership from an integrated social science perspective and his description of the dynastic motive, all find close parallels within the speculative housebuilding industry. The specific nature of the decision-making process is of especial importance in an industry which has 'speculative' as half its title. The classical assumption of rational behaviour has long been challenged, with a variety of epithets coined to encapsulate more realistic descriptions of business decision-making. Herbert Simon contrasted the classical 'economic man' with 'administrative man' who 'satisfices' or seeks a course of action that is good enough.[90] Minkes has a whole chapter titled 'Are Decision-makers really rational?' in which he discusses 'bounded rationality' (bounded by the limits of human knowledge and computational powers).[91] Granvetter's contributions were 'embeddedness' and 'socialised behaviour' where behaviour is constrained by social relations and the opinions of others

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[85] Johnathan Boswell, *The rise and Decline of Small Firms*, (London, 1973); *FT Inside Track*, 14th Aug. 2001.
[86] Roy Church, 'The Family Firm in Industrial Capitalism: International Perspectives on Hypotheses and History', *Business History* Vol. 35, Oct 1993, p. 25.
[87] Mark Casson, *Enterprise and Leadership*, (Cheltenham, 2000).
[88] R.H.Coase, 'The Nature of the Firm', *Economica New Series*, Vol.4, 1937, pp.390-1.
[89] Mark Casson, *Information and Organisation: a New Perspective on the Theory of the Firm*, (Oxford, 2001) p.77.
[90] Herbert Simon, *Administrative Behaviour: a study of decision-making process in administrative organisation*, 2nd ed., (New York,1965).
[91] L. Minkes, *The Entrepreneurial Manager*, (Harmondsworth, 1987), pp.69-83.

rather than on economic stimulus.[92] Brown and Rose contains useful essays on the nature of entrepreneurship, particularly those by Casson and Corley.[93] Davies makes an important point by emphasising the role of chance in business history, an argument which is explored in the closing chapter of this thesis.[94]

Sources of Company Information

In reviewing the literature it was clear that there already exists some company-specific material but it covers only a small proportion of companies in the industry and even those can be light on hard factual content. The company information has to be gleaned from a much wider array of different sources, outlined below. In describing the history of a whole industry, there is always more that could be done and attention has been drawn to areas that would repay yet further research. One of the most important sources is the interview, but that has been considered sufficiently important to merit its own separate section. In terms of company information, there is one specific data requirement, namely the unit volumes, that allows the construction of the output matrix that underpins the whole of Part I. The sourcing of unit volumes, and the problems involved in interpreting the numbers, will be dealt with in greater detail in the discussions on Methodology in Chapter 2.

Company archives are an important resource, but by far the most sensitive and difficult to access as many of the companies are, of course, no longer in existence. It is the only source that requires permission and, for a non-commissioned history, one would not normally expect to obtain access to recent material - if any. On the basis that the pre-war period had the least information publicly available, and was likely to be the least sensitive to current management, access was requested to the archives of the larger companies that operated before the war and, if possible, to the early post-war period to see how these companies re-entered the private housing market. It was regarded as impractical and unproductive to ask for more recent access.

There was greater success in obtaining original archive material than initially expected but this has only been possible because of the personal contacts developed over a long period of years. Full access to pre- and early post-war minutes was granted for Laing, Taylor Woodrow and Wimpey. Through Persimmon, which acquired a number of old established housebuilders, the surviving records for Comben, Ideal, Leech and Metropolitan Railway Country Estates could be accessed. Unit Construction minutes were seen at the offices of (the then independent) Beazer. Henry Boot and James Miller have both conducted archive searches to provide relevant material. Costain initially offered access although it never materialised and there is some doubt as to what records have survived. British American Tobacco provided extracts from the minute books of its Dean Finance subsidiary which had floated, inter alia, Taylor Woodrow and Wimpey. There were, of course, disappointments. When records were found, they were not always of the highest historical quality; the executive who had acquired the records of Davis Estates admitted after two years that he had probably thrown them away; there was a direct refusal from Wates although, ironically, this was the company which provided Bundock with the greatest access in 1970 and he has kindly provided his file notes. Table 1.1 covers the larger private housebuilders before the war and shows the extent to which archive access has been possible:

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92 M. Granovetter, 'Economic Activity and Social Structure: The Problem of Embeddedness', *American Journal of Sociology,* Vol. 91, 1985, pp.481-510.
93 Brown, Jonathan, and Mary B. Rose, [eds.], *Entrepreneurship, Networks and Modern Business,* (Manchester, 1993).
94 P.N. Davies, 'Business Success and the Role of Chance: the Extraordinary Phillips Brothers' *Business History,* Vol.23 No.2 July 1981, pp.208-32.

Table 1.1 : Pre-war Housebuilders; Archival Access

Company	Extant	Archive assessment
Henry Boot	Yes	Minute books searched by retired family member
Comben & Wakeling	No	Minute books at Persimmon – full access
Costain	Yes	Homes sold but not with archive. Failed to gain access
GT Crouch	No	No trace - company failed
Dares Estates	No	No trace - company failed
Davis Estates	No	Records destroyed
Ideal Homes	No	Minute books at Persimmon – full access
Janes	No	Acquired by Barratt - no access
Laing	Yes	Full access to pre- and early post-war minutes
William Leech	No	Minute books retained - little content
Mactaggart & Mickel	Yes	Published history
Miller	Yes	Pre-war material provided by company
Morrell Estates	No	No trace - company failed
N Moss	No	No trace - company failed. No records survive except mortgage file at Companies House
TF Nash	No	Companies House records destroyed
Taylor Woodrow	Yes	Full access to pre- and early post-war minutes
RT Warren	No	No trace - company sold
Wates	Yes	No access but Bundock given access in 1970
Wimpey	Yes	Full access to pre- and early post-war minutes

The content of what was available varied considerably. Companies like Ideal, Laing, Taylor Woodrow and Wimpey had extensive minute books, often containing strategic discussions. Most illuminating of all was Godfrey Mitchell's annual address to the Management Board, several closely typed pages of observations on the Company, the industry and life in general. At the other end of the spectrum, Leech had nothing of value. On a wider front, many companies (or founding families) have what might be called a 'history file' which contains the occasional relevant item – perhaps some unpublished notes on the company's formation, an article which appeared in the local newspaper, extracts from a house magazine or even a specially assembled fact sheet. Gradually this material is emerging although it can sometimes require considerable effort and ingenuity to secure it.

Some 33 of the largest regional libraries were written to, with a general enquiry as to what company material might be available. Local London libraries were also approached to try to trace what happened to some of the pre-war housebuilders. The librarians were invariably helpful in principle, but the result was disappointing as few appear to have had filing or indexing systems that readily accessed the information. Some of the information produced turned out to be on local companies that were too small to be of interest and sometimes ephemera. Occasionally, relevant information did materialise: Luton Library has an unpublished memoire of Herbert Janes; Blackburn produced press cuttings on Derek Barnes, founder of Northern Developments; Wakefield had press cuttings on Fell Construction. The London Borough libraries offered little more. Bromley library had a one page history on Morrell Estates and Harrow an invaluable 1933 booklet on T F Nash. In contrast, the Epsom and Sutton local history department had no idea what happened to the dominant local builder (Berg) despite the librarian living in a Berg house. There may be more information available within the national and local newspapers but, without indexes, the task of collecting it would be Herculean and probably with little additional benefit. The *Glasgow Herald*, for instance, is indexed but it produced virtually nothing on John Lawrence, the city's leading builder. *The Times* has an index back through the last century although it would only be of value for quoted company results; the *Financial Times* is only indexed back to 1980.

There are the official documents issued on company flotation; approximately 130 companies which have been quoted have been either wholly housebuilders, or where housebuilding has been a significant part of their business. A handful of these housebuilders have been 'reversed' into unrelated companies e.g. Hallmark Homes into the New Bulawayo Syndicate making the original prospectus irrelevant; there are others, typically construction companies, which diversified into housebuilding subsequent to flotation, e.g. Tilbury. That still leaves over 100 prospectuses of relevance, and copies of all these are held by the author. These documents contain key dates, names and an increasing amount of company history as legislation and City practice required ever more disclosure. In addition there are a number of public acquisition documents that can be particularly useful when unquoted companies are bought. Following on from the prospectuses come the company accounts, a massive, and potentially daunting, repository of information. Including unquoted companies, subsidiaries of larger concerns, and a few false trails, some 380 companies have been searched over time periods that, at the extreme, extend back to World War One.

There is no convenient way in which company accounts can be systematically searched across the time period covered. All listed companies were required to deposit a copy of their accounts with the Stock Exchange; these holdings were transferred to the Guildhall Library, but the accounts covered only the period up to 1964 and subsequent years have vanished without trace. Since the early 1970s it has been obligatory for all companies to file their accounts at Companies House, where each company is allocated a unique number.[95] Not only are the accounts of quoted companies filed, but also accounts from the subsidiaries of quoted companies and from private companies. Naturally, the quoted companies contain the annual statements relating to the business of the year; private companies occasionally do the same but normally contain accounting information only.

There is a major gap in the public holding of quoted company accounts between the end of the old Stock Exchange Library series (c.1964) and the first filings at Companies House (early 1970s). Companies still extant will have master copies but for companies that have gone out of business there is no alternative source. There are some libraries (including the British Library) that have holdings of company accounts but they are far from comprehensive. The gap can be covered in a limited way by reference to the *Investors Chronicle* which briefly reviews the latest accounts of quoted companies in each issue. Private company accounts cannot be obtained prior to their first filings at Companies House in the early 1970s. However, even in those years prior to the filing of annual accounts, there will be a general fiche for all companies, private or public, which provides names of company directors, dates of appointment, and share capital changes. They may also provide details of acquisitions. These provide limited reference points but the information is not always as comprehensive as might be expected nor is it always easy to follow.

Interviews

Interviews are an integral part of business research and have been a substantial, indeed indispensable, source for this thesis. From a methodological perspective, Bornat has stressed the importance of the familiarisation process within the context of the interviewee's life and occupation.[96] The difference between a 'cold' interview and one where some form of relationship exists is, indeed, considerable, a point made by Redding in his study of the retail trade: 'I had the advantage of having been a supermarket manager for two years and of being associated with the industry for 10 years previously, and this usually allowed for the striking

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[95] A requirement of the Companies Act 1967.

[96] Joanna Bornat, 'A Second Take: Revisiting Interviews with a Different Purpose', *Oral History*, Spring 2003, Vol. 31, No.1, p.50.

of quick rapport with the manager.'[97] This author's 'familiarisation' was considerably assisted by having interviewed senior housebuilding management since the 1960s: a handful in that decade, an increasing number in the 1970s, and from the publication of the first *PHA* in 1980 the contacts with company management have been extensive, ranging more than 100 companies. Additionally, formal or informal corporate advice has been provided to a number of the housebuilders and, between 1994 and 2003, I was also a non-executive director of the Berkeley Group. All of this, combined with the authorship of the *PHA* has provided an unrivalled entrée to management at the highest level: unusually for the academic/business interview process, I was well-known to many of the interviewees and familiarisation was a two-way phenomenon.

It is surprising how simplistically the interview process is treated in the literature of the firm, yet how much importance is then attached to the result. For the most part, the literature treats the comments of the interviewees as non-attributable which diminishes their utility. When questionnaires are used, the questions tend to be formulaic, apparently designed more for their ability to be processed in an appropriate statistical manner than to elicit meaningful information. A typical example would be Norris's *Small Building Firms: their origins*- 269 companies (presumably completely unknown to the author) making up the study sample were sent a questionnaire; of these, 123 were returned and of these 112 were usable, and so on.[98] Some authors were aware of the limitations of the questionnaire but carried on regardless: 'as it was apparent that the managers concerned would tend to be extremely busy the questionnaire was designed to be completed in only a few minutes.'[99]

For this thesis, a total of 79 people have been directly interviewed, some more than once, and often for up to two hours; a further 60 people were interviewed over the telephone. Although not part of the formal process, literally thousands of meetings have been held with housebuilding executives over the preceding decades in which strategy has been discussed and ideas have been exchanged. A documentary record of these earlier interviews has not always survived but their content has permeated the memory bank and helped to create the conditions for the more focused interviews utilised in this thesis. For many of the direct interviews, and for every single one of the telephone interviews, they were preceded by the submission of a draft history of the company together with a copy of an article written for *Construction History News* explaining the project.[100] The submission of a draft history made it clear to the interviewee what was already known and, obviously, what mistakes or omissions there were. The accompanying letter usually mentioned particular points that needed to be explored further. In this way, although the telephone interviews were relatively short, they became extremely focused. Even the occasional refusal to discuss matters long passed still produced the odd nugget of information.

The process of submitting drafts (and frequently second drafts) also led to extensive written responses both from those interviewed, and from others where an interview had either not been requested or not been granted. Some of the responses were no more than minor factual corrections or clarifications; others were extensive and proved invaluable additional sources of information. In all, over 100 written responses were obtained of which some 40 were additional to those who had been interviewed. For the larger companies, a direct interview was always sought. Some 63 firms have built over 1,000 units a year at some point in the twentieth century; for almost all of these there have been one or more interviews. In only six instances was it not possible to arrange an interview, four of which were for companies long

[97] S.G. Redding, *The working Class Manager Beliefs and Behaviour,* (Farnborough, 1979), p.9.
[98] K Norris, *Small Building Firms: their origins characteristics and development needs,* Chartered Institute of Building Occasional Paper No 32, (London, 1984).
[99] David George Clark, *The Industrial Manager His Background and career pattern,* (London, 1966), p.17.
[100] The newsletter of The Construction History Society, July 1999.

since departed; for the top 30 companies (those building 2,000 or more houses a year), only one has not been interviewed.

The level of contact at the larger companies was at a high level. Managing directors or chairmen were interviewed at some 25 of the top 30; in around half of these companies, the founder or a family member was interviewed. Sometimes those companies that did not wish to co-operate themselves were accessible in other ways. Thus, Lawrie Barratt does not give interviews but access was available to one ex-MD, one ex-deputy chairman, one ex-company secretary - and to others who had worked in the Company. Wates was another disappointment in view of its long-standing position in the industry but, again, several ex-directors were known. Of the 63 companies that have built over 1,000 units, over 40 were already personally known before the start of this thesis, all but four of the largest 25 housebuilders had been regularly interviewed prior to the commencement of this thesis.

Confidentiality is of crucial importance in the interview process. Because of the personal contact with many of the industry leaders over the years, they are aware that confidences have never been abused and that any material written on their company has always been, whether they have agreed with it or not, objective. This has been of enormous value in gaining access both to individuals and to archive material in a way that may not have been possible for a stranger. Regrettably, the stories of alcoholism, mental breakdown, fraud and negligence which often critically influenced the direction of a company, only emerged when the tape recorder was switched off and, although remembered, will have to remain untold.

The level of contact with the smaller, and often long departed, companies was often far removed from that of the larger concerns and required a different approach. The history has been traced, however briefly, of all those quoted companies that had been regarded as housebuilders at some point in their corporate history - all 130 of them. Many of the companies had failed or been taken over in the 1974 recession and its aftermath; some had vanished even before then. Thus, many of those in senior positions were no longer in the ranks of the active working: the search was for retired people, some of whom were not necessarily overjoyed when asked to cast their minds back to what had often been the failure of their business. Sometimes contacts still in the industry were able to point to the appropriate person. After that, the last recorded address on the Companies House file could be tried; individuals might still be on the list of directorships at Companies House by virtue of, say, a small family firm. If they were not ex-directory, then the last known address could be checked against the telephone directory, now usefully found on the Internet. At that point, an explanatory letter would be sent, with the appropriate draft history. Not infrequently there was no response: death, change of address, illness and genuine indifference all being contributory factors. However, more than half of the letters did produce a positive response and these were then followed up with a telephone call.

It is common for a research programme to have structured interviews in that the same questions are asked of each person. The interviews in this thesis have been far from structured in the formal sense of a standard approach with set questions; the starting point for each interview was rarely the same. When interviewees have been known personally for 20 or 30 years, the requirement was more to close knowledge gaps and explore selected strategic issues. In contrast, for companies that have never been quoted, the need might be to elicit the most basic information about the firm's history. Practical considerations have more of an influence on the form of an interview than is generally admitted. An 85-year old is not interviewed in the same way as a 45-year old; interviews in the home are different than in the office; and invitations to lunch, pleasurable though they might be, were always the most difficult interviews to structure. Telephone interviews required a more flexible technique, particularly when the return call came some weeks after the initial approach. Most of the formal interviews were tape recorded, as were some of the telephone calls; permission was rarely refused although from time to time one sensed that it would be regarded as inappropriate.

The validation of the interview content is a well-recognised problem. From the outset, one is contending with memory and Dunaway's comment was pithy: 'some subjects can't recall certain events; some do not wish to; some do not even pretend to try.'[101] Possessing a chronology of the individual company helped to provide a framework and factual inconsistencies could often be explored during the interview or checked later by both parties. Differences in interpretation present a greater test and it is inevitable that the interviewee's version of events will have a greater influence on the researcher than non-interviewees' - an oral history version of 'to the victor belong the spoils.' Amidst all the standard ways of checking facts and opinions (against published information, other interviewees, internal consistency) knowledge of the person, the subject and common sense were the best weapons. It may be assumed that the more distant the event, the less reliable will be the recall. While that may be true of factual matters, it was found that distance lent honesty to judgement on strategic decisions. For instance, those who took their companies public tended to give entirely different reasons for floating than they had done originally; or, retired chief executives of national housebuilders appeared less convinced of the merits of size than those currently promulgating takeovers. All quotations were later checked with the interviewees as a matter of courtesy and although that led to many modifications of previously expressed views, there was only one occasion on which the interviewee requested that his remarks be non-attributable.

The disparity of approach between the various interviews should not be taken as an indication of a random process. The underlying objective in all the interviews was either to obtain from scratch or to complement what is already available, sufficient information to prepare a short corporate biography of the company. For those companies that were already well known, the objective became the documentation and verification of existing hypotheses. For all companies there was a need to obtain as much detail as possible on housing volumes (if not already known) to satisfy the primary objective of establishing a matrix of housing volumes over time. That apart, much of the time was spent in exploring the origins and background of the founder or dominant individual - education, trade etc; and the operational strategies of the business. Where the opportunities presented themselves, the interview also sought to record views on the success or failure of the business.

This introductory chapter has sought to define the nature of speculative housing, stressing the clear economic difference from the local authority contract housing that appeared physically similar, because the failure to distinguish between these two aspects of the housing industry can blur the analysis of both those who operate and those who comment. The economic importance of the development function is emphasised. The review of the literature has covered the company and industry sources that underpin the supply side analysis of the speculative housing industry contained in Part I of this thesis and introduced key ideas to be developed in Part II. The sources of company output data are adumbrated, the last of which, the interview, is given more detailed treatment in view of its importance.

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[101] David Dunaway, 'Method and Theory in the Oral Biography', *Oral History*, Autumn 1992, p.42.

PART I: THE SUPPLY SIDE OF THE HOUSEBUILDING INDUSTRY

Summary

It was stated in the opening Summary to this thesis that the standard works on the industry scarcely mention the individual housebuilders and, hence, their influence on the development of the housebuilding industry. According to Ball and Merrett: 'It is very difficult to give a broad outline of the speculative housebuilding industry as little national data on it is published ... the number of volume builders... cannot be discovered' and 'A systematic treatment of speculative housebuilding would be a massive work in itself and at the time of writing no such volume has been produced '.[1]

Part I of this thesis addresses that deficiency. It provides, for the first time, a comprehensive matrix of the firms that built the nation's houses, from the inter-war period through to the end of the twentieth century. In a succession of time periods, it provides quantitative data for the output of the leading firms, including sales volumes for every housebuilder that attained an annual output of 1,000 units. In an industry which has been in long-term volume decline, the data capture the growth in both the absolute output and market share of the top ten housebuilders; the extent to which the composition of that top ten has changed over time; and the transition from what were almost entirely local firms before the war through to today's national firms.

The introductory chapter (2) addresses the methodology and sources of company data. The succeeding five chapters (3-7) provide a chronological framework for the supply side analysis. With the exception of Chapter 4, 'War and Building Controls', these chronological chapters are constructed in a broadly similar format: an outline of the housing market within which the companies operated; the tabular analysis of the firms that built the houses with an introductory comment on the individual housebuilders; an analysis of market share; and a discussion of the progression from local to national housebuilder. The issues relating to the growth and decline of firms are left, as far as possible, to Part II of the thesis but, in addition to describing the geographical expansion of the leading firms, Part I does introduce the complex relationship between speculative housebuilding, public sector housing and general construction. Part I concludes with a summary of the change in market share through the century, including a comparison with the more recent market share statistics from the NHBC, and a brief reference to overseas markets, especially the U.S.

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[1] Ball, 'The Speculative Housebuilding Industry', p.31; Merrett, *Owner Occupation in Britain,* p.159.

2. Methodology, Sources and Definitions

Introduction

The first half of this chapter discusses alternative measures for classifying housebuilders. Accounting measures are considered but rejected as not being available for the whole of the period under review and being subject to considerable interpretational difficulties. Unit volumes are preferred as having a greater degree of consistency and for their comparability with industry statistics; they are also the measure used in all other analyses of the housebuilding industry. However, even though unit volumes are being taken as the preferred measure, they are not without their own pitfalls and the lack of homogeneity and the overlap with social housing are discussed. The second half of the chapter outlines the specific sources used to obtain unit volumes.

On the Preparation of Lists

The categorisation of companies, like all lists, has its own fascination but as raw material for business theory it provides the necessary data for the study of industrial (and commercial) concentration and the rise and fall in corporate leadership. Chandler has been credited with stimulating the compilation of lists of large firms, ranked by varying measures of capital and labour, but it is hard to believe that the interest in classification would not have arisen spontaneously.[2] The choice of measure varies. Wardley argued that employment measures tend to be chosen for simplicity and convenience with business historians regarding them as being more intuitive and easier to find; the choice of a labour measure rather than capital was not made because of data availability, but 'because it is viewed as a less demanding concept from a theoretical perspective.'[3] In their search for the 'correct' universal measure of size, no-one seemed to make the obvious point that the substantial capital and operational differences between industries means that there can be no such thing as a definitive measure of size that encompasses a national economy. Neither was the search for the unattainable helped by an unfortunate lack of 'feel' for the accounting concepts being used.

This thesis is concerned with the preparation of data on a single industry, rather than a national, ranking list. The comparability problems are therefore less acute than with national lists; nevertheless, in establishing a matrix of housebuilders covering a range of time periods, some of the comparability issues experienced in the national lists do occur and will be addressed in more detail. Fortunately, individual industries have one important advantage over the national lists in that they have an option to use a physical measure of output that is reasonably homogeneous - tons of coal, cement or steel, numbers of cars, barrels of oil and, in this thesis, the number of houses.

The analysis of corporate size, industry concentration and changes in both, requires data that can be measured and compared, with reasonable consistency both across time and between companies. For all its drawbacks, these requirements lead inexorably to the use of a physical measure of output over time as the preferred measure of comparison for housebuilders: that measure being the number of houses sold or built.[4] The house (or flat) is a distinct physical entity remaining, if not exactly constant over time then, at the least, readily recognisable as

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[2] Martin Chick, 'British Business History: a review of the periodical literature for 1991', *Business History*, Vol. 35, Jan. 1993, pp.1-16.

[3] Peter Wardley, 'On the Ranking of Firms: a Response to Jeremy and Farnie', *Business History* Vol. 43, July 2001, p.131.

[4] As output also includes flats, the expression 'units' is often used, but when a company's output of houses is mentioned, it can be taken to include flats as well, unless the context clearly suggests otherwise.

the same product in any period under review. The use of a unit measure is also how the industry statistics are produced, which facilitates the calculation of concentration ratios; and the approach has a parallel with other sectors of the economy (as instanced above) where it is also normal to use a physical count of output. A similar discussion of measurement alternatives for housebuilding by Short briefly reviewed financial and employment measures before concluding that despite its drawbacks 'the most suitable and illuminating categorisation of housebuilders is by number of annual completions'.[5] More recently, in their review of the literature, Nicol and Harper also pointed to the difficulty of classification of housebuilders by anything other than unit volumes.[6]

Nevertheless, the choice of the number of houses sold as the preferred unit of measure is not without its own difficulties of interpretation. Before addressing these, alternative measures of size, primarily derived from company accounts, are also examined and the reasons for rejecting them as the prime measure are explained. Chapter 2 concludes with a description and discussion of the principal data sources.

The Unit of Measurement

Accounting Measures

The value of output, or company turnover, has the theoretical advantage that it gives the appropriate weighting to both large and small houses, differences in quality, and differences in location; it represents the totality of the business output. There are, however, considerable problems in obtaining consistent data over time. Pre-war financial information is only rarely available; only eight housebuilders were quoted in that period, most of them from the mid-1930s. Private company accounts have rarely survived. When accounts are accessible, they did not disclose turnover; indeed, company turnover was only required by the 1967 Companies Act and, in practice, it is only available from the early 1970s. For quoted companies, profits are available over the whole of the period but they are an unreliable indicator of a company's size, particularly before the 1948 Companies Act introduced consolidated accounts. Clearly, a large quantum of profit indicates a large company (although not how large); a low profit may only indicate poor returns, and a loss gives little indication of the size of the business. For private companies, or subsidiaries of larger groups, accounts data are, again, only available after the implementation of the Companies Act 1967.

It should not be assumed that even where turnover is available, that it relates solely to speculative housebuilding; it is not necessarily the only activity within the company. Frequently it is found in conjunction with construction which has the opposite financial characteristics to speculative housebuilding: construction is low margin, high sales to capital whereas private housing is high margin, low sales to capital. Thus, for a given level of profit, or a given number of employees, there will be a far higher construction turnover content than private housing turnover. Another typical mix of business is speculative housing with commercial property development.

The last 20 or so years have seen an increasing amount of disaggregated information in quoted company accounts and, to a lesser extent, by unquoted companies. Many companies, of course, are just speculative housebuilders so no disaggregation problem exists, but even where turnover and profit do ostensibly relate solely to private housing, financial data may include undisclosed land sales, occasionally part exchange turnover,[7] and related property transactions (e.g. the ground floor of a block of flats may be retail premises). In short, prior

[5] Short, *Housebuilding Planning and Community Action*, p.279.
[6] Nicol, 'Contemporary Change and the Housebuilding Industry', p.59.
[7] Unlike car dealers, the sale of stock taken in part exchange is normally excluded from turnover, although included in profit.

to the 1970s, it is almost impossible to obtain turnover and, for private companies, any financial information.

Value based accounting measures are rejected for the reasons above. They also suffer from the presentational difficulty that they encompass inflation so large that the comparisons over time are hard to grasp at first reading, necessitating frequent mental adjustments that cut across the flow of the narrative. A typical house price in the 1930s was around £600-£700 but the national average house price was more than one hundred times that by the end of the century. Taking company profits as another value-based comparison, the highest recorded is the £345,000 pre-tax profit earned by Ideal Homes in 1933. In fact, most of the larger housebuilders in the inter-war period only earned profits of the order of £100,000: by the end of the century many large housebuilders were making annual profits in excess of £100m.

Although price deflators can be used, they are not without their own interpretational problems. There is no price series (as opposed to cost index) that extends back before the war and Fleming and Nellis, who established the modern indices used by the Nationwide and Halifax, commented 'With regard to the measurement of changes over time, none of the data available can be regarded as providing a true price index.'[8] If the objective of using value statistics deflated by a price index is to produce a proxy for volume, it appears unlikely to be any more accurate than the number of houses built. For reference, appendix B contains a table of house prices from 1952 (the earliest available on a consistent basis) showing the hypothetical turnover each year for a housebuilder selling 1,000 houses a year, together with some approximate comparisons with house prices in the 1930s.

The Introduction referred to the use of employment statistics as a measure of size. Many of the comments already made about turnover can be applied here - only post-1970 disclosure in accounts, and disaggregation problems, where disclosure practice is even less forthcoming than for turnover. There have also been substantial changes in the ratio between labour and output over time, not just because of increased productivity but because of the switch from the direct employment of all the trades to indirect employment via subcontractors. It is suggested, therefore, that for all its weaknesses (and there are many), the number of units still provides the most readily appreciated measure for comparison between companies, over time and for calculating market share. Nevertheless, for all that unit completions of houses are the preferred measure, they still need to be interpreted with care. Two particular problems are discussed below: the homogeneity of the volume statistics, and the inclusion of social housing.

Houses are not Homogeneous

The crude measure of the number of houses is not perfectly homogeneous; certainly less than, say, tons of coal or steel. Like cars, which are also analysed by reference to physical measures, some housing units are small, some large, and some better equipped; the quantity of the internal fittings has improved significantly over time – fitted kitchens, bathrooms and central heating. Unlike the motoring analogy, there can also be a significant difference in the selling price (although not necessarily the product) according to its location. However, in practice, the difference in product mix between companies, particularly the larger ones, is not excessive. Table 2.1 shows the top ten housebuilders in 1999 with their average selling prices and the striking feature is just how close together are the first eight. Bryant and David Wilson concentrate on the larger detached houses giving them selling prices around 35 per cent higher than the average but these are still of the same order of magnitude. It is only when looking at some of the smaller London developers that the unit volumes seriously understate their relative position in the industry. There is no reason to suppose that the dispersion of selling prices shown for the top ten in Table 2.1 is atypical. The earliest year for which

[8] M.C Fleming, and J.G. Nellis, 'The Interpretation of house price statistics for the United Kingdom', *Environment and Planning A*, Vol. 13, 1981, pp.1109-24.

average selling prices can be calculated for the top ten is 1979: in that year, Barratt's selling price was, like Bryant and David Wilson in 1999, 35 per cent different from the top ten average, although in Barratt's case its concentration on first time buyers meant that it was below the average. No other housebuilder differed by more than 16 per cent.

Table 2.1: Top ten housebuilders; Average Selling Prices, 1999*

Company	Units	Turnover £m	Average Price £'000
Wimpey	12365	1160	93.8
Barratt	9556	932	97.5
Beazer	7509	702	93.5
Persimmon	7101	696	98.0
Bellway	5172	504	97.4
Wilcon	4700	469	99.8
Westbury	4293	417	97.1
Alf. McAlpine	4013	413	102.9
Bryant	3904	528	135.2
David Wilson	3623	506	139.7
Total	**62236**	**6327**	**101.7**

*UK housing divisions only. The average selling prices are theoretical, to the extent that the turnover is divided by the number of houses; however, turnover may include other receipts such as land sales.
Source: Figures derived from the Appendix of the *PHA 2000.*

Social housing is included in the more recent unit numbers

Since the virtual demise of local authority contract housebuilding in the 1980s, 'social' or 'partnership' housing has been undertaken almost entirely by housing associations. Although old-style local authority housing and modern partnership housing both serve public sector tenants, from the supplier's side they are quite different economic entities. Local authority housing was always a contracting operation; it bore no economic relationship to the development process and numbers have been excluded from the private housebuilding figures wherever possible. In contrast, the modern housing associations often operate in 'partnership' with private housebuilders; the two parties are normally interlinked in their economic relationship but the extent of the partnership can vary considerably. It may be that the housebuilder finds and owns the land and takes the development proposition to the housing association; in that respect, it is acting more as a speculative developer than a contractor. Or, it may be providing social housing as an integral part of the development under the requirements of the planning permission. Further along the economic spectrum, the developer (e.g. Countryside Properties in the early 1990s) may be providing design and build packages to a housing association to keep staff occupied during a private housing downturn; in that respect, it is acting more as a contractor than a speculative developer.

No clear dividing line can be drawn, either between companies or over time, and it has been found most practical to include this partnership housing output in any unit figures quoted for companies over the last two decades (in any case, outside of the larger companies, this figure tends not to be disclosed and, therefore, could not be excluded). It follows that the inclusion of social housing will slightly distort market share statistics when company output is compared with national statistics for private housing. However, as can be seen from Table 2.2, the average for the top ten is only eight per cent and, of those with the largest percentage, McAlpine subsequently closed its social housing division in 2000 and Beazer's was sold in 2001 following its acquisition by Persimmon.[9]

[9] An added complication in calculating market share is that the industry statistics for private housebuilding also include some social housing, where the ultimate purchaser was not known at the

Table 2.2: Top ten housebuilders; proportion of social housing, 1999

Company	Total Units	Social Units	Social %
Wimpey	12365	672	5.4
Barratt	9556	562	5.9
Beazer	7509	1180	15.7
Persimmon	7101	401	5.6
Bellway	5172	452	8.7
Wilcon	4700	317	6.7
Westbury	4293	80	1.9
Alf. McAlpine	4013	835	20.8
Bryant	3904	460	11.8
David Wilson	3623	350	10.7
Total	**62236**	**5309**	**8.5**

Source: Appendix of the *PHA 2000*.

The Principal Sources of Unit Data and Associated Problems

Company sources in general have already been discussed in the Introduction: the following discussion refers specifically to the derivation of unit volumes and is sufficiently important to be treated separately as part of the methodology. As the research moves back in time, away from a period where there has been systematic disclosure of volume information by the larger companies, or annual research enquiries by the author, then the quality of the source information becomes more irregular and spasmodic. Data have to be used with care and, for the pre-war and early post-war periods, unit numbers have been used to indicate broad orders of magnitude; they should be taken as no more than that.

(1) Private Housebuilding Annual

First published by this author in 1980, the *Annual* has been described as 'required reading and reference material for anybody who purports to take a professional interest in the housebuilding industry, the market, its structure, company details, the lot.'[10] The *Annual* provides volume and financial statistics for the larger companies, starting with the top ten for 1979 and gradually expanding to a list of over 50 companies by the late 1980s and around 80 companies by the early 1990s. The *Annual* includes not only the published data, but also unit numbers provided by private companies specifically for use within the publication. A handful of the company numbers is estimated, using either a combination of unofficial sources and published turnover. It is difficult to prove a negative, but is unlikely that any housebuilder currently building over 500 units a year is missing from the list.

In total, the volume figures for some 140 of the larger companies that have operated over the last 20 years are on file, with perhaps a few gaps in the earlier years relating to companies that were then modest in size. Nearly all the companies have individually provided or verified the data each year of publication. Much of the research work for this thesis has involved extending that unit data from 1980 backward in time to the 1930s, drawing on the sources listed below.

(2) Archives

For John Laing, Taylor Woodrow and Wimpey there were several years when each board meeting sealed the legal transfer of every house and those numbers can be totalled. Not all housing transactions are completed, however, and where the John Laing minutes gave a run of annual figures for sales, they did not fully agree with the individual totals. In some cases -

time the units were recorded; the distortion is less for completions than for starts.

[10] *Housebuilder*, Sep. 2002, pp.6-7.

Henry Boot and Miller Group - the archives were searched on the author's behalf. However, not all records survived and not all minute books recorded the optimum detail.

(3) Prospectuses

Most flotations were post-1960 and the amount of detail provided has gradually increased over time. To illustrate how the availability of volume disclosure has increased, the first dozen flotations (of companies that were primarily housebuilders at the time of the issue) were examined in each of the three decades, 1960s, 1970s and 1980s.

1. For the 1960s, five of the twelve companies gave actual or approximate numbers; two gave the totals for the previous seven or eight years; and five gave no information.
2. For the 1970s, eight gave the volume information; one gave the number of plots and the number of years they would last (allowing the annual output to be approximated); and the remaining three gave only the number of plots.
3. Finally, in the 1980s, ten companies gave the specific volume information, one the total for the previous five years and only one gave no information.

(4) Company Accounts

Most quoted companies have disclosed the number of houses sold (usually referred to as 'legally completed') in their accounts, and additionally in presentations to City analysts, for at least the 1990s with the proportion reducing as the date recedes. Prior to 1980 disclosure was less common. Some unquoted companies also provide unit information in their accounts, typically when used as a promotional document.

(5) Company histories

These have already been mentioned in the literature section of the Introduction and are listed in the Bibliography. Unfortunately, they tend to be more descriptive than numerical but occasionally (e.g. Bovis and Redrow) they give direct or indirect indications of housebuilding volumes.

(6) Press

No references to individual company volumes before the war were located in the contemporary press, but there were some interesting reflections on what had been achieved in the pre-war period in post-war issues of *Housebuilder* magazine. Examples include references to Taylor Woodrow producing 1500 house a year, Dare completing an average of about 800, Crouch 1,000 houses a year on various estates in the South of England and Moss 3,000 in total during the pre-war period.[11] As private housing resumed on a more substantial scale after 1954 there were numerous contemporary references to the size of individual companies' building programmes, e.g. Greaves 900 in 1969, Crouch 500 in 1971 and Francis Parker 1,500 in 1972.[12]

(7) Research interviews

Part of the interview process involved filling the information gap. Responses varied enormously from people who could remember almost exactly how many houses they had been building 20-30 years ago, or had kept records, to those who could barely suggest an order of magnitude. There were also occasional secondary information sources in that interviewees who started work in, say, the 1950s had memories of being told by colleagues what was built in the pre-war period. All the interview and media information is subject to errors of memory, self-importance and definition and common sense needs to be used in its interpretation. As mentioned in the acknowledgements, I have also had access to Bundock's interview notes from 1969-70 and they provide additional support for some of the pre-war numbers.[13]

[11] *Housebuilder*, Nov. 1949, p.253; Jan. 1950, p.299; Oct. 1952, p.215; Nov. 1949.

[12] *Housebuilder*, Sep. 1969; Dec. 1971; June 1973.

[13] As prepared for Bundock, 'Speculative Housebuilding'.

(8) NHBC
NHBC (National House-Building Council) has been very supportive of this project and has provided some detailed information on the number of houses registered by companies in individual years. NHBC was formed at the end of 1936 (then named National House Builders Registration Council) but it was not until 1965 that virtually all new homes in the UK were covered. Until 1989 NHBC operated as the only registration scheme but an independent insurance company then entered the market. As a result, NHBC currently estimates its coverage to be approximately 85 per cent of the market. NHBC holds data on only those properties registered with it. In its internal records, NHBC maintains details of the number of applications made each year by each registered house builder. These have been made available for the period 1971 to 1985 for companies registering 250 or more units. Prior to 1971 the information is no longer retained and post 1985 it is considered too commercially sensitive to release.

The numbers recorded in each year are for registrations and these are not necessarily the same as either housing starts, housing completions or house sales. In practice, registrations will be closer to starts whereas the company figures in this thesis are for sales. There is another timing difference in that the registrations relate to calendar years while the sales figures are for companies' financial years. The registration figures may show more substantial differences from sales at turning points in the housing cycle: an expanding company in 1973 may well have increased its registrations only to find that in the ensuing recession its sales were half the anticipated level.

There are further practical difficulties: NHBC records its numbers by name of the registered builder. Some companies group their registrations together and others choose not to. Where registrations are ungrouped it can be difficult to identify registered subsidiaries and although in many cases it may be obvious (e.g. anything starting with the name Barratt) there are cases where the name of the registered company bears very little relationship to the parent company. Furthermore all the companies are listed according to the latest name rather than the original name. Thus, some groups have in excess of 25 listed registered subsidiaries – and to match any one of those with an acquired company may require knowledge of several name changes since the acquisition.

To summarise, the NHBC list has been very useful in highlighting companies above a certain size operating in the 1970s, which might not have been picked up from other sources. It is also helpful in giving a possible order or size to the housebuilding programme of companies that went bankrupt in the mid-1970s and for which no other records survive. However, they are not a substitute for individual housebuilders' published sales figures. NHBC publicly provides information on the number of houses built by groups of builders and the number of individual builders within certain size groups (e.g. building more than 2,000 units a year). This information, which is summarised at the end of Part I, is useful in addressing issues such as industry concentration but there are problems in interpreting the data, and the information only dates back to 1979.

(9) The Industry
Discussion of market share or industry concentration is made by reference to private sector housing completions for Great Britain. Statistics for housing completions were first published by the Ministry of Health in 1919 but only for local authorities and private firms in receipt of subsidy; it was not until October 1922 that the statistics included housing completions without subsidy and thus the whole of the private sector.[14] The period prior to 1919 is outside the remit of this thesis although estimates are available back to 1856.[15] After the Second War, housing statistics were published, inter alia, by the Ministry of Housing and Local Government, the Department of the Environment and the Office of the Deputy Prime

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[14] Bowley, 'The Housing Statistics of Great Britain', p.402.
[15] Weber, 'A New Index of Residential Construction', pp.104-32.

Minister. The latest statistics are now on-line and can be accessed via website of the Office of the Deputy Prime Minister. For background on sources, *Construction Equities* and *Housing Statistics* can be consulted.[16]

[16] Fred Wellings, *Construction Equities*, pp. 41-7; *Housing Statistics 2001* (Department of Transport, 2001), pp. 126-9.

3. The Pre-war Housebuilder

Introduction

The inter-war period, and particularly the 1930s, witnessed the start of the move towards mass owner-occupation. The creation of a new market facilitated the parallel creation of speculative housebuilding firms to serve the new demand. Although individual housing sites were large, and the total size of the private housing market greater than at any time before or since, the housebuilders themselves remained local firms, rarely building far from their home base. It is a period for which almost no quantitative data have been published on the individual companies and the challenge of this chapter has been to identify, and then to quantify, at least the largest ten housebuilders. It is believed that all those firms that reached an annual output of 1,000 units have been identified and probably most over 500. Inclusivity is an issue and possible omissions are discussed.

The first ever construction of an inter-war housebuilders' league table need not be regarded as an end in itself for the quantitative data can be combined with the background information available on the individual firms to address several interesting questions relating to the supply side of the housebuilding industry. The market share of the leading firms can now be estimated and this is put at six to seven per cent for the top ten housebuilders in the late 1930s. The geographical structure of these firms is found to be heavily influenced by the booming south-east market which induced some northern firms to move to London. Few firms did more than build in their own local areas, but the embryonic geographic diversification in the late 1930s is noted. The proposition that local authority housing played an important role in the development of speculative housing firms is discussed, but it is not found to have substance.

The Private Housing Market

Before starting the description of the inter-war housebuilding market, a brief comment on the period before the First World War provides a perspective: it is not, however, a period overflowing with data. Richardson and Aldcroft refer in general to the difficulty of obtaining 'hard facts' about the pre-1914 building industry, while Dyos regards it as 'strange' that we know so little about how the Victorian cities were actually made.[1] Prior to World War One, most people lived in rented accommodation, a figure generally estimated at around 90 per cent although, as the 1977 Green Paper noted, there is no direct evidence for this figure.[2] Although many individual developers became well known names in their locality, where sales numbers are quoted they tend to be small. Dyos noted that between the 1840s and 1870s hardly any London firms built more than 50 houses a year; those numbers rose in the succeeding decades but it was not until the end of the 1890s that 'the really big firm' moved in. Dyos put the largest firm as Watts of Catford and in 1899 it built over 400 houses.[3] Jackson had described Ilford-based Cameron Corbett as probably the most prolific of London's suburban developers in the 1890s and 1900s and in a period of a little more than 20 years he built over 3,000 houses, yet this was no more than 300 a year.[4] Edward Yates in south-east London reached around 150 houses a year at his peak in 1888-90; even when his output fell to an average of only 32 at the end of the century, he was still in the top ten per cent of London builders.[5] At the other end of the country in Glasgow, Andrew Mickel's

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[1] Richardson, *Building in the British Economy* p.22; Dyos, ' Speculative Builders', p.641.
[2] HMSO, *Housing Policy A consultative Document, Technical Volume Part I,* (London, 1977), Cmnd 6851, p.37.
[3] Dyos, ' Speculative Builders', pp. 659-60.
[4] Jackson, *Semi Detached London*, p.61.
[5] DNBB, pp.924-5.

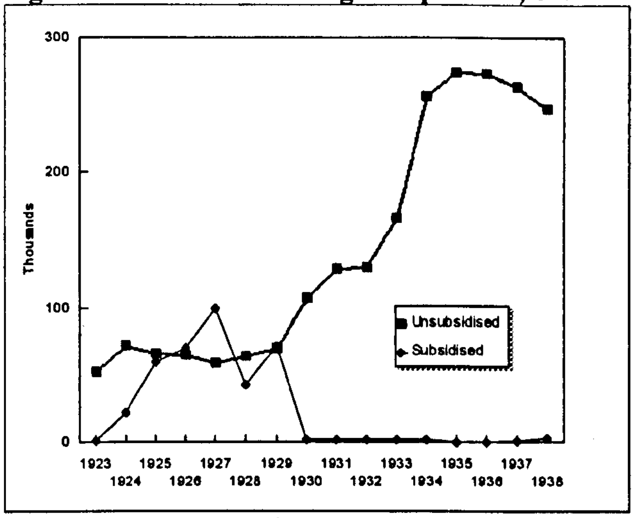
property business was described as 'an extensive operation between 1889 and 1898' yet the average annual sales were no more than 150.[6] Of these four, only the Mickel business survives today, indirectly as Mactaggart & Mickel, and with an almost identical output.

Several of the leading inter-war housebuilders appeared to have their roots in the nineteenth century but their early history had little, if anything, to do with speculative housebuilding. Henry Boot and Costain were solely contractors until after the First War. Laing had built a few houses but it, too, was in essence a contractor until the mid-1920s. George Wimpey was a Hammersmith road surfacing firm before it was bought by Godfrey Mitchell in 1919 and it was the late 1920s before Wimpey began speculative housing. The reality is that the creation of a nation of owner-occupiers served by national housebuilders did not have its roots in the nineteenth century, nor even the opening decades of the twentieth. Its origins lay in the inter-war period, in particular the owner-occupation boom of the 1930s.

The early post-war stimulus to the housebuilding industry came from Government subsidies, in particular under the Housing Acts of 1919, 1921, 1923 and 1924 which assisted both the public and private sectors. However, it was the 1923 Housing Act, described by Merrett as 'the most important legislative measure specifically concerned with home-ownership before the Second World War', that principally benefited the speculative housebuilders.[7] The 1923 Act provided cash subsidies to promote the construction of small working-class houses, although the reality was that it subsidised the sale of houses to the middle-classes: between 1924 and 1929 some 363,000 private houses were built under the provisions of the 1923 Act, but reductions in the subsidies meant that the private output of subsidised housing had all but ceased by 1930.[8] In its place came the boom in unsubsidised speculative housing that reached its peak in the mid-1930s when annual private housing completions as high as 250,000 were consistently achieved. Figure 3.1 shows the magnitude of private housebuilding between the wars, in particular the growth and then collapse of subsidised private housing in the 1920s, and the acceleration in unsubsidised building after 1932. To place the industry's achievements in perspective, no post-war year ever saw annual private housing completions as high as in the mid-1930s; indeed, by the end of the century, the private housebuilding industry was fortunate to reach half that level.

[6] DNBB, p.154.
[7] Merrett, *Owner Occupation in Britain.*, p.5.
[8] Greater detail on the legislative background can be found in Bowley, *Housing and the State*, pp.15-47; Sidney Pollard, *The Development of the British Economy 1914-1980*, 3rd.ed. (London, 1983), pp.162-7; Richardson, *Building in the British Economy*, pp.164-97.

Figure 3.1: Private Housing Completions, 1923-38



Source: *Private Enterprise Housing. Report of the Private Enterprise Sub-committee of the Central Housing Advisory Committee of the Ministry of Health* 1944.[9]

Although this thesis is concerned with the supply side of the speculative housing industry, a brief summary of factors underlying the growth in demand provides a context. The driving forces, particularly in the 1930s, included demographic trends, differential movement in population as new industries rose and old ones declined, rising real incomes for those in continuing employment, lower building costs, and falling interest rates. These contributory factors were interlinked, although there is no complete unanimity as to which were the most important; MacIntosh and Nevin, for instance, argued strongly in favour of an interest rate causation from 1932.[10] The rise in the number of households during the inter-war period was substantial and was driven less by total population growth and more by the fall in household size. In the four decades to 1921 the average increase in the number of households was around 700,000. In the decade to 1931 this doubled to 1.4m with a further 1.5m households being created in the period 1931-39. That population growth was not evenly distributed. Internal migration from the depressed north to the south-east of England had a marked impact on the distribution of new housing demand and ultimately the location of the larger housebuilders. Between 1921 and 1936, the south-east benefited from net immigration of 689,000 in contrast to the population loss of 610,000 suffered by the northern region.[11] Elsas described London and the Home Counties as having 25 per cent of the total population of Great Britain, but gaining 55 per cent of the population growth between 1921 and 1937; adding the Midlands meant that 35 per cent of the population gained nearly 70 per cent of the increase.[12] The London housebuilders benefited not only from national migration patterns but also from movement within the region as new transport links opened up the surrounding areas. Bowley argues that the marginal disutility of living in a city as large as London was greater than any of the provincial centres and this 'centrifugal influence' explained why the south was building unsubsidised houses at a much greater rate than the rest of the country in relation to the actual size of its population.[13]

The skilled working class and middle class families that remained in employment benefited from rising real incomes, which rose by around a quarter in the inter-war period.[14] In turn, changes in the provision of housing finance facilitated the process of converting these higher

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[9] Figures for unsubsidised housing were not collected prior to 1923 and, although approximations are available, the graph starts in 1923.
[10] MacIntosh, 'A Note on Cheap Money', pp.167-8; E. Nevin, *The Mechanism of Cheap Money A Study of British Monetary Policy,* (Cardiff, 1955), pp. 273-5.
[11] Richardson, *Building in the British Economy*, p.87.
[12] M.J. Elsas, *Housing before the War and After,* (London, 1942), p.20.
[13] Bowley, ' Regional Aspects of the Building Boom', p.177.
[14] *Housing Policy*, Part I, p.11.

real incomes into house purchase. Thorns contrasted the 1920s, a period when only the middle-class was likely to possess the necessary 20-25 per cent deposit, with the 1930s, when improved credit allowed owner occupation to 'spread to the lower middle classes'.[15] One of the most striking changes was the reduction in the deposit required from 25 per cent to around five per cent in the early 1930s. A contributory factor was the increasing adoption of the 'builders' pool' whereby the housebuilders themselves provided guarantees (about one-third of which was backed by collateral security) for the additional sum, thus facilitating this new class of potential purchasers.[16] In addition, under the Housing (Financial Provisions) Act 1933, the central government took powers to share with building societies and local authorities the risk in advances up to 90 per cent of valuation, rather than 70 per cent, while building societies were encouraged to lend for 30 years (compared with a more normal 20) at rates of one per cent below the normal borrowing rate.[17]

Regional housing statistics were not published before the war but Marshall analysed unpublished statistics held within the Ministry of Housing.

Table 3.1: Regional analysis of private housebuilding, 1919-39

Region	**Private Enterprise Units '000**	**% of total houses built in region**	**% of national private enterprise**
South-east	1334	82	44.5
Northern	812	59	27.1
Midlands	521	66	17.4
East	103	64	3.4
South-west	135	74	4.5
Wales	96	66	3.2
Total	**3001**	**72**	**100**

Source: Marshall, J L 'The Pattern of Housebuilding in Inter War Period in England & Wales' *Scottish Journal of Political Economy,* XV, 1968, p.184.

Table 3.1 confirms the importance of the south-east, accounting for around 45 per cent of the houses built in England and Wales between the wars. Of the south-east total, 1,026,000 (34 per cent of the total for England and Wales) came from London and the five home counties – in reality, one large town. If anything, the importance of the home counties increased during the 1930s: of the 1,810,000 houses built by private enterprise in England and Wales between 1931 and 1939, approximately 754,000 were in the home counties i.e. 42 per cent compared with the total inter-war percentage of 34 per cent given above.[18] What that meant for individual areas can be seen from local population statistics: between 1931 and 1938 five outer London suburbs - Ruislip, Bexley, Chislehurst and Sidcup, Potters Bar, and Carshalton - more than doubled their population.[19]

The significant area of concentration outside the south-east reflected the population centres, namely Cheshire and Lancashire with 419,000 houses, the West Riding of Yorkshire with 198,000 and the Midlands with 521,000. Of these provincial areas, only the Midlands appeared to contain housebuilders that built in excess of 500 houses a year: like London, the Midlands was a beneficiary of the growth of newer industries. Despite the geographical location of the Journal that published Marshall's research, Scotland was not included in his

[15] David C. Thorns, *Suburbia,* (London, 1972), p.42.
[16] Ibid., pp.42-3; Cleary, *The Building Society Movement,* pp. 203-5. The information on the amount of collateral was taken from *Private Enterprise Housing Report,* pp 14-15.
[17] *Fourteenth Annual Report of the Ministry of Health 1932-3,* Cmd. 4272, p.90.
[18] Johnson, 'The Suburban Expansion of Housing', p.156; his figures were calculated from Bowley, *Housing and the State.*
[19] W. Ashworth, *The Genesis of British Town Planning,* (London, 1954) p. 13.

analysis but it is clear that, despite the much greater preponderance of local authority housebuilding, there was also a substantial concentration of private housebuilding in the Scottish lowlands. As in the home counties, contemporary evidence indicated that the production of housing changed during the 1920s 'from a relatively small-scale operation to an important speculative enterprise.'[20] Even so, the peak year of 1934 saw fewer than 10,000 private houses built (unlike in the case of England, a figure destined to be far exceeded in the post-war period) and it supported only two significant speculative housebuilders based respectively in Glasgow (Mactaggart & Mickel) and Edinburgh (James Miller).[21]

The speculative housebuilder was not, of course, confined to supplying the owner occupier and it should be noted that the inter-war period saw a significant level of building for rental, albeit primarily in the 1930s rather than the 1920s. In contrast with the position that pertained before the First War, Marshall maintained that 'It is generally accepted that in the 1920s private enterprise built very few houses for letting.'[22] He quoted the Marley Committee on the Rent Restriction Acts, which reported in 1931, as concluding that local authority houses formed practically the only supply of houses to let for the less well-paid.[23] This was a point made again in 1933 in the Annual Report of the Ministry of Health, which argued that 'private enterprise...should be encouraged to enter the field of houses for the better paid members of the working classes'.[24] The economics of private rental had improved in 1932: Britain came off the gold standard in 1931 and bank rate had fallen from six per cent to only two per cent by April 1933, at a time also when building costs were falling. The Housing (Financial Provisions) Act 1933 was intended to encourage the private sector to take account of those changed conditions and the local authority subsidies available under the 1924 Act were removed to allow private enterprise letting to compete on equal terms. In 1924, the economic rent had been some 80 per cent higher than the subsidised rent: by 1933 they were the same.[25]

It was not until the passing of the 1933 Act that the housing statistics distinguished between private housing built for sale and built for rent. In the five and a half years between October 1933 and March 1939, some 1,256,000 houses with a rateable value of less than £26 were built in England and Wales by the private sector; of these, 351,000 houses, or 28 per cent of the total, were built to let.[26] For the speculative housebuilding firm itself, there was no financial difference between selling a house to an owner-occupier or to a private landlord, albeit a new source of demand had been created and needed to be served. H.C. Janes, for instance, found that the percentage of houses bought by investors became so large in 1933 that the firm had to open a property department.[27]

In addition to the private investors, there were also some housebuilders that chose to retain a part of their output to let out themselves, either corporately or as individuals. The archival records are not sufficient to make broad brush generalisations about how widespread this practice was although the fact that no references were found in, for instance, the Laing or Wimpey archives suggests that it was not universal. However, two firms stood out as developer-landlords, New Ideal Homesteads (later known as Ideal Homes) and Henry Boot. As well as retaining properties in the pre-war period, Ideal purchased more houses during the Second War and its immediate aftermath. Henry Boot was probably the most committed: it

[20] O'Carroll, Annette, 'The Reshaping of Scottish Housing 1914-39', in Dianne Watters, *Mactaggart & Mickel and the Scottish Housebuilding Industry*, (Edinburgh 1999), p.211.
[21] See accompanying disc.
[22] Marshall, 'The Pattern of Housebuilding in Inter War Period', p.189.
[23] *Report of the Inter-Departmental Committee on the Rent Restriction Acts*, Cmd. 3911, p.19.
[24] *Fourteenth Annual Report of the Ministry of Health 1932-3*, Cmd. 4272, p.89.
[25] Calculated from table in L.R. Connor, 'Urban Housing in England and Wales', *Journal of the Royal Statistical Society*, Vol. 99, 1936, p.39.
[26] Marshall, 'The Pattern of Housebuilding in Inter War Period', p.189.
[27] David Kennett, 'A Provincial Builder', unpublished typescript held in Luton Library, c.1970 p.135.

formed a new subsidiary company, First National Housing Trust, to take advantage of the 1933 Act and the Trust built over 8,000 houses in some eight estates between 1933 and 1939. Arthur Davis was another that retained properties with at least 700 houses,[28] while Leech had as many as 2,000 houses, primarily by default (it had failed to sell them).[29] There would also have been some inadvertent retention of houses by most developers on the outbreak of war.

Which Firms Built the Houses?

On the basis of the data in Table 3.2, about ten housebuilders achieved an annual output of 1,000 units at some point in the 1930s. Ideal stood out with sales at least twice those of its nearest competitor, although Henry Boot, which started building for sale in the early 1920s, may have built more houses in total in the inter-war years. The top ten in the industry were building of the order of 16-17,000 a year at the height of the inter-war housebuilding boom, perhaps some six to seven per cent of the market.

As was explained during the review of the literature, where pre-war housebuilders are mentioned by the economic historian, they tend to be brief lists of what are believed to be the larger builders, with occasional numbers thrown in for the largest estates. Nowhere does there exist a record of the number of houses built by individual developers. Who built these 250,000 houses a year? Were there any national housebuilders? To what extent was the demand for private houses met by local firms. One of the reasons that such questions have not been answered is that there has been no published documentation on the structure of the housebuilding companies. The NHBC and the industry's own trade body were both in an embryonic stage before the war and perhaps such analysis was of little interest to anyone else. Albeit with caveats, a rough and ready league table (Table 3.2) has been constructed, derived from the sources outlined in the previous chapter. Whereas reasonably accurate data are available for at least the last 20 years, the further back the data retrieval is taken, the less reliable the numbers become: for the 1930s, the data should be taken more as indications of magnitude although from time to time accurate figures are available.

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[28] The number reported in *Investors' Review*, Dec. 1937.

[29] *Investors' Review*, Dec. 1938; Interview with Richard Adamson, December 2001.

Table 3.2: A League Table of Housebuilders in the 1930s; firms building 500 units or more p.a.[30]

Date formed[31]	Company	Region	Early 1930s	Late 1930s
1929	Ideal Homes*	London suburbs	4-5000	4-6000
c.1886	Henry Boot*	London suburbs	1000	1500-2000
1901	Wates	London suburbs	1500-2000	1500-2000
1921	Taylor Woodrow*	London suburbs	450	1200-1500
c.1929	Davis Estates*	London suburbs	1000?	1200
1880	Wimpey*	London suburbs	1000	1200
1901	Mactaggart & Mickel	Scottish lowlands	1200	1000
1865	Costain*	London suburbs	5-600?	1000+
1928	GT Crouch	London suburbs	?	1000
1848	Laing	London suburbs	1000	800
	Top Ten			**16-17,000**
c.1925	T F Nash	London suburbs	750-1000	750-1000
1864	Dares Estates	Midlands		800
1906	RT Warren	London suburbs		750
1904	Comben & Wakeling	London suburbs	500	600
1884	Janes	Midlands	600	600
1929	Morrell Estates*	London suburbs		500?
1933	Mucklow	Midlands		500
1932	William Leech	North-east	?	500
1927	Miller	Scottish lowlands	500-600	250
late 1890s	N Moss	Oxford	500?	500?
	Top Twenty			**22-23,000**

* Quoted companies at some point during the 1930s

The source material used in compiling the data has already been discussed in general terms in Chapter 2 but additional comment is provided here to give readers an understanding of the degree of reliability that can be attached to the numbers. Seven of the companies were quoted on the London Stock Exchange: Henry Boot floated as early as 1919 and a flurry of activity between 1933 and 1935 saw the flotation of Costain, Ideal, Wimpey, Taylor Woodrow, Davis, and Morrell.[32] Nevertheless, the accounts of these companies were sparse and none clearly indicated the number of houses sold each year; however, their status as public companies did lead to a little more information being available, sometimes in the original prospectus, sometimes after the event. Thus, the Costain prospectus referred to its having built 4,000 houses to 1933 (an implied period of eight to nine years); Ideal built more than 7,000 from its 1929 formation to 1932 and more than 4,000 in 1933; and the Taylor Woodrow prospectus stated that 612 houses had been sold in 1934 and it forecast more than 1,000 for the following year. Fortuitously, the Leech prospectus of 1976 referred back to the Company building 500 houses a year before the war. Morrell Estates' prospectus of 1935 was the most frustrating, for it described itself, without any further supporting evidence, as one of the largest businesses of house builders in Great Britain; however, as it built almost

[30] Histories of all these firms are available on the accompanying disc.
[31] The dates refer to the formation of these businesses not their incorporation, but for those firms that started as general contractors, the dates do not represent the point in time that the firms started to become meaningful as housebuilders, or even as housebuilders at all. Wimpey, for example, was a Hammersmith road builder which was acquired by Godfrey Mitchell in 1919 and did not begin speculative housebuilding until 1928.
[32] Morrell survived only 18 months before its only operating subsidiary was put into liquidation; the company's name is best remembered in building society circles for its part in the celebrated Borders case.

entirely in what is now the London Borough of Bromley, it is difficult to accept that statement at face value. Some 16 estates were listed but these included ones that had been finished and ones not yet started; a debenture prospectus the following year gave only six estates in the course of construction. An estimate of 500 houses a year has been made but that may well be on the high side.

Minute books were made available to the author for a few companies and these were particularly helpful for Laing, Taylor Woodrow and Wimpey; for a limited number of years, the monthly board meetings listed every house sale; sales for Wimpey, for example, totalled 1,294 in 1933 and 1,370 in 1934. Details of Miller's annual housing completions throughout the 1930s had been retained by the family. Company histories and brochures were also an occasional source: Furnell gave 5500 for Ideal in 1935;[33] the history of Wimpey recorded an average of 1,200 houses in the 1930s,[34] and Comben built 500 in 1931, a figure that had risen to 600 a year by the outbreak of war.[35] Henry Boot managed a couple of official sources for 50,000 and 60,000 houses respectively between the wars, although most were local authority housing and company assistance was needed to approximate the number of private houses.[36] Diane Watters has many numerical references to unit numbers in her history of Mactaggart & Mickel that allow approximations to be made.[37]

The trade press, particularly the *Housebuilder*, was invaluable for estimating the housing volume of some of the middle-sized companies that had otherwise left little in the way of records: Crouch (around 1,000 a year in 1936), Dares (800 average pre-war), Janes (600 a year pre-war), Wates (2,000 a year pre-war).[38] For Moss the figure was a more general 3,000 house built in total before the war.[39] The only contemporary evidence is a 1932 article which reported four estates in the Oxford area with 900 houses under development,[40] and a register of mortgages has survived for 1933-35 on the Oxford Moss's Companies House file which showed over 600 transactions in 1934.[41] A much later entry in *Building* on Wood Hall Trust, by the then owner of Davis Estates, reported that Davis was building over 1,200 houses a year by the outbreak of war.[42] Tommy Nash was described in the NHBC history as 'possibly the largest builder in north-west London', but without reference to the number of houses built.[43] However, a 1933 sales brochure deposited at Harrow library included a one page history suggesting that the company was building almost 1,000 houses a year.[44]

Interviews, primarily with people remembering what they had been told many years earlier, sometimes provided corroboration or additional information. Wates, for instance, has four separate interviewees referring to 2,000 house a year or thereabouts, although one person thought the number might have risen close to 3,000 in one year. The Mucklow family memories were the only source for that company's approximate level of house sales in the late 1930s.[45] Bundock's interview notes from c.1970, generously made available to me, draw on earlier memories, often from those who worked in the businesses during the 1930s. The figure for Wates was again confirmed as 2,000 a year; Wimpey had reached 5-600 houses a year by

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[33] Furnell, *Ideal Homes*, p.12.
[34] White, *Wimpey*, p.12.
[35] Anon, *Comben Homes Celebrates their 75th Anniversary* (Bristol, c.1975), p.[4].
[36] Charles Boot, *Post-war Houses*, (London, 1944), p.3; *Houses Built by Private Enterprise*, (London, 1943), p.6.
[37] Watters, *Mactaggart & Mickel*.
[38] *Housebuilder*, Oct. 1952, p.215; Jan. 1950, p.299; Jan. 1947; June 1946.
[39] *Housebuilder*, Nov. 1949.
[40] *Oxford Monthly*, Aug. 1932 p.6.
[41] N. Moss & Son Ltd. 00256285.
[42] *Building*, 10th Oct. 1975, p.79.
[43] Nicholas Morgan, *A History of the NHBC and Private Home Building*, (Carnforth, 1987), p.36.
[44] Anon, *Nash houses T F Nash Limited*, (London, c.1933).
[45] Interview with Albert Mucklow, December 2001.

1930 and over 1,000 a year by the outbreak of war; Warren built 10,000 houses before the war; and Davis Estates 1,000 a year.

The preceding paragraphs indicate that although there are far more data available on housebuilders' volumes than have ever been used in the literature, the material is by no means perfect. Figures are not available for all companies for the same year and sometimes the period may be approximated as 'before the war' or 'in the 1930s'; where there is a run of figures, they have been averaged to give an indication of typical output in the early- and late-1930s. Sometimes the sources do not agree and memories are notoriously fickle. Nevertheless, it is believed that the company magnitudes are of the correct order, both in relation to each other and to the industry as a whole.

Inclusivity of the Data

The important question that remains to be asked in this chapter is whether there could be other housebuilders not identified which should be included in Table 3.2? It may be that future research will identify other companies that could have been listed among the top ten or 15. However, it would be surprising if there were any building above 1,000 a year that have not been identified; housebuilders do not reach that size, particularly when they are confined to within one region, without leaving some record of their significance in the trade press if nowhere else. Housebuilders that were known to be large after the war have been checked to see if they had a sizeable pre-war existence. Any omission from Table 3.2 would need to be a housebuilder that was significant before the war yet leaving little trace in the post-war period – perhaps never even resuming activity. The home counties were well trawled by Alan Jackson who, although not mentioning annual output, usually referred to the number of estates under development at any one time and he referred to over 30 individual builders. One omission by Jackson was R. Lancaster which Bundock had building some 400 houses a year in London, with a residual building operation in its home town of Blackpool;[46] it may have reached 500 a year in total. Both Jackson and Bundock refer to well known names in particular suburbs of London including Berg, Ball and Blade but they tended to have no more than two or three estates under development at a time with annual sales no more than 200-300 houses a year.

There remain two other 'developers' that, on looser criteria, might have been large enough to be included in Table 3.2: Hilbery Chaplin and Metropolitan Railway Country Estates. Hilbery Chaplin was a firm of surveyors and estate agents that switched to selling new houses in 1927; it progressed in 1928 to buying land through a separate company and employed Thomas Blade to build the houses. It also provided services and marketed the houses of other housebuilders under the name of Hilbery Chaplin Estates; in 1934 it was selling around 60-70 houses a week on commission of £25 a house for four different housebuilders.[47] Bundock has the firm building more than 1,000 units a year in London by 1938 off some 15 estates to the north and north-east of the Capital but 'For the general public, there was...no way in which the advertisements of such firms could be distinguished from those placed by builders.'[48] It has, therefore, been treated as an agent rather than a housebuilder.

Metropolitan Railway Country Estates [MRCE] was, as the name suggests, an entirely different type of company being the only railway company allowed to develop its own land. In 1919, the directors of the Metropolitan Railway approved the formation of Metropolitan Railway Country Estates Ltd. but on legal advice it was decided that the railway company would take no direct financial interest in the Estates Company, but would enter into an

[46] Bundock interview notes, 1970.
[47] Anon, *One Hundred Not Out*, p.23.
[48] Horsey, 'London speculative housebuilders', p.150.

agreement which would allow the use of the Railway's name by the new company and provide assistance in the development of the estates.[49] One guide to the level of activity is the number of estates it controlled and Rose states that although it sold off some of its land, MRCE went on to develop some ten estates.[50] The annual reports list the number of acres of land sold; by 1939, MRCE had sold 536 acres leaving 795 acres undeveloped; these estates were individually very large and suggest that MRCE was on a par with the larger traditional developers. Indeed, at ten to twelve houses to the acre, MRCE would have provided land for some 6,000 houses between the wars. However, MRCE does not seem to have been particularly active as a housebuilder rather than just a developer of land; a Bundock interview (1969) elicited a figure of between 50 and 100 houses a year and it looks as though MRCE was more a developer along North American lines, that is, acquiring large tracts of land and processing them to a state where they could be subdivided amongst other builders.[51]

Outside the London area, with the exception of the Scottish central belt, there is a paucity of regional studies that actually refer to individual housing numbers. Even in Scotland, it has not been possible to determine the scale of John Lawrence's pre-war housebuilding. Lawrence was described as the primary competitor to Mactaggart & Mickel from the mid 1930s, [52] but no reference to volumes has yet been unearthed; a 1969 profile on the Company indicated that it increased its private housebuilding output between 1931 and 1936 but the tenor of the comment did not suggest that it was substantial.[53] Perhaps there is a London bias that blinds researchers to the existence of substantial corporate life in the provinces. However, when there is evidence of a large regional housebuilder such as Janes or Dares in the Midlands or Leech in the north-east, they turn out to be selling less than 1,000 units a year. Other regional housebuilders that survived to become substantial housebuilders in the modern era invariably prove to have been of very modest size before the war. Bryant and McLean in the west midlands were very localised; Wilson Connolly in the east midlands built around 150 houses a year; the west country Bradley Estates some 300 a year; and the Manchester-based Maunders around 200 a year - all numbers which come from interviews and company brochures.[54]

It is unlikely, therefore, that any significant housebuilders have been missed and although accurate numbers for specific years can be provided only infrequently, it is submitted that Table 3.2 represents a broadly accurate picture of the top end of the industry in the 1930s, certainly sufficient to provide a basis for describing and analysing the characteristics of the larger housebuilder. One cross check is available. In a talk given by Norman Walls, a director of the NHBC, at the Housing Centre as the war ended, he asked 'What size of firms built the houses?' He did not believe that the answer could be stated definitely but 'knowledgeable sources of information' agreed that various sizes of firms were as follows.[55]

[49] Jackson, *Semi Detached London,* p.225.
[50] Jack Rose, *Dynamics of Urban Property Development,* (London, 1985), pp.120-21.
[51] *The Times,* 15th Dec. 1938.
[52] Watters, *Mactaggart & Mickel,* p.14.
[53] *Housebuilder,* Dec 1969, p.657.
[54] See accompanying disk for the above companies.
[55] Quoted in *The Housebuilder,* Sep. 1945.

Table 3.3 Number of houses built by size of firm, late 1930s

No. of Firms	Total Houses Built	Annual Average
1,400 firms built	8,400 houses or an average of	6 houses per annum
2,400 firms built	60,000 houses or an average of	25 houses per annum
1,100 firms built	62,000 houses or an average of about	56 houses per annum
350 firms built	30,000 houses or an average of about	85 houses per annum
800 firms built	140,000 houses or an average of about	175 houses per annum
50 firms built	25,000 houses or an average of about	500 houses per annum'

Source: *Housebuilder*, September 1945

No year was given but the data were presumably taken from the mid- to late-1930s. The mathematically inclined will note that number of units totalled 325,000 which suggests that he was working back from some rough and ready numbers or that the total included local authority housing. This thesis is predominantly concerned with the larger housebuilders and therefore the interest lies in the bottom line, which showed 50 firms built some 25,000 houses. The final column is deceptive in that it is an average; it does not mean that there were 50 companies building 500 houses a year. To the extent that some firms were building well over 1,000 houses a year, there must have been a considerably smaller number of firms than 50 that actually reached 500 a year. If the c.21,000 houses identified in Table 3.2 are deducted, it leaves only approximately 4,000 houses to be spread amongst the remaining 30 firms, which does not suggest a profusion of missing large firms.

A Local Business

The housebuilders of the 1930s were almost entirely local businesses, although not always operating from their original location. Four of the large London developers were originally northern firms. Richard Costain was a Liverpool-based firm of builders that had begun speculative development after World War One, but Albert Costain attributed the move to London to a scarcity of suitable sites in Liverpool.[56] One of the second generation family members was sent to the London suburbs in 1922 and the first estate was started in 1923. John Laing had already moved his family from Scotland to Carlisle and in World War One was employing as many as 4,000 men helping to build the Gretna armaments factory and even an aerodrome. After the war, Laing expanded as a national contractor; it was as such that the firm moved its head office to London in 1925. It was not until 1927 that Laing began speculative housing in the London suburbs, although it continued to build houses in the Carlisle area.

The 16 year old Frank Taylor had built a house for his father in Blackpool and developed a local housebuilding business. In 1930, an engine fitter in AEC (who had seen Taylor Woodrow houses when on holiday) wrote to Frank Taylor out of the blue to tell him the whole factory was moving across London to Southall and they would be needing hundreds of houses for their employees. Taylor Woodrow immediately bought a site for 1,200 houses and persuaded most of his building team to move south. Another Blackpool firm that moved to London was Lancaster, originally a contracting firm but after the First War it became predominantly a speculative developer. In 1929, by then a second-generation firm, it moved to London, although it retained its Blackpool office and continued to build in the north-west. Lancaster himself continued to live in Blackpool but travelled down to London once a week to oversee operations.[57]

[56] Costain, *Reflections*, p. 26.

[57] This information is derived from Bundock's interview notes; it is not known what happened to the firm after the Second World War and there are no records at Companies House or Blackpool Reference library.

The opportunities available in the London market dwarfed the possibilities in such places as Blackpool, Carlisle and Liverpool and with the exception of Boot, which operated its construction business out of offices in London, Sheffield and Birmingham, these northern firms virtually abandoned their home territory. Henry Boot appears to be something of an exception among the generality of inter-war housebuilders. Although originally a Sheffield firm, when it incorporated in 1910 it already had both a Sheffield and London address. When it floated on the Stock Exchange in 1919 it did so as Henry Boot (London); it was then a substantial contractor operating out of offices in London, Birmingham and Sheffield. Boot became probably the largest builder of local authority houses around the country (perhaps 40-50,000 over the 20 year period) and it built private estates to rent in many of its operating areas, particularly centred on its three regional offices. However, its development for sale was largely confined to the London area, with one site each in Glasgow and Liverpool.

Apart from the special case of Henry Boot, there is little evidence that firms spread their speculative housing business much beyond the immediate reaches of their head office. When they did move out of their home area the 'foreign' locations did not look to be the result of a cohesive expansion strategy in the way in which the current generation of national housebuilders established their regional subsidiaries. Moreover, the purchase of the more distant sites did not start until the late 1930s. The sites in Ideal Homes' 1934 Prospectus were all in London and Kent and it was 1936 before it bought sites in the midlands, and even later when it acquired individual sites in Gloucester, Southampton and Crewe; its 1938 AGM referred to the company operating on 34 estates in and around London but with extensive operations in Birmingham and Southampton.[58] Taylor Woodrow had a few sites in the west country in 1936.[59] Davis Estates was more widely spread around the home counties than most but its 1935 Prospectus only contained one site (Gosport) outside its home area; however, a post-war profile indicated that, by the outbreak of war, Davis Estates had extended as far north as Birmingham and as far west as Plymouth, but it is not known how many sites were involved.[60] Both Ideal and Davis probably overstated their geographical diversification for public consumption. Other housebuilders made only a token foray out of their home area: Wimpey, which was predominantly operating in west London bought a site in Yeovil in 1934 but it was not until close to the outbreak of war that it purchased another, outside Glasgow; Wates bought one site in Coventry and a couple in Oxford in the late 1930s.[61]

Most housebuilders remained firmly local: Costain, Crouch and Laing were all London-oriented and Mactaggart and Mickel remained close to Glasgow. Dropping down a little in the size range, the companies became even more identified with a particular locality. Comben and Wakeling, for instance, confined itself to north-west London and by the early 1930s claimed to have built a total of 6,000 houses in the Wembley area alone. George Ball built a quarter of all dwellings constructed in Ruislip between 1935 and 1939;[62] Warren built in north west London and Middlesex; E & L Berg built in south-west London; Nash was active in the Harrow area but in 1937 he spread out buying large acreages at Romford, Hayes (Middlesex), Sevenoaks, Northolt and St Albans but the outbreak of war prevented any substantial building away from his original area. N. Moss built in Oxford (although there were untraced Moss companies in Gloucester and Cardiff). In Scotland, Miller confined itself to the Edinburgh region. Some of these companies would typically have two, three or four large estates in production at any one time. With the exception of Boot, which was organised to serve its construction business, there is no evidence of any housebuilder operating with a formal regional structure.

Was there any theme or underlying determinant behind what little geographical expansion

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[58] *Stock Exchange Gazette,* 14th May 1938, p.955.

[59] Jenkins, *On Site,* p.27.

[60] Profile of Wood Hall Trust, *Building,* 10th Oct.1975, p.79.

[61] See accompanying disk for the above companies.

[62] Bundock, 'Speculative Housebuilding'.

that did occur during the inter-war period? Boot's regional housebuilding can probably be explained by the linkage with its construction organisation but, in contrast, Wimpey, which also had construction sites around the country, did not choose to expand its private housebuilding in that way until after the war; neither did Laing follow its construction business. An alternative explanation for the limited expansion that was undertaken by the London developers might be that the London market was running out of steam. While the move of provincial firms into the London area was understandable in the early years of the boom, there is some evidence that London itself was becoming a more difficult market in the late 1930s, perhaps because of the reduced availability of large sites. Bundock's interview material c.1970 suggested that Wates was finding that the type of sites it required was becoming more difficult to obtain and the Company was prepared to look further afield. Johnson, too, referred to convenient sites near railway stations becoming harder to find by the late 1930s although his source was also Wates.[63] A Godfrey Mitchell memo said that after 1935 Wimpey's sales started to decline: 'This was due in my opinion to dearth of land purchased on which artisan houses could be erected. We were forced into a higher price market with a more restricted demand.'[64] However, Ideal suggested that its expansion was driven by the realisation that the demand potential of places like Birmingham was as great as London.

Although remaining at very high absolute levels, the rate of private housebuilding nationally started to dip in 1938 and output in greater London had begun to decline a year or two earlier. One might ask why, against that background, there was not a greater attempt to develop a wider housebuilding base. The answer might be that by 1936, the volume of defence work was starting to increase and companies like Laing and Taylor Woodrow were switching management time in that direction. Sir Maurice Laing conceded that the decline in Laing's housing sales in the late 1930s was probably due to the Company increasing its defence work for the Air Ministry where they received a number of airfield contracts in 1935.[65] This is discussed further in Chapter 4.

The Influence of Local Authority Housebuilding

This thesis stresses the economic distinction between contract building for local authorities and speculative housebuilding. Nevertheless, there is a recognisable similarity in the construction process, and the labour force could be utilised to produce either the public or the private product. Kemp argued that one important stimulant to the emergence of large firms undertaking the mass-production of houses was the increasing importance of local authority housing contracts in the 1920s.[66] Did building for the public sector assist in the development of the speculative housebuilder, either directly or indirectly? The passage of time means that first hand evidence of motivation, or otherwise, is hard to find, but it is possible to look at the way in which firms first came into speculative housing: in practice, only a minority of firms in Table 3.2 had engaged in substantial public sector housing projects prior to building for the private sector.

Ideal Homes was founded in 1929 by Leo Meyer, a one-time borough surveyor, specifically for the purpose of developing private housing estates. Within four years its annual building rate was up to 4,000 and it was not until the approach of war that Ideal began to diversify - and then into general construction, not local authority housing. The Wates family had been building in a modest way in the Streatham area before the First World War and it was when second generation Norman Wates joined in 1923 that the rapid expansion of the business began. There is no evidence of any local authority housebuilding before the war, nor was

[63] Johnson, 'The Suburban Expansion of Housing', p.159.
[64] Godfrey Mitchell Memo, May 1945.
[65] Interview with Sir Maurice Laing, April 2000.
[66] P. Kemp, 'The transformation of the Urban Housing Market in Britain 1885-1939', D. Phil. thesis University of Sussex, 1984.

there for Taylor Woodrow, mentioned above. Arthur Davis, the son of an unsuccessful flat developer, began his speculative housing in 1929 and not even war encouraged him to deviate from this. Geoffrey Crouch started a year later, in 1928 and, similarly, no references to local authority housebuilding have been found. That makes five of the top ten firms which not only started as speculative housebuilders but appeared to have no involvement in local authority housing throughout the inter-war period. What of the other five?

Henry Boot has already been mentioned as a national contractor. During the First World War it had built army camps (Catterick), Manston Aerodrome, Tees Naval Base and the American hospital at Southampton; in one year alone, a thousand military buildings were completed. Raising public capital in 1919 was specifically intended to take the group into housing, particularly in the public sector: 'It is now imperative in the national interests that the erection of very large numbers of houses and the development of public works generally should be carried out... Provisional arrangements have been made to proceed at once with several large housing contracts involving the building of some thousands of houses under the Ministry of Health scheme and...the Directors propose to employ a large part of the new working capital upon this important national work.'[67] Speculative housing began in 1924, but because it followed chronologically from an involvement in public housing this does not imply causation. Boot had perhaps the most wide-ranging construction portfolio of the inter-war period: apart from the activities already mentioned it had been working in Greece, France and Spain since 1920 and had a substantial holding in the brick firm, Flettons. It is probable that it was Boot's national perspective, born out of both local authority housing and general contracting, that encouraged it to develop a more widely-based speculative business.

Wimpey, Costain and Laing all had their roots in general contracting and evidence does survive of their reasons for beginning speculative housing. With the help of his war gratuity, Godfrey Mitchell had bought the small Hammersmith road-building firm of George Wimpey in 1919. This business was expanded during the 1920s benefiting in particular from the development of a successful asphalting process. Among the routine work was the construction of roads on other firms' housing estates. Godfrey Mitchell began to realise the money that could be made on these developments and invested personally in a small site to test his belief. When that worked, he took Wimpey into private housing in 1928. Despite a wide range of construction activity, there is no record of any significant involvement in public housing in the inter-war period. Costain is one of the few firms whose entry into speculative housing can be seen to have resulted from its prior involvement in local authority housing, but not for positive reasons. It started as a means of counterbalancing fluctuations in the Liverpool Council workload: 'Progressive firms were anxious to offer continuity of employment...but when engaged to work for a local authority continuity...had to depend on successful tendering...To overcome this problem, Costain decided to purchase land and to develop their own estates'.[68] Laing, as mentioned above, had been a successful wartime contractor and within a few years was constructing local authority housing around the country. However, it was 1927 before John Laing started speculative housing for the apparently altruistic reason that he did not approve of the specifications on work he was asked to do: 'We therefore decided to carry out developments ourselves, on the principle of giving the purchaser the highest value for money.'[69] His son later suggested that limited opportunities for making money in contracting had a bearing.[70]

John Mactaggart had been a general contractor before the First World War but he also built tenements, largely for middle-class tenants, totalling 2,330 houses between 1901 and 1914

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67 Henry Boot Prospectus, 1919.

68 Costain, *Reflections*, pp. 24-5.

69 E. Betham,[Ed], *House-building 1934-36*, (London, 1934): Chapter XXI, 'Houses for Sale', interview with Mr J Laing.

70 Interview with Sir Maurice Laing, April 2000. Local authority housing did, indeed, decline from its 1926/27 peak.

(c.180 p.a.). After the war, the firm 'plunged head first into the new world of local authority contracting' including Glasgow's Mosspark scheme, the largest in Scotland with 1,510 houses.[71] There were limited opportunities for private development in those early years but Mactaggart acquired a substantial land bank for future developments. In Mactaggart's case it would seem that the local authority housing was facilitated by the earlier experience of tenement building and was undertaken as they considered that it represented the best commercial opportunity available.[72]

The proposition that local authority housing played an important role in the development of speculative housing firms does not, therefore, appear to have substance. Half of the top ten firms started as speculative housebuilders and had no involvement with local authority housing until after the Second World War; Mactaggart was a substantial local authority housebuilder but had previously been a private housebuilder. Of the others, there was more of a general construction background than a marked dependency on local authority housing. However, succeeding chapters will show that in the post-1945 period, far more of these speculative housebuilders found themselves drawn into public sector housing and into to general construction. Rather than helping them, this tended to blur the essential distinction between speculative and contract work and hindered their growth as private housebuilders. These are issues that will be discussed in more detail in Part II.

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[71] Watters, *Mactaggart & Mickel*, p.21.
[72] See accompanying disk for above companies.

4. War and Building Controls

Introduction

For a period of some 15 years, between the outbreak of war in September 1939 to the final removal of building controls in October 1954, the speculative housebuilding industry was severely constrained. There is, therefore, no housebuilders' matrix for this period and it might be thought no requirement for a separate chapter. However, the cessation of housebuilding activity and the transfer of resources to wartime construction led to profound changes in the corporate structure of the industry, the effects of which could still be seen almost half a century later. This chapter discusses the wartime activities of the housebuilders, which ranged from the passive husbanding of rental stock, through bomb damage repair, to major civil engineering; it transformed some housebuilders into major contractors. The period of post-war housing controls gave further impetus to the diversification away from private housebuilding as firms developed their construction operations. It will be left to succeeding chapters to show that the dynamics that created such international firms as Costain,Taylor Woodrow and Wimpey were paradoxically to weaken their speculative housebuilding.

The Collapse of Speculative Housebuilding

The approach of war began to impact on housebuilders' sales during 1939 although perhaps not as severely as might be imagined. Figure 3.1 showed that private housing completions remained at a high level although sales were increasingly affected as 1939 progressed. John Laing's minutes record 50 houses sold during the first seven weeks of 1939 compared with 119 for the same period in 1938, although Wimpey appeared more resilient with 444 units sold in the first six months against 549 in the first half of 1938. When war was declared on September 3rd, the housebuilders were quick to halt their building programmes and finish houses under construction. Henry Boot's minute book of September 7th recorded a motion 'to discontinue all housebuilding by subsidiaries as soon as the houses now in the course of erection are now completed [and] to tender for and to carry out any government contracts which offer a satisfactory margin of profit'.[1] Ideal stopped construction of new houses almost immediately and Frank Taylor instructed that all houses that were near the roofing stage could be completed but not the others.[2] Within two months, Wimpey's minute book recorded that the building programme had been completed and sites were being tidied up.[3]

The year to March 1940 still showed 31,000 houses completed for private owners before the figure fell to nominal levels for the duration of the war. The inevitable collapse in demand was reinforced in October 1940 by Defence Regulation 56A which stated that it was 'unlawful to carry out, except under license from the Minister of Works, any work of construction ...or maintenance on a building ... where the cost of the work exceeded the financial limits prescribed from time to time by an order made by the Minister'.[4] The units that were completed in 1940/41 must have represented a tidying up of estates in progress and there is no evidence that these were sold in any quantities to individual buyers. Instead, the housebuilders found themselves in the involuntary position of residential landlords. Not only did they have to let out houses that were in stock and under construction but they also found that guarantees provided on mortgaged sales were requiring them to take properties back; in

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[1] Henry Boot Minute Book 1931 onwards.
[2] Furnell, *Ideal Homes*, p.16; Jenkins, *On Site*, p. 31.
[3] Wimpey Board of Management Minute Book, Dec.1939.
[4] Quoted in Merrett, *Owner Occupation in Britain*, p.17; Merrett provides an excellent summary of the framework of Government controls. For an insight into the full complexity of wartime control in the building industry, see Frank H. House, *Timber at War An Account of the Organisation and Activities of The Timber Control 1939-1945*, (London, 1965).

December 1939, Laing's minute book discussed 'Repayments on houses'. Some borrowers were pleading that war conditions had affected their finances and the minutes showed that there were approximately 4,000 guarantees over all estates, practically 50 per cent of the total sales.[5] The largest housebuilder, New Ideal Homesteads, took an active stance with its rental portfolio; the minute books record small purchases of blocks of houses in the early years of the war and from 1943 these increased in size to several hundred at a time, some of which were sold on.[6]

War-time Construction

Shorn of their traditional market, the housebuilders turned inevitably to wartime construction. Of course, some had started as general contractors (e.g. Boot, Costain, Laing and Wimpey), but others moved into construction as war approached (e.g.Taylor Woodrow). Military construction had begun to accelerate from 1936 and the histories of Taylor Woodrow and Laing record them building military camps, airfields and barrage stations.[7] In the earlier years of the war, airfield construction featured prominently. 'Between the end of 1939 and the end of 1944, 465 flying fields were constructed for the two air forces. This was ...the twentieth century equivalent to the construction of the first generation of main-line railways between 1830 and 1851.'[8] Costain was described as 'engaged primarily in the construction of airfields'[9] and Taylor Woodrow built 'dozens';[10] specific numbers are available for Costain (26), Laing (54), and Wimpey, which claimed 93 aerodromes out of the 577 built for the RAF and USAAF. Ideal built aerodromes, factories and naval bases, although not on the same scale. Some had a regional emphasis like Comben with 12 airfields in East Anglia. The work ranged widely and included coastal defences, artillery sites, munitions factories; Miller was asked by government to start open cast coal mining in Yorkshire in 1941. Of the top ten pre-war housebuilders (Table 3.2) only Davis Estates and GT Crouch seem to have eschewed significant construction work.

The project that more than any turned some firms into substantial civil engineering businesses was the Mulberry Harbour constructed for the Normandy invasion of 1944; it was succinctly described as 'a floating harbour twice the size of Dover'.[11] The largest task facing the construction industry was to build the caissons which would be sunk to form part of the breakwater. A team of 24 contractors led by Sir Robert McAlpine built over one million tons of these structures in only 26 weeks; Henry Boot, Costain, John Laing and Taylor Woodrow were among the 24.[12] With the breakwaters came the floating piers and roadways for the invasion force and it was Wates that was responsible for these.[13]

The records tend to be more extensive for the larger companies, but the smaller housebuilders also turned to wartime construction. A miscellaneous collection of prospectuses, company histories and press articles describe, inter alia, Bunting Estates building military camps, gun sites and prefabricated houses; Hubert Leach, military camps; Wilson Connolly involved in aerodrome maintenance contracts, particularly at the USAAF bases; Bryant building

[5] John Laing & Sons Minute Book 1928 onwards; it is assumed that these guarantees related to the Builders' Pool.
[6] New Ideal Homesteads Minute Book No 3.
[7] Ritchie, *The Good Builder*, pp.99-102; Jenkins, *On Site*, pp.32-7.
[8] Michael Stratton, and Barrie Trinder, *Twentieth Century Industrial Archaeology*, (London, 2000), p. 112.
[9] Henry F.R. Catherwood, 'Development and Organisation of Richard Costain Ltd', in Ronald S. Edwards and Harry Townsend, [eds], *Business Growth*, (London, 1966), p.274..
[10] Jenkins, *On Site*, p.38.
[11] Anon, *Teamwork*, 1950, p. 49.
[12] Major W J Hodge, The Mulberry Invasion Harbours', *The Structural Engineer*, March 1946, p.192.
[13] Fred Wellings, *The History of Marley*, (Cambridge, 1994), p. 69.

munitions factories and military installations; Unit Construction, military camps; Mactaggart & Mickel undertaking defence work for local authorities and the principal ministries, and so on. Some firms virtually gave up any form of trade other than repair work during the war, while others closed or kept the business going on a minimal scale. This was particularly true of the very small organisations but there were some larger firms that suffered from the exodus of staff to the armed forces; John Lawrence of Glasgow was a firm that lost most of its staff,[14] and the 685th Artisan Works Company, Royal Engineers, was largely formed from men of the Unit Construction Company - seven officers, 42 NCOs and 240 men.[15] Sometimes the lack of substantial construction activity was a matter of personal attitude. 'Unfortunately, rather than expand, [Arthur Prowting] went back into his shell'; at the end of the war Prowting had no more than half a dozen staff.[16] On other occasions, the proprietor served in the forces: Ben Bailey was called up and his wife ran the war damage business in his absence;[17] George Ward enlisted as a Lieutenant in the Royal Engineers and the firm switched to war damage clearance, building radar stations and lifeboats.[18]

The experience of wartime construction work, particularly on the Mulberry Harbour, gave a select band of what had been predominantly housebuilding concerns an unrivalled entrée into large scale contracting. Catherwood said that there was no doubt that the war set Costain on its feet as a contractor and had given it a strong position in the latest contracting plant.[19] Taylor Woodrow was raised from 'a prosperous building firm specialising in housing estates to a place among the giant names in the contracting and civil engineering world.'[20] And although not one of the Mulberry contractors, Wimpey was so successful at winning contracts that there were even suggestions that Churchill had a stake in the company (exonerated by the Clyde enquiry in 1942).

For all that construction came to dominate the operations of the 'housebuilders' for six years, there is evidence of planning during the war for the eventual resumption of speculative housebuilding, optimism that was to be misplaced. The evidence of the minute books is instructive in this context. In October 1943, the Laing directors discussed all their estates to determine how development would continue when war ended: 'our first two objects would be town buildings for ourselves and housebuilding for ourselves and local authorities. General buildings for architects would probably come next and civil engineering work after that.'[21] Wimpey was naturally cautious in 1942: 'directors were of the opinion that it was undesirable to purchase more land before the end of the war, but the regional offices should take any favourable opportunity of securing contracts for building houses for the Government or Municipal Authorities, thus getting a small staff ... could be available if and when conditions render speculative house building a remunerative proposition.'[22] During 1943 a more positive attitude emerged in a series of personal memos sent by managing director Godfrey Mitchell: 'The sites cleared by blitz are not likely to be rebuilt by speculative builders; it is much more likely that Local Authorities...will clear them....It is likely, therefore, that we shall start up one or two estates in a very small way and see what results we get. If results are good, then speculative building is likely to blaze up much more quickly after this war than after the last.'[23] However, there was no evidence of housebuilders actually buying new sites.

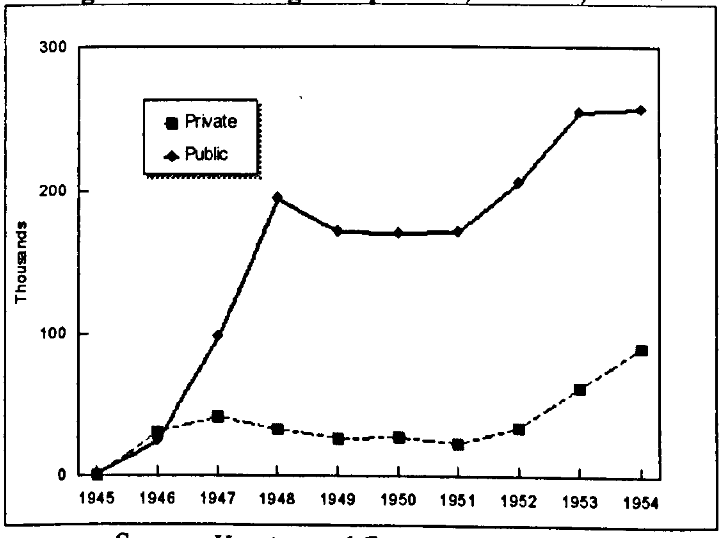
[14] From profile in *Housebuilder*, Dec 1969, p.657.
[15] John, *A Liverpool Merchant House*, pp.153-4.
[16] Interview with Peter Prowting, December 2000.
[17] Interview with Richard Bailey, January 2002.
[18] Anon, *Work is Fun*, p.4.
[19] Catherwood, 'Development and Organisation'.
[20] Jenkins, *On Site*, p.32.
[21] John Laing & Sons Minute Book 1928 onwards.
[22] Wimpey Board of Management Minute Book, Feb. 1942.
[23] Godfrey Mitchell memo 23rd Sep 1943. Files of Wimpey correspondence and early minute books are held in the CIRCA+WICCAD archive at Kimmins Mill, Stroud.

Peace-time Controls

On 7 May 1945, war in Europe ended and on July 21st the Labour Party was elected to govern for the first time with an absolute majority. For six years there had been almost no new housebuilding while the existing stock had been reduced by bomb damage: 200,000 homes were destroyed and more than three and a half million damaged.[24] The political decision taken by the new government was that the public and not the private sector would be responsible for the rebuilding of Britain's housing. The strict private sector controls of Defence Regulation 56A were renewed; there were also controls on the supply of timber and steel. Nevertheless, some housebuilders did try to resume their pre-war activities but the licences were tightly constrained by maximum limits for price and area and by occupier requirements. Alan Cherry, a founder of Countryside Properties, remembered the process: 'When I was a kid in the estate agency I use to handle applications for building licences for one or two builders in the Ilford area, every new house you wanted to build, you had to have a licence for, you had to put all the sob stories in on behalf of the applicants. Find the buyers and then get a building licence.' Indeed, I can remember living in a 'half a house' when a child as my father could only get the licence for one side of what ultimately became a pair of semi-detached houses.

By 1947 it was agreed that the speculative housing sector's contribution to the total new housing programme could be one fifth, but the reality was that speculative development became even more difficult. Contributory factors included the 1947 Town and Country Planning Act which imposed a 100 per cent tax on the increase in the value of land that resulted from the granting of planning permission, and the economic crisis which resulted in the suspension of the short-lived convertibility of sterling; this latter event led to the suspension of building licences from August 1947. In June 1948, local authorities were again allowed to issue licences but only under very strict terms and to all intents and purposes the speculative housebuilding industry was allowed only a token existence. Taylor Woodrow said that when the war ended, the company had prepared itself to meet the needs of thousands of would be owner occupiers and was soon staffed to produce 4,000 houses a year. However, in the three years from 1946 the company had been allowed to build only 205 houses for private sale.[25] For those requiring further detail, an excellent summary of the building controls is given by Merrett.[26]

Figure 4.1: Housing Completions, 1945-54, 1000s



Source: *Housing and Construction Statistics*

[24] Merrett, *Owner Occupation in Britain.*, p.18.

[25] *Housebuilder*, Nov. 1949, p.254.

[26] Merrett, *Owner Occupation in Britain*, pp.18-25.

By 1951, private housing completions were no more than 23,000, substantially less than the 41,000 of 1947 and insignificant besides the 172,000 produced for the public sector. In October 1951 a Conservative Government was elected: Harold Macmillan was Minister of Housing with a target of 300,000 houses a year. Despite the promise of 'a bonfire of controls' it was some time before the speculative housebuilding industry was free of its restraints. In December that year there are file notes of a conversation between Godfrey Mitchell and Norman Wates reporting Mitchell's conversation with Macmillan on removing housing licences; the housebuilders were trying to convince Macmillan that the system of issuing licences to individual people would not work.[27] Licensing was gradually relaxed and private housing output began a rapid recovery. However, it was not until 1953 that controls on timber and steel were removed and the tax on development value ended, and November 1954 when Defence Regulation 56A was revoked.[28] By that year, housing completions had recovered to 91,000.

The Response of the 1930s Housebuilders to post-war controls

In effect, the speculative housing industry was constrained, to a greater or lesser degree, in its ability to function for a period of 15 years. The question becomes, what did the 1930s housebuilders do in this period, and how did their actions and strategic decisions affect the subsequent structure of the corporate sector of the housebuilding industry? Their wartime activity has already been covered and the responses ranged from shutting up shop, through war damage work to becoming major building and civil engineering contractors. After the war, it is probable that some of the more local housebuilders never returned to business; there are a number of pre-war housebuilders that do not appear to have left any significant post-war trace. F.E. Moss was President of the House Builders Federation in 1946, but in that year he and his wife resigned as directors from N. Moss & Sons and under new directors it changed its business; in 1949 the Board of Trade was enquiring of Moss's Gloucester company whether it was still carrying on a trade.[29] In 1948, Moss had joined Leo Meyer in the formation of New Ideal Homesteads South Africa in 1948 and one presumes that he emigrated. Neither have any post-war references to Tommy Nash's business been located while George Ball appears to have turned itself into an investment company.

Some housebuilders, such as Ideal Homes, Davis Estates and Janes, did try to concentrate on what was left of their pre-war housebuilding business, managing their stock of rented properties, and waiting for better times to come, for example, Ideal continued to buy properties for investment, purchasing hundreds of houses at a time, often with the intent of reselling to sitting tenants.[30] However, for the most part, the housebuilders' strategy was to participate in the rapidly expanding local authority housebuilding programme and to develop their wartime construction business. The widespread option, as it required little in the way of new production techniques (at least for low rise housing), was to service the expansion in public housing. Local authority housebuilding had accelerated after the war reaching 193,000 completions in 1948; the numbers dropped a little over the next three years but by 1953 local authority housing completions had reached 241,000 (housing associations contributed another 15,000). This was a massive programme, more than double the pre-war public housing peak.

Wimpey became the largest builder of council houses and its strategy had been planned well in advance: it was decided in 1943 that 'after the war there would be large contract house building programmes all over the country...and we should now set aside certain men who were considered the best for the purpose, and who would concentrate entirely on the technique and the organisation in advance of any future building development.'[31] Most of the

[27] Wimpey archive.
[28] Merrett, *Owner Occupation in Britain*, p.26.
[29] N. Moss & Son Ltd 00256285; Moss Estates (Gloucester) 00349276.
[30] New Ideal Homesteads Minute Book, No 3, Feb. 1946.
[31] Wimpey Board of Management Minute Book, March 1943.

housebuilders' contribution to the local authority building programme was as the contractor, but occasionally there was co-operation on land already owned. For example, 'Ideal became associated with Aneurin Bevan's plan for co-operation between private enterprise builders and local authorities, to construct houses to rent.'[32] One of its first schemes was at Sidcup where work began on 500 homes in October 1945 - helped by 50 ex-prisoners of war, all former builders.

The post-war shortage of both materials and labour, combined with the size of the building programme, pushed the industry towards industrialised construction methods. Bowley pointed out that in contrast to the inter-war period, non-traditional housing was not required to be cheaper than traditional methods, just an alternative. 'In practice as well as in policy they were rather unpopular expedients to tide over temporary scarcities.'[33] Perhaps, for this reason, what was seen as new technology had little impact on the speculative part of the housebuilding industry, which was to remain traditional in both construction and demand. Nevertheless, the local authority housing programme presented substantial opportunities for those who wished to partake. By the end of 1950, Laing had built more than 14,000 Easiform houses and the annual rate was up to 5,000.[34] Costain built 10,000 pre-fabricated concrete houses, 7,500 steel prefabs and about 10,000 aluminium houses.[35] Miller in Edinburgh designed its own non-traditional house, the Miller 'No Fines' house, in 1950 with factories employing around 1,000 people; nearly 7,000 had been built by 1955.[36] Taylor Woodrow developed the Arcon steel house; the first contract was for 43,000 units and they employed 6,000 staff.[37] Wates developed a pre-fabricated housing system which was used on 40,000 houses by Wates and by licensees.[38] Large and small, the housebuilders turned to the local authority market. By the early 1950s, Wimpey was building 18,000 local authority houses a year around the country; Maunders built 5,000 council houses for north west local authorities in eight years; Wilson Connolly built 200 houses a year for the Northampton Corporation. However, a few treated the local authority market with disdain. According to Herbert Janes, speaking at the Housebuilders' Federation AGM in 1947, 'the man who built council houses was not a house-builder but a contractor. Contracting required a different mentality, a different technique and a different staff from house-building.'[39] This is a critical comment, in both senses of the word, and will be explored in Part II.

Although the larger concerns had tried to re-enter the speculative housing market immediately after the war, their enthusiasm waned as restrictions tightened and they then developed other parts of their business. It is assumed that local authority housing was a profitable operation for the participants and the cash flow may have provided some companies with the capital for later land purchases. The evidence is limited, for even today companies would be loth to provide such commercially sensitive information. However, there were none of the complaints about contract losses that became common in the late 1960s and early 1970s, suggesting a more favourable climate; there is also the occasional corporate reference. The Scottish Bett Brothers built substantial numbers of council houses on margins well over five per cent 'unheard of in recent times' and that provided the finance for the land purchases.[40] More remarkable was a 1954 minute by Wimpey that its 'no-fines' system had earned margins of 14 per cent, an exceptionally high figure for a contracting business.[41]

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32 Furnell, *Ideal Homes*, p.16.
33 Marion Bowley, *The British Building Industry Four Studies in Response and Resistance to Change*, (Cambridge, 1966), pp.199, 205.
34 Ritchie, *The Good Builder*, p.112.
35 Catherwood, 'Development and Organisation', p.274..
36 *Dictionary of Scottish Business Biography*, p.164.
37 Jenkins, *On Site*, p. 47.
38 Anon, *Wates Build*, 1963.
39 *House-Builder*, Jan. 1947.
40 Interview with Iain Bett, January 2002.
41 Minute Book of the Board of Management, Nov. 1954.

Opportunities also existed to capitalise on the new-found wartime construction expertise which enabled companies like Taylor Woodrow and Wimpey to become leading national and even international contractors. Within a year of the war, Wimpey was working in Egypt, Kuwait, Iraq Singapore and Portugal and over the next decade built oil refineries, power stations, dams, mines, dry docks, roads, airfields and harbours.[42] Taylor Woodrow minutes noted that the priority was to 'carry on with existing contracts and seek new work which will be granted the highest priorities such as power stations, and factories likely to be interested in the export trade, open cast coal sites'.[43] Laing obtained contracts in Syria for Iraq Petroleum in 1946. Costain had been drawn overseas before the war when the Air Ministry was looking for tenders for an airfield near Baghdad; although that tender was lost, Costain decided to seek other middle east work and around 1935 was awarded a section of the Trans-Iranian Railway. Undaunted by the losses on that project, Costain went on to work for BP in Abadan in 1938 and after the war decided that its main effort should be overseas.[44]

Occasionally, investments were made overseas in housebuilding itself. The preferred country was South Africa and housebuilders who went there included Laing and Taylor Woodrow in 1946 and Gough Cooper and Ideal Homes in 1948. No doubt the winter weather was an attraction: the founders of Gough Cooper and New Ideal emigrated for some years; Leo Meyer resigned as managing director of Ideal for health reasons and did not return until 1953. Political fears also played a part and, after failing to make any money for three years, Laing admitted that 'we should bear in mind we went forward...with the scare of our Socialist Government as a background.'[45] Despite the flirtation with housing, the substantial overseas commitment was made in construction and, with the development of a domestic business ranging from local authority housing to power stations, a small group of the pre-war housebuilders had transformed themselves into profitable construction groups within which the original speculative housing activity had become almost an irrelevance. By 1954, the boards of these companies were peopled by directors who may never have built houses; who had been contractors all their working lives and, moreover, who looked down on housebuilders as 'cottage bashers'. When John Laing reformed its private housing division in 1953 it did so under the name of John and David Martin to avoid tainting the image of the Laing brand name in the construction market. 'Everybody thought we were housebuilders and everybody looked down on housebuilders as the bottom end of the market. We were trying to get major civil contracts and the potential clients were saying "you are just housebuilders" '.[46]

In assessing the influence of the period between 1939 and 1954 on the private housebuilders, it is clear that those firms that were driven by dynamic entrepreneurs, unwilling to sit back and wait for their traditional market to return, were undoubtedly the stronger as firms for their pursuit of local authority housebuilding, national and international contracting. However, although they may have been stronger as firms, they were not necessarily stronger as speculative housebuilders. Those companies that had created an alternative spread of business did not readily want to divert key personnel to private housebuilding. Even as late as 1954, Wimpey's managing director, Godfrey Mitchell, was hesitating about committing too many resources to private housing saying 'we should for the moment not bother about entering this market. We could use all the staff we have got at present on building remunerative "No Fines" work for Councils... to enter this market would mean taking men away from known remunerative work. We...must all watch what was happening while the smaller firms were trying it out and be prepared to switch into it when there was real money in the proposition.'[47] The attitude of the managements had also changed in other ways. The men now at the top were more interested in the glamorous construction projects. The Wimpey

42 Wimpey accounts, 1946, 1954.
43 Taylor Woodrow Minute Book, 1931 onwards, Oct. 1947.
44 Costain, *Reflections*.
45 John Laing Board Minutes, 15 Dec.1949.
46 Interview with Sir Maurice Laing, April 2000.
47 Management Board Minutes, Jan. 1952.

history referred to wartime contracts bringing to the Company 'so many of the Scottish civil engineers who were to make their mark in the years to come'; the irony that went unnoticed by the author was that these engineers had other priorities than private housebuilding.[48] The implications of the diversification away from speculative housing will be apparent in the chronological chapters that follow and will be discussed in Part II.

[48] White, *Wimpey*, p.16.

5. The Post-war Housing Boom 1955-1973

Introduction

The period from the ending of controls in 1954 through to 1973 was a period of unrestrained growth for the speculative housebuilder, first in volume terms, as demand responded to the post-war shortage of houses compared to households, and then in profits as house price inflation accelerated in the early 1970s. By the beginning of the 1960s, the top ten housebuilders were producing some 14-16,000 houses a year, not far short of the level in the late 1930s and, at around nine per cent, a higher share of the market. However, with the exception of Wimpey, which stood head and shoulders above its competitors, the larger pre-war housebuilders had not been overly successful in restoring their earlier volumes; a newer generation of housebuilders began to emerge. By the end of the post-war boom, there were some half dozen companies building more than 2,000 houses a year and as many as 26 building at least 1,000 a year; the top ten were responsible for 32-33,000 houses a year, despite the smaller size of the industry, and their market share had risen to around 18 per cent.

The 1960s and early 1970s saw the development of a number of semi-national housebuilders and one undisputed national. Before the war, there was no doubting that housebuilders were purely localised concerns, with no more than a handful building outside their home area, and that little more than on a sporadic basis. By the end of the post-war boom Wimpey was operating nationally through a regional structure that had been defined at the end of the war; on a smaller scale, Bovis Homes also claimed a national organisation. More common was the medium-sized firm that covered a significant area of the country - Northern Developments and Barratt, for instance, building across the north of England. By 1973, the regional housebuilder had arrived, helped in part by stock-exchange financed acquisitions.

The Private Housing Market

Chapter 4 referred to the recovery in private housing completions from 23,000 in 1951 to 91,000 in 1954, as controls were progressively removed. From then on, there was almost uninterrupted growth up to 1964 with completions of 218,000. Merrett put it succinctly: 'With respect to private housing, it was essentially a matter of unleashing the industry'.[1] A word of caution is warranted about the use of statistics relating to the number of households and the size of the housing stock. The number of households is not determined solely by demographics and, in a complicated interaction, it is also influenced in turn by the number of houses available: 'it would be misleading to describe the quantitative aspect of housing progress as if it were provision of dwellings to house an independently determined total of households.'[2] Nevertheless, there can be no doubt that a substantial shortfall in housing stock existed at the time when building controls were removed. Parry Lewis estimated that the increase in households between 1940 and 1947 exceeded the increase in housing stock by 1.3m. and that the first post war census (1951) showed that the number of households in England and Wales exceeded the number of houses 'by rather more than a million'.[3] *Housing Policy* used the period 1938-51 to compare an increase in dwellings of 1.13m. with an increase in households of 1.96m., a shortfall of 830,000.[4] What increase there had been in housing supply in this period was almost all provided by local authorities; there had been almost no supply of new housing to satisfy the latent demand for owner-occupation. Demand, of course, is only effective if supported by income and the period from 1951 to the mid-1960s

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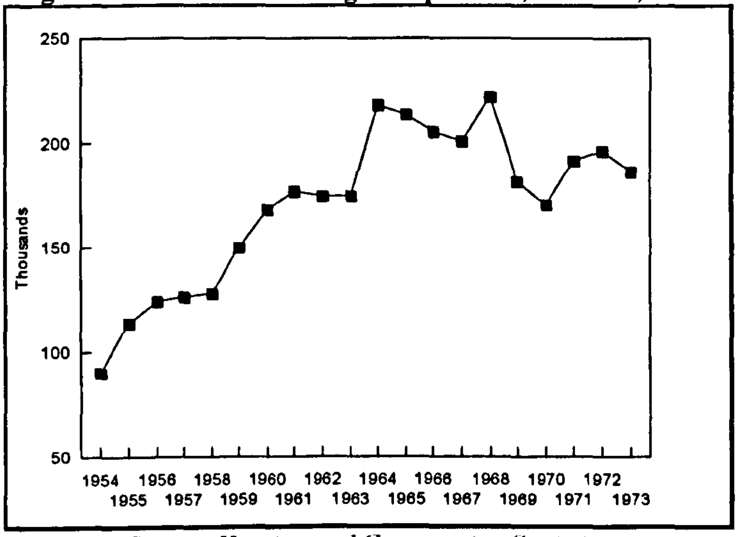
[1] Merrett, *Owner Occupation in Britain*, p. 26.
[2] HMSO, *Housing Policy Technical Volume Part I*, (London, 1977), p.16.
[3] Parry Lewis, *Building Cycles*, p.239.
[4] HMSO, *Housing Policy Technical Volume Part I*, p.22.

saw strong growth in real incomes and support from the building societies that lent on the strength of those incomes.[5]

Figure 5.1: Private Housing Completions, 1954-73, 1000s



Source: *Housing and Construction Statistics*

The period from 1964 to 1973 remained favourable for the private housebuilders,[6] but the statistical pattern was different. Private housing output no longer grew rapidly and although it remained on a high plateau, annual completions became more erratic; a post-war record of 222,000 was achieved in 1968 but the years to 1973 all saw annual completions a little under 200,000. What changed was house price inflation, not a new phenomenon in the post-war period, but it had never been anything of the magnitude experienced between 1971 and 1973 (see Fig. 5.2). Bank rate had fallen from the eight per cent ruling in early 1970 to five per cent by September 1971. Competition and Credit Control came into operation in September 1971 and by the end of the year limits on bank lending had been removed.[7] Building society new lending doubled between the beginning of 1971 and the end of 1972. By the latter part of 1972, house prices were increasing at an annual rate of 40 per cent and they more than doubled between the beginning of 1971 and the end of 1973. House price inflation had consistently averaged between five per cent and ten per cent throughout the 1960s, encouraging housebuilders to own substantial stocks of development land. The ownership of this land in a period of sharply rising house prices provided a period of exceptional profitability to conclude a two-decade bull market for housebuilders. Some 70 individual firms took advantage of this to float their businesses on the Stock Exchange. Many developers had known nothing but these conditions and incorrectly assumed their continuance, the effect of which will be examined in Chapter 6.

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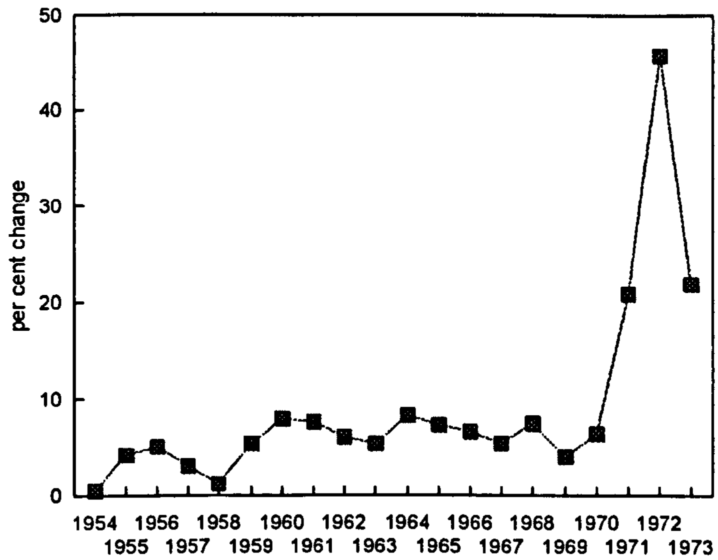
[5] Further background on housing demand in this period can be found, inter alia, in HMSO, *Housing Policy Technical Volume Part I*; Merrett, *Owner Occupation in Britain*; and M.J. Vipond, 'Fluctuations in Private Housebuilding in Great Britain 1950-1966', *Scottish Journal of Political Economy* 16, 1969, pp.196-211.

[6] This was in marked contrast to the public sector where housing completion almost halved between 1967 and 1973; the public expenditure reductions which followed the 1967 devaluation of sterling and the re-election of a Conservative government in 1970 were contributory factors.

[7] Michael Moran, *The Politics of Banking. The Strange Case of Competition and Credit Control*, (London, 1984), provides an excellent background.

Figure 5.2: Change in House Prices, 1954-73, per cent



Source: *Nationwide Building Society House Price Index*

Which Firms Built the Houses?

There are few individual unit output figures available immediately following the abolition of building controls. There was only a handful of quoted companies, little trade reference to volumes, and few surviving minute books. The outbreak of war left many unfinished sites and it is assumed that builders returned first to their old sites, many of which would have had the infrastructure in place, and resumed building as quickly as they could. New land purchases followed as building controls were removed. Ideal's first significant land purchases were minuted in March 1953, seven sites for 511 units in the London suburbs, and it claimed to have sold 20,000 houses from the end of the war to 1959.[8] Taylor Woodrow built 500 houses in 1953 and 1,150 in 1955[9] and Davis Estates was reported in *Housebuilder* as having estates in London, the Southern Counties and the Midlands in 1954. Newer firms, not in existence before the war, were also emerging and the south coast firm of Hallmark Homes was one of the first to build in sizeable numbers, with around 500 completions in 1955. Others were perhaps more cautious. Even at the beginning of 1954 Wimpey's Godfrey Mitchell was viewing the speculative housing market as 'an unknown and probably a sticky one'.[10]

It is not until the end of the 1950s that the changes in the post-war corporate structure begin to become evident; the individual company numbers become both larger and more reliable as a data base. The intent of the following section is to track the changes in corporate size, showing the decline in the relative position of most of the pre-war leaders and the gradual emergence of a new generation of speculative housebuilders. The pace of change was such that it is necessary to use three separate dates; these have been taken as the periods around 1960, 1965 and 1973. Between these three dates the market share of the top ten housebuilders doubled from approximately nine per cent to 18 per cent and the number of individual housebuilders selling more than 1,000 units a year rose from an estimated four to around 26.

[8] New Ideal Homesteads Minute Book No 3, March 1953; Leo Meyer, speaking at 25th Anniversary Dinner, reproduced in Furnell, *Ideal Homes*, inset p.29.
[9] Taylor Woodrow Homes Minute Book No 1, Nov. 1953; Jan. 1956.
[10] Wimpey Board of Management Minute Book Jan. 1954.

(a) 1960

By the beginning of the 1960s, the top ten housebuilders were producing some 14-16,000 houses a year; given the approximate nature of the company figures, this can be regarded as broadly similar to the 16-17,000 a year estimated for the top ten in the late 1930s. That it was a higher percentage of the industry total, at around nine per cent, reflected that fact that the industry, although recovering strongly with private housing completions of around 170,000 a year, was only building at half the rate achieved in the mid-1930s.

Table 5.1 shows the picture around 1960, i.e. almost a decade after the re-election of the Conservatives and five years after the removal of the last of the building controls. Before the war, Ideal was producing over 5,000 houses a year with a couple more firms building around 2,000, and it was possible to identify another six or seven companies building 1,000 houses or more a year. By 1961, Wimpey was selling 6,000 houses a year in the private sector; these numbers were substantially in excess of its pre-war output and on a par with the record levels achieved by Ideal in the 1930s. Ideal itself had recovered to around 2-3,000 a year by 1960.

However, leaving aside Wimpey and Ideal, what is noticeable from Table 5.1 is that no other housebuilder that had been building 1,000 houses a year before the war had regained those levels, although Davis Estates may have been close. After its excellent start, Taylor Woodrow was actually producing less than in 1954. Such prolific pre-war housebuilders as Wates were building only one or two hundred a year; Costain and Laing 300; and Henry Boot, responsible for the largest number of private sector houses in total before the war, perhaps 200.[11]

Table 5.1: A League Table of Housebuilders c.1960; firms building 500 units or more p.a.

Date Formed	Housebuilder	Annual output
1880	Wimpey	6000[61]
1929	New Ideal	2-3000
1919	MRCE*	1200
1884	Janes	c.1000 [900 in 58]
early 1920s	John Lawrence	500-1000?
1920	McLean	800 [63]
1933	Gough Cooper	800 [62]
1946	Bellway	700
1921	Taylor Woodrow	c.750 [660 in 58]
1929	Davis Estates	est. 500-1000
	Top ten	**14-16,000**
1864	Dares	500-600?
1932	Leech	Not known, est. c.500
1904	Wilcon	500?
1952	Fell	c.500
1935	E Fletcher	500?
1901	Mactaggart & Mickel	c.500
1957	Hallmark	500

*Includes Whelmar's 1000

One of the explanations for the decline in numbers has been covered in Chapter 4: some of these companies had created substantial alternative streams of income derived from their

[11] See accompanying disc.

wartime construction and post-war local authority housing. After a gap of 15 years there was little incentive to rebuild the speculative housing business. Moreover, the passage of time meant that most of the senior management now had their roots in construction, not development. Despite its slow start, the exception was Wimpey, which had as diversified a business as any, but the determination and foresight of Godfrey Mitchell, arguably the most important individual in the twentieth-century history of the British construction and housebuilding industry, supported by FW McLeod who ran the speculative building programme, created a private housebuilding business that dominated the industry. Others that had the post-war financial strength to have been in that position could not always come to terms with the more inflationary conditions in the land market: 'That is why [Taylor Woodrow] never got back to building 1,000 units a year, as Frank Taylor would not buy the sites when they were going up in price.'[12]

Even where there had been no substantial diversification, the 15-year gap had changed attitudes; the driving force was now half a generation older and succession planning had been rudely interrupted. Charles Boot, the dominant individual in Henry Boot, had died in 1945; Geoffrey Crouch is believed to have died during the war; Jack Mactaggart had moved to the Bahamas for health reason and sold out to the Mickel family in 1947; Tom Warren was nearly 70 in 1954 when controls were finally removed and he had no sons. Thus, it can be seen that the firms that experienced substantial decline compared with their pre-war housebuilding levels had either created other streams of income that appeared more rewarding; or the driving force of the business before the war was no longer in the same position.

The corollary of pre-war names no longer being the housebuilding force that they had been was the emergence of unfamiliar names. New housebuilding companies were being started from the beginning of the 1950s. Hallmark Securities, for instance, which came to the stock market in 1957 through a reverse takeover, was controlled by a banker and a solicitor and had started housebuilding a few years earlier in partnership with Alan Draycott, a south coast estate agent; the 1958 accounts claimed that volumes had been around 500 a year since 1955. Fell Construction was incorporated in 1952 as a building and civil engineering contractor by Ronald Fell, then a 32 year old Wakefield builder. Fell was born in Dewsbury and after time as a land surveyor with the Dewsbury Corporation and service with a Wakefield building firm he started his company with half a dozen employees; by 1962 over 2,500 houses and bungalows had been built in Lancashire, Yorkshire and Cheshire.

Some housebuilders may have had pre-war roots but were really post-war creations being little more than sons following in their fathers' footsteps. The midlands firm of E. Fletcher was started in 1935 but Edward's son Geoffrey joined the firm in 1952 and became managing director in 1960. John T. Bell Ltd. (later Bellway) was formed in 1946 by John T's sons who brought in their father, a pre-war builder whose business had failed: by 1960 the firm was building 700 houses a year in the north-east, making it one of the largest housebuilders in the region. John McLean had founded his business in 1920 and remained a small Wolverhampton contractor and housebuilder. At the end of the war he 'was reaching an age when, to many men, retirement becomes a major aim in life. By then his eldest son Geoffrey was ready to take over the reins, and asked for them firmly - all the reins - and at once!'[13] Geoffrey McLean introduced management consultants into the business in 1952 and expanded the company rapidly: by the time it floated in 1963 its sales were approaching 800 houses a year.

More noticeable was the development of pre-war concerns that had viewed their wartime construction and post-war local authority building as an unnecessary distraction. Under the control of Sir Herbert Janes, onetime Mayor of Luton, HC Janes had managed to build some 120 houses in the first year of peace. By 1958, when the firm floated, the annual rate of sales

[12] Interview with Stan Tribe, June 2000.
[13] *House Beautiful*, June 1959, p.32.

was up to 900. Gough Cooper had been building around 100 houses a year in Kent but during the 1950s and early 1960s Harry Gough-Cooper[14] expanded the business across the south-east and was building some 800 houses a year by 1962. Dares, reported as building 800 house a year before the war in the midlands, had managed to build some 200 houses during the period of total building controls and under the continued leadership of Harry Dare, had probably recovered to 500-600 a year by the beginning of the 1960s. In Scotland, John Lawrence was described in the 1950s as 'presiding over the largest private building organisation in Scotland'[15] and, extrapolating back from totals known in 1964, was probably selling between 500-1,000 units.

The most difficult to categorise was Whelmar, which started as a joint venture between Metropolitan Railway Country Estates and Metropolitan Railway Surplus Lands but in reality it was the creation of Tom Baron, a Manchester chartered surveyor who progressed from buying land for his clients to developing the houses. As he succinctly put it: 'I realised how often they made a balls of it and I used to think "I could do better than this". By 1962 I was probably the biggest spec. builder outside Wimpey though nobody had heard of me, because I was working for seven companies. The involvement was total but I couldn't take an equity stake in any of my clients under the rules of the RICS.'[16] Whelmar was now the dominant part of MRCE.[17]

The changes in the ranking of leading firms varied considerably, but all stem from the 15-year period of war and post-war controls that had led some firms into more profitable alternatives and destroyed management continuity. Much depended on whether the dominant personality before the war, at this point always the founder or family member, was of an age and inclination to continue a vigorous development of the firm after the war. Men like Godfrey Mitchell, Leo Meyer, Herbert Janes, John Lawrence, Arthur Davis and Harry Gough-Cooper were such men; John Mactaggart and Tom Warren were not. The issue of succession is addressed more fully in Part II.

(b) Mid-1960s

Within another five years, i.e. by the mid-1960s, the number of housebuilders producing a thousand or more houses a year had risen substantially, certainly to ten and perhaps a dozen; the total number of houses built by the top ten had also risen nearer to 20,000 houses a year but with the industry's completions also higher at 215,000, the market share remained at around nine per cent. Wimpey had further increased its leadership of the industry both in absolute terms, having raised volumes from 6,000 to 8,000 a year and also relative to the other companies, particularly Ideal which had halved its volumes following the death of its founder. The pre-war leaders that had fallen behind by 1960 continued with low volumes: Taylor Woodrow barely makes the top 20 and, surprisingly, its annual output of 500-750 was only half that achieved in the period when controls had just been removed. Costain, Laing and Wates were still building 500 a year or less, and Henry Boot only a couple of hundred.

[14] The individual dropped the hyphen when naming the Company.
[15] Watters, *Mactaggart & Mickel*, p.160.
[16] *Housebuilder*, Aug. 1986.
[17] See the accompanying disk for above companies.

Table 5.2: A League Table of Housebuilders in 1965; firms building 500 units or more p.a.

Date formed	Housebuilder	Annual Output
1880	Wimpey	8100
1919	MRCE	c.1800 [inc Whelmar]
1929	New Ideal	1200-1300 [1150 in 66]
1884f	Janes	1000-1200
early 1920s	John Lawrence	1000-1200
1957	Hallmark	1145 [64]
1929	Davis Estates	1000-
1952	Fell	c.1000
1935	E Fletcher	c.1000
1903	Page-Johnson	c.1000
	Top ten	**18-19,000**
1933	Gough Cooper	800-1000?
c.1958	Whelmar	1000
1932	Leech	Not known, possibly 750-1000
1920	McLean	c.750
1937	Bett	750 [67]
1904	Wilcon	750
1946	Bellway	700+?
1934	Drury	600-800
1921	Taylor Woodrow	500-750?
1885	Bryant	500-750
1927	Miller	Not known, possibly 500-750
	Top twenty	**25-26,000**

The interest in this period is not the confirmation of the failure of most of the pre-war leaders to recover their position; it lies in the emergence of a new group of medium-sized housebuilders, many of them post-war creations. Fell, Fletcher and Hallmark were mentioned earlier and they had doubled in size within the five years to around 1,000 units a year and entered the top ten. For the first time, acquisitions were beginning to play a part in growth: Fell had bought the Northampton firm of Adkins & Shaw and Hallmark bought AJ Wait, the first housebuilder to float after the war (1956). One other name that appears in the top ten was Page-Johnson. The firm was technically a pre-war business in that Victor Johnson had a small jobbing business in the Birmingham area: he died in 1939 and his eldest son, Frank 'Johnny' Johnson took over. Page-Johnson was probably typical of those entrepreneurial firms that prospered as controls were dismantled and by 1960 it was large enough to float: the company spread rapidly across the country in the 1960s, from Teeside down to Devon and Hampshire. Further afield, Page-Johnson built flats in Southern Rhodesia and developed in France and Australia.

Just as Page-Johnson could be described as a pre-war company but was, in effect, a post-war creation, so too could Bett, Bryant, Drury and Wilson Connolly; Bryant and Wilcon went on to become major forces in the industry. Andrew Bett and his three sons founded Bett Haulage in Dundee in 1936, gradually moving into construction work. After the war, the company was run by the second generation and it concentrated on building houses and shops for Dundee Corporation and significant housing volumes were completed. When the first building licences became available, Bett began building houses again in a small way in Dundee and after 1960, began to build outside Dundee, spreading across east and central Scotland. The Prospectus issued when the Company floated in 1967 estimated that in 1966 the company was responsible for ten per cent of the Scottish housing starts. Thomas Drury and his brother-in-law Ralph Grocock started their Leicester-based building business in 1934, incorporating it as Drury & Co in 1935. After the war, the company concentrated on local authority contracts mainly in the Midlands and the London area but from 1956 work was carried out in Lancashire, Yorkshire, and the south-west. Private estate development, through Drury Estates, was not started until 1951 and a southern housing subsidiary was formed in 1957. By the time the Group was floated in 1964, estates were spread through Leicestershire and Northants, up to Lancashire and Yorkshire, across to the south Midlands and East Anglia, and on the south coast.

Bryant and Wilson Connolly were much older construction businesses. Bryant was founded in 1885, becoming a substantial building contractor in the Birmingham area in the 1930s; however, it did not start speculative housing until 1936 and the volumes were modest. It was under third generation Chris Bryant that Bryant Estates was formed in 1954: by 1958 it was building around 350 houses a year and it was then that Roy Davies, who was not a family member, took over its management, leading its housebuilding expansion for almost 30 years. Thomas Wilson was a Northampton shoemaker who had returned to England in 1904 after an unsuccessful stay in the USA, and started his own small building company. It ran as general construction business before beginning speculative housing in 1932 and it averaged around 150 units a year in the late 1930s. There was no serious attempt to restart private housing until the end of controls in 1954 by which time the third generation of Wilsons was starting to enter the business. By 1965 output had risen to a very localised 750 units, 550 in the Northampton area and 200 in Swindon.

(c) Pre-1974

By the end of the post-war boom, call it 1973 for convenience, the industry was building slightly fewer houses than in the mid-1960s but there had been a substantial increase in the number of larger companies. Twenty years had elapsed since the removal of building controls, providing ample opportunity for the creation of a new generation of medium-sized housebuilders. Apart from Wimpey, there were 25 companies building 1,000 or more houses, five of which were building in excess of 2,000. The top ten were completing around 32-33,000 units, or some 18 per cent of the industry total; the next ten built a further 12-13,000 giving a market share for the top 20 of 24 per cent. The larger volumes were symptomatic of wider geographic coverage (discussed below) and there was increased use of the takeover as a means of expansion.

Wimpey's dominance might now be expected: the Company's name has been synonymous with Godfrey Mitchell but it was actually FW McLeod who drove its post-war speculative housing business. He died in 1969 and although Wimpey reached a peak output of 12,500 in 1972 it was 30 years (and a large acquisition) before that figure was reached again. Of the top ten, Whelmar, Leech, Bryant and Bellway have been mentioned in previous league tables but half of the top ten, and most of the second ten, have not previously been mentioned. An increasing proportion of the firms may be regarded as post-war creations; indeed, that would apply to all five companies ranked behind Wimpey. Northern Developments had been formed as recently as 1959 by Derek Barnes, an ex-Blackburn Rovers footballer and bricklayer; it expanded rapidly throughout the north of England and the Midlands, helped by acquisitions in the early 1970s. Its registrations with the NHBC averaged 7,000 in 1972 and 1973 although the 1974 recession meant that this figure was never achieved. Barratt Developments, as any reader will already know, achieved more lasting success. Formed out of a partnership in the early 1960s between Lawrie Barratt, an accountant, and Lewis Greensitt, a builder, Barratt floated in 1968 (the same week as Northern Developments) and used the quotation to launch a series of acquisitions, usually of long established quoted housebuilders. By 1973, Barratt had expanded from its Newcastle base north into Scotland and south through Yorkshire into the North West and Midlands. Broseley was started by Danny Horrocks, a joiner turned estate agent. Small housing estates in the late 1950s progressed to commercial developments with Royal Exchange as partner, substantial shareholder and then owner. Like Barratt and Northern, Broseley was well on the way to becoming a national housebuilder.

Table 5.3: A League Table of Housebuilders in 1973; firms building 1,000 units or more p.a.

Date Formed	Housebuilder	Output in 1973	Pre-recession peak output if higher
1880	Wimpey	11,500	12,500 [1972]
1956	Northern Developments	4000	
c.1958	Whelmar	3200	
1885	Bovis	2659#	
1958	Barratt	2500	
c.1954	Broseley	2200	
1932	Leech	1888	
1885	Bryant	1600	
1961	Bardolin/E Fletcher	1500	
1946	Bellway	c.1500	
	Top ten	**c.32,500**	
1962	Francis Parker	1400	
1970	Orme	1357	
1904	Comben	1269	
1941	David Charles	1200	
1901	Wates	1000-1250?	
1933	Gough Cooper	c.1050	
1884	Janes	1000-1200	
1954	Greaves	c.1200	
1920	McLean	>1000	
1959	Federated	c.1000	
	Top twenty	**c.44-45,000**	
1965	Costain	c.1000	
1929	Davis Estates	c.1000?	
early 1920s	John Lawrence	c.1000?	
1950s	Galliford Estates	c.1000	
c.1930	Whittingham	1000-	
1952	Bacal*	c.800	1300 [1971]

* previously known as Fell # rose to 3500 in 1974

Tom Baron's Whelmar had been extricated from the MRCE network and placed within Christian Salvesen, one of the clients for whom Baron had been buying land. All Baron's housing was now concentrated on Whelmar and a series of regional acquisitions in the early 1970s took Whelmar from its Lancashire base into North Wales, Scotland and the North-east. Bovis was the only other company to build more than 2,000 a year. Bovis was a long established building company, first quoted in 1928, and controlled by the Joseph family. It began speculative housing in 1962 but its place in the industry dates from 1967 when it bought Frank Sanderson's housebuilding company. Sanderson had joined an estate agent after national service, setting up his own agency in 1951 and moving into development in 1956 when he built across Kent. Sanderson was chosen to increase Bovis's commitment to housing which he did through a series of acquisitions, the first being R.T. Warren and the largest, Page-Johnson in 1971. By 1970 Sanderson was group managing director and then Chairman in 1972.[18] Bardolin was formed in 1961 and was a small housebuilder until 1968 when Jock Mackenzie joined as Chairman with national aspirations: 'the policy has now been reformulated and we are now in the process of creating a national property investment and

[18] After a failed merger attempt with P&O, Sanderson was forced out of the group in 1973.

housebuilding group';[19] three small firms building in Birmingham and the west country were bought in that year and the company achieved substance in 1969 with the purchase of E. Fletcher.

Many other companies building 1,000 houses a year were post-war creations and the trades-founders continued to be evident, as at Greaves, Galliford and Francis Parker. Greaves was controlled by Edward Wheatley who had left grammar school in 1946 aged 16 following the death of his father and apprenticed as a plumber. After doing repair and improvement work, the firm moved into housebuilding in 1959 and through organic growth became one of the larger developers in the Midlands. Galliford Estates was formed by bricklayer and plasterer brothers who started building houses in the 1950s; flotation allowed the purchase of the A.J. Wait/Hallmark housing business which had itself reached volumes of 1,250 in 1970 before passing under the control of Spey Westmoreland Properties. Less qualified was Bob Francis who started as a clerk at Butlins Bognor Regis, began to do subcontracting work for Billy Butlin before moving into other specialist building trades and, in the late 1960s, housing development before reversing his business into the quoted Daniel T Jackson. Although the enlarged company had been forecasting no more than 600 housing sales for the year to March 1972, the acquisition of the larger Drury and then Dean Smith gave the group a spread of sites from the south coast up to Lancashire and Yorkshire - and a target of 2,500 units.

Some took hold of small family businesses and transformed them, for example, David Charles and Whittingham. David Charles was formed during the war and started estate development in 1952 but its growth stemmed from the appointment of the founder's son-in-law, Robin Buckingham, in 1954 after service in the Royal Navy. A series of acquisitions not only took housebuilding output to 1,200 a year but also moved the company into commercial development and building materials. When William Whittingham floated in 1964 it was still only developing housing estates within a 35 mile radius of Wolverhampton; it was when third-generation Tom Whittingham took over a year later, aged 26, that housing was expanded, all organically, and a significant position built up in commercial property and photographic development. Federated Homes was in a category of its own as a 'family' business; in essence, it was created as a 21st birthday present for James Meyer, the eldest son of Ideal founder Leo Meyer. The first site was bought in 1959 and with the help of Ideal staff, expanded rapidly through the 1960s.

Other founders could be regarded as entrepreneurs who had chosen the housebuilding industry and Jock McKenzie's influence on Bardolin has already been mentioned. Purely financially driven was Orme, having been formed in 1970 by Messrs Whitfield and Tanner, well-known at the time as founders of Clubman's Club. According to the 1971 Prospectus, early in 1970 they had decided that 'there was scope for rationalisation and expansion in the construction industry, property development and allied activities' and, accordingly, they set about assembling a national housebuilding business. The first building block was the privately owned Bruce Fletcher of Leicester, purchased before the float; two more housebuilders were bought immediately after – Tudor Jenkins and Norman Ashton.[20]

The emergence of the Regional Housebuilder

Before the war, it was possible to find housebuilders that operated outside their home area, for example, Davis Estates and Taylor Woodrow, but none operated self-contained regional businesses with their own operational structure. The first attempt was probably by Wimpey which had established a regional structure in 1943 to handle its expanding construction business, a decision later given philanthropic intent by Mitchell: 'Initially it was with no other purpose than to find work for our people who came off the aerodromes and back from

[19] Bardolin Prospectus, 1969.
[20] See accompanying disk for above companies.

France.'[21] An embryo plan for the resumption of speculative housebuilding envisaged a head office staff that would handle land purchase, design and sales leaving the construction to be carried out by the regional offices.[22] When Wimpey did eventually return to private housing, some ten years later, the regional plan was adopted, although with the regional manager given the additional task to 'initiate the first investigation as to possibilities in his region'.[23] In this manner, Wimpey became the first national housebuilder, but integrating its housebuilding within the construction business of its regions was unusual. Bovis, which also had a construction business, was the only other housebuilder in the pre-1974 period with any claim to be a national housebuilder; it had structured its housebuilding on a more self-contained basis. Bovis Homes was described as 'the only national house builder to operate through regionally based, profit responsible, companies, located as far as possible at the centre of the area each serves', a structure that no doubt seemed more logical to the estate agent that was running the business.[24]

Other housebuilders were clearly developing organisational structures that could become national, and there were a few public statements of intent. One came from Carlton Homes, prior to its reverse takeover of Comben & Wakeling, when Terry Roydon described his ambition to create a national housebuilding company: 'We strongly believe that within a few years Carlton Homes will be the second biggest housebuilder in England.'[25] Bardolin, as mentioned above, had put a declaration of national intent in its 1969 prospectus and Orme, another financially driven housebuilder, had also publicly stated its intent to rationalise the industry. There were companies like Costain that could claim to be building houses across the country but these were little more than random sites - the product of a lack of organisation, not a national organisation. The reality is that most of the medium to large housebuilders were semi-national. In contrast to the pre-war pattern, the larger housebuilders were northern oriented; although still an active market, the London suburbs were no longer providing a profusion of large sites. Northern Developments and Barratt built across the north of England, as did Whelmar, with additional coverage of Wales and Scotland. Leech covered the north-east and Scotland while Broseley concentrated on the north-west and the south-west. Of the top ten housebuilders, only Birmingham-based Bryant had no interest in regional expansion, although Bardolin had not progressed much further with its national aspirations than the Midlands.

The regional expansion of the housebuilders owed much to acquisitions, almost entirely through the use of stock exchange transactions. Wimpey, as so often, was an exception with all its growth coming organically; the growth of Northern Developments, too, was largely organic in its early years and by 1973 it was building from Glasgow down to Birmingham. Other industry leaders, however, were substantially helped by acquisitions primarily made in the early 1970s: Whelmar (using parent company capital) bought housing companies in North Wales, Scotland and Doncaster; Barratt bought Bracken for Yorkshire (1972), William Bruce for Scotland (1973), and Arthur Wardle for Lancashire (1972); while Bob Francis, based in Sussex, bought the Essex business of Daniel Jackson to form Francis Parker (1971) before buying the Manchester firm of Dean Smith (1973).

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21 White, *Wimpey*, p.22.
22 Wimpey Board of Management Minute Book, Oct. 1943.
23 Ibid., June 1953.
24 P&O Accounts, 1974.
25 Carlton Homes Newsletter, Dec. 1969.

6. Recession and Recovery, 1973-1988

Introduction

The recession that hit the private housing industry in 1974 and the continued decline through the 1970s did irreparable damage to many of the housebuilders and changed the corporate structure of the industry. By 1980 only 13 companies were building over 1,000 units, half the pre-recession number, although with two large national firms against only one, the top ten's share of the reduced market increased from 18 per cent to 28 per cent. In contrast, the 1980s was another boom decade in which some 29 firms achieved an annual sales rate of 1,000 in at least one year. More significant was the emergence of the national housebuilder - 14 firms were building more than 2,000 a year compared with six pre-1974, and five housebuilders exceeded 4,000 a year compared with two in the earlier period. The top ten firms were producing just over 50,000 units by the late 1980s, some 27 per cent of the increased market. Six companies could now be considered national housebuilders, with a further six to eight having strong regional coverage. Consolidation was not the only trend. There continued to be extensive changes in the corporate identity of the industry's leaders: a majority of the firms in the 1988 league table (6.2) had not previously appeared in the 1973 table (5.3).

The Private Housing Market - the Collapse

The collapse in private sector housing completions from 191,000 in 1972 to 140,000 in 1974, and the subsequent downwards drift to a low point of 115,000 in 1981, does not do justice to the scale of the problems faced by the speculative housebuilding industry. It has to be viewed in the context of the unprecedented fall in the stock market; the failure of the secondary banks that had provided so much of the speculative finance in the closing years of the post-war bull market; and the collapse in the land values that supposedly underpinned the housebuilders' balance sheets.

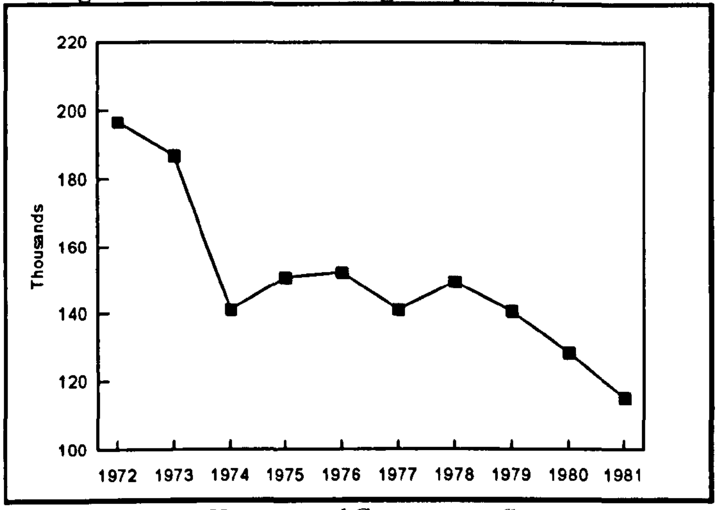
During 1972, the inflationary pressures increased: the Bank of England asked the banks to curb lending to the property sector in August; a prices freeze was introduced in November 1972. MLR (the successor to bank rate) was raised from 7½ per cent to a record 11½ per cent between June and July 1973; the Arab-Israeli war came in October (leading to the rise in oil prices) and MLR reached 13 per cent in November. In that same month, the first secondary bank, London & County was rescued, as was Cedar Holdings in December. 1974 started with the three day week and the financial background progressively deteriorated. During 1974, the FT Index fell 55 per cent reaching its low of 146 a few days into 1975, some 73 per cent below its 1972 peak.[1]

Although private housing completions fell by 24 per cent in 1974, a better indication of the state of demand, and housebuilders' confidence, was housing starts, which halved. According to the indices, house prices did not actually fall but the annual rate of increase dropped from 40-50 per cent to 4-5 per cent by the end of 1974 and the reality was that some builders were reducing prices against a background of a fast rise in the general rise in inflation. Continued house price inflation had been built in to many housebuilders' land purchasing decisions and the combination of falling demand, weak pricing and rising construction costs had a devastating effect on land values. The weighted index of land prices fell by 32 per cent between 1973 and 1975, and by 39 per cent in the south-east;[2] this would have understated the real fall in values as sites without planning permission were virtually unsaleable. On top of this, work-in-progress rose and high interest charges pushed up the cost of finance. The

[1] For a fuller description of the financial crisis and the stock market collapse see John Littlewood, *The Stock Market 50 Years of Capitalism at Work*, (London, 1998), pp.188-218.
[2] HMSO, *Housing and Construction Statistics 1971-81.*

secondary banks that had provided much of the housebuilders' finance were also collapsing and were not best placed to provide long-term support to their clients.[3]

Figure 6.1: Private Housing completions, 1972-81



Source: *Housing and Construction Statistics*

The stock market staged a dramatic recovery in 1975, which was accompanied by a modest increase in housing completions. However, in October 1976 the mortgage rate was actually raised to a record 12¼ per cent and private housing drifted lower for the rest of the decade. After a rally in 1978 and 1979, a period that saw house prices once again rising by 25-30 per cent per annum, the decade finished with another sharp setback. Bank rate was raised to 17 per cent in November 1979 and stayed there for eight months: private housing completions fell by 18 per cent between 1979 and 1981. In 1980 alone, housing starts fell 31 per cent to under 100,000, lower even than in 1974 and the lowest figure since 1953. The financial background for the housebuilders in the period 1974-81 could not have provided a greater contrast to the post-war boom.

Which Firms Built the Houses?

The recession produced many immediate casualties and, for others, a lingering death. The contrasting financial strength of the individual housebuilders and, where relevant, the attitude of their parent companies, created significant changes to the relative standing of the companies. By the end of the 1970s, there were only 13 companies building more than 1,000 units a year compared with 26 before the 1974 recession. However, thanks to the presence of two very large housebuilders, Barratt and Wimpey, as against only Wimpey before, the top ten accounted for around 36,000 units, slightly more than in 1973; moreover, the industry's volume was smaller, which gave the top ten a market share of around 28 per cent as against 18 per cent in 1973.

The first of the quoted company failures came in September 1974 with the relatively small Budge Brothers, scarcely a year after its reflotation: this was followed by the high profile collapse of the private Marc Gregory, then building around 750 units a year. The failure that sent shock waves through the industry was of Bovis, number four in the industry, brought down by its own secondary bank, Twentieth Century Banking, and rescued by P&O. After the collapse of Greensquare in April 1975 and Bacal in May (1,300 units) came another small company, Lewston in June. However, that same month also saw the collapse of the second largest housebuilder in the country, Northern Developments, then building at an annual rate of around 4,000, with plans to raise this to 6-7,000. It was the largest

[3] The parallel impact on the commercial property sector is described in Scott, *Property Masters*, pp.186-7.

housebuilding failure but not the last. Further quoted company failures were Lawdon in March 1976 and two of the large Midlands companies, Greaves in December 1976 (1,200) and David Charles (1,200) in January 1977. Other companies gradually withdrew from the industry, some like Francis Parker because they were financially crippled; others, like Mucklow, which had been building a steady 500 a year, because they saw safer ways of investing their capital. Orme was acquired by Comben in 1978; well-known names like Sunley and Dares made their exit from the industry. By 1980, there were substantial differences in the industry leadership compared with pre-1974.

Table 6.1: A League Table of Housebuilders in 1980; firms building 1,000 units or more p.a.

Date Formed	Housebuilder	1979-81 average volume[4]
1958	Barratt	10,833
1880	Wimpey	9300
1920	McLean/Tarmac	3806
c.1954	Broseley	2496
1885	Bovis	1860
1932	Leech	1768
1885	Bryant	1667
1904	Comben	1657
1929	Ideal	1367
c.1958	Whelmar	1229
	Top ten	**36,000**
1904	Wilcon	1076
1946	Bellway	1103
1963	Fairview	1069

Those still building over 1,000 units a year by the end of the decade can rightly be considered the survivors of the volume builders, in contrast to names mentioned in earlier paragraphs. However, their performance had by no measure been uniform; nor were their strategies always entirely of their own choosing. Wimpey's volumes had declined and it was no longer the market leader. Cliff Chetwood, later chief executive, ascribed the decline to people: 'You had two exceptional men and McLeod [who ran post-war private housing] died and Sir Godfrey [founder] began to get frail.'[5] At the same time, Wimpey was benefiting substantially from the Middle East contracting boom and was able to generate profits growth without relying on private housing.[6] The new industry leader was a dedicated housebuilder, Barratt Developments, whose founder was determined to create a national organisation. The public face of Barratt was its high profile advertising and marketing; the oak tree, the helicopter and Patrick Allan became so familiar on television that they would even feature in comedians' jokes. Tom Baron commented that 'I'm always amazed at the way Lawrie Barratt has persuaded the rest of us that we are in a marketing business rather than a building business. He alone convinced the industry that it had to be market orientated'.[7] Sales were predominantly targeted at the first time buyer and everything was done to make the transaction as easy as possible.

McLean, which had become part of the construction and quarrying group Tarmac at the beginning of 1974, was now a comfortable third with around 4,000 units a year; like Lawrie

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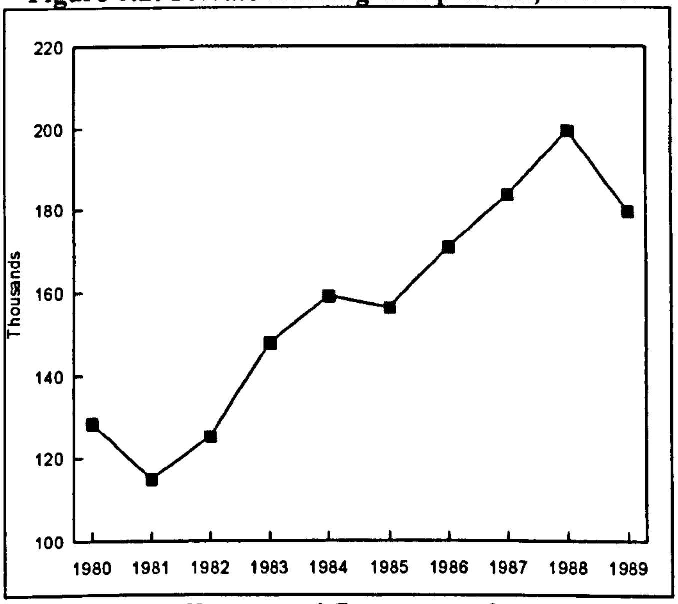
[4] Some of the housebuilders experienced substantial annual variation in volumes around 1980 and it was considered more representative of the underlying position to show an annual average.
[5] Interview with Sir Cliff Chetwood, April 2000.
[6] Wimpey's group turnover more than doubled between 1973 and 1978 and profits rose from £32m to £57m. entirely due to overseas construction.
[7] Tom Baron interviewed in *Housebuilder*, Aug. 1986.

Barratt, Eric Pountain had also wanted to develop McLean as a national housebuilder since it became part of Tarmac, although the greatest volume gains were to come in the following decade.[8] Although some of the pre-1974 leaders had managed to sustain their volumes (Broseley, Leech, Bryant and Comben) others had experienced significant falls - Bovis and, in particular, Whelmar. Both Bovis Homes and Whelmar had come under the control of larger diversified groups (P. & O. and Salvesen respectively) that were more concerned with restoring profitability than volume growth. In contrast, other companies were now coming into greater prominence. Wilson Connolly had built 1,000 units for the first time in 1978 as had Westbury in 1980; both were being run by professional managers on behalf of the founding families, and both had no other means of generating profit growth than via speculative housing. Fairview had been started by estate agents in the early 1960s concentrating entirely on the north London area; its strategy was unusual in that it responded to the recession by trebling its output to 1,600 units between 1973 and 1975, selling its houses for what it could to liquidate the high cost land, and subsequently letting the volumes drift back as profit margins increased.

The Private Housing Market - Recovery

The collapse in demand in 1980 was short-lived and, although completions continued to fall in 1981, housing starts rose by 20 per cent. Despite the rapid rise in unemployment in the early 1980s, the decade as a whole was one of substantial recovery for the private housebuilders both in volumes and pricing and, hence, profitability. Private completions rose from their 1981 low of 115,000 to a peak of 200,000 in 1988, with only a small fall in 1989 (Figure 6.2).

Figure 6.2: Private Housing Completions, 1979-89



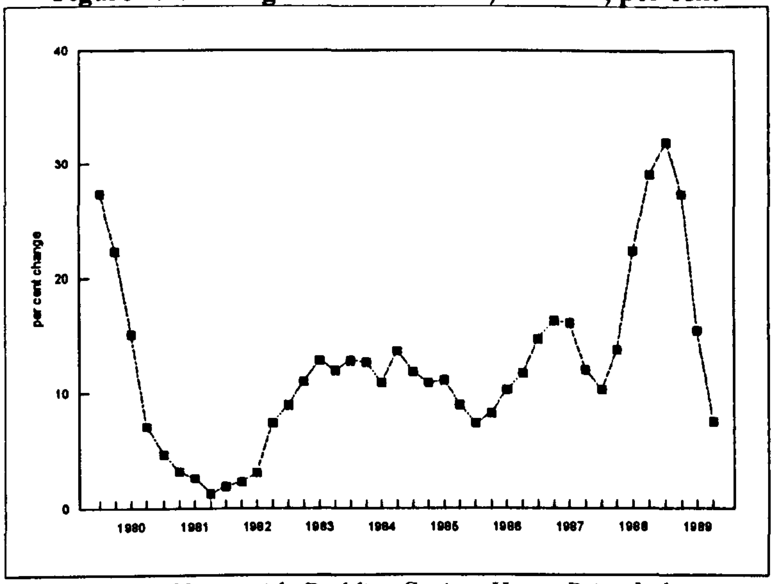
Source: *Housing and Construction Statistics*

Once demand began to recover, house price inflation followed at a fairly steady 12 per cent per annum between 1983 and 1987. In 1988, house prices rose around 30 per cent, a rate that continued through the first half of 1989 (Figure 6.3). The volume and price growth created a boom in housebuilders' profits at the end of the 1980s that rivalled that of the early 1970s: between 1986 and 1988 the trading profits of the top five housebuilders trebled;[9] as will be seen in Chapter 7, there were similar consequences.

[8] Interview with Eric Pountain, November 2000.

[9] Data compiled from *PHAs*.

Figure 6.3: Change in House Prices, 1979-89, per cent



Source: *Nationwide Building Society House Price Index*

Which Firms Built the Houses?

The increase in the size of the private housing market allowed the emergence of a greater number of medium and large housebuilders. Some 29 companies built over 1,000 units in at least one year in the late 1980s; some 14 had built more than 2,000 compared with six before 1974; and five had built more than 4,000 against two. Managements that wanted to grow their business could do so in the context of rising housing demand and a stock market background that facilitated fund raising and acquisitions. The peak year for completions was slightly different from company to company but, in round figures, the top ten were producing 51,000 units a year at the end of the 1980s. With industry volumes substantially higher than a decade earlier, the market share remained at a similar 27 per cent. Despite the strength of the market, four of the top ten at the beginning of the decade did not survive. The founders of both Broseley and Whelmar were approaching retirement and their parents, an insurance company and food distribution company respectively, sold them. Comben, too, had found itself within an alien grouping (Hawker Siddeley) and was sold. Leech's profit performance had been poor and it fell to a takeover bid from Beazer.

Looking at Table 6.2 it can be seen that yet another new number one had emerged - Tarmac's McLean. Barratt had actually reached a peak of 16,500 units in 1983, over ten per cent of the total market, before two devastating television programmes nearly forced it out of business; Wimpey was no more than drifting. In contrast, some familiar names were being revived under new management teams - Ideal, now part of Trafalgar House, Laing Homes and, to a lesser extent, Costain; all three were part of wider groupings that had decided to give a new impetus to their private housing operations. The most striking new entry into the list was Beazer which, having built under 300 a year at the end of the 1970s, had become the fourth largest housebuilder, as well as having significant interests in construction and building materials. The Beazer group was largely the creation of aggressive stock market acquisitions, including William Leech. In contrast, Persimmon, formed in 1974, reached its 2,000 level predominantly through organic growth. Other 'new' companies to reach 1,000 completions, primarily through organic growth, were David Wilson and Crest, dating from the early 1960s, and Redrow, which had been building houses for no more than ten years.

Table 6.2: A League Table of Housebuilders in c.1988; firms building 1,000 units or more p.a.

Date Formed	Housebuilder	1987-89 Average volume[10]	Peak pre-recession volume
1920	McLean/Tarmac	11,809	12,165
1880	Wimpey	8589	9581
1958	Barratt	6800	7000
late 1930s	Beazer	5968	6276
1929	Ideal	4568	5153
1848	Laing	3019	3436
1786	Lovell	2991	3060
1845	Bovis	2473	3000
1964	Westbury	2305	2415
1904	Wilcon	2194	2600
	Top ten	**51,000**	
1961	McCarthy & Stone	2116	2596
1885	Bryant	2013	2150
1972	Persimmon	1851	2043
1946	Bellway	1687	1720
1865	Costain	1593	2212
late c19th	Fairclough	1474	1942
1946	Raine	1379	1913
c1960	David Wilson	1372	1592
1963	Crest	1364	1429
1959	Clarke Homes	1317	1610
	Top twenty	**67,000**	
1935	Alf. McAlpine	1209	1350
1974	Redrow	1113	1208
1950s	Galliford Estates	1061	1121
1919	English China Clays	1041	1289
1871	Walter Lawrence	1029	1176
1822	Mowlem	967	1200
1946	Croudace	958	1100
1901	Wates	917	1100
1954	Abbey	875	1027

Two companies that have not previously been mentioned occupied specialist niches in the industry. McCarthy & Stone built its first sheltered housing for sale in 1976 and came to dominate its sector of the market. Lovell was a construction company that dated back to the eighteenth century but an acquisition in 1978 brought with it the small business of Rendell which had just completed a pioneering scheme for low cost housing for sale to council nominees in Swindon; Lovell built that business into a national operation and, with some conventional private housing as well, entered the top ten by unit volume.[11]

General contractors without a significant presence in the private housing sector observed its rising profitability, contrasted it with the low margins available on construction, and bought their way into housing, often at a late stage in the housing cycle. Thus, Balfour Beatty created a housing company in 1986 and bought Clarke Homes in 1987; Alfred McAlpine, which had

[10] As in Table 6.1, it was considered more representative of the underlying position to show an annual average.

[11] See accompanying disc.

some small housing interests since the 1970s, bought the entrepreneurial business of Finlas in 1982 and the larger Canberra in 1988; and in 1986, Mowlem bought Unit Construction, Amec bought Hammerfine and Higgs & Hill bought Southend Estates. The contractors were back.

The Emergence of the National Housebuilder

Chapter 5 concluded with the observation that there was only one national housebuilder but several regional builders, particularly those covering the north of England. The second housebuilder to develop a national coverage was Barratt, first through acquisition and then through organic growth. With its concentration on marketing, Barratt led the change in the industry away from the production-driven attitudes that had characterised the post-war boom and by the early 1980s it was planning a national output of around 20,000 houses through a network of over 30 regional subsidiaries. Indeed, it was Barratt's national prominence that led to it being singled out for the television attacks that crippled its business.

It was not until the 1980s that another truly national housebuilder could be said to have arrived, in the shape of Tarmac's McLean; its regional offices had been increased to 16 by the end of the 1970s and they duly delivered their capacity of 8,000 by the mid-1980s. McLean passed Wimpey and Barratt in 1987 to become the largest housebuilder, reached 12,000 units by 1988 and planned for 15,000. Although its volumes were smaller, Beazer could also be regarded as a national builder. Starting from a small base (around 250 units in the late 1970s) in the West Country, a string of acquisitions took it through the Midlands and into the North; the acquisition of Leech gave it a structure building just short of 5,000 houses by 1986 and a stated strategy to be a national: 'Your Board intends to consolidate the Company's position as a national housebuilder'.[12] Ideal's volumes had been rebuilt under its Trafalgar House parent; the acquisitions of Comben and Broseley extended Ideal's coverage through the west, midlands and north-west. Although there were gaps, it could more properly be regarded as a national rather than a regional housebuilder. There was also McCarthy & Stone which, although its volumes were much lower, had a national organisation for its specialised sheltered housing product. In all, that gave six companies that could be classed, at one stage or another, as national or near-national housebuilders.

Outside that grouping, there were another six to eight housebuilders that had strong regional coverage. Some had what looked like national coverage but it was thinly spread and required substantial infilling. Newcastle based Bellway had seven regions with a strong presence in the north-east and the London area; however, it was hardly present in the midlands. Persimmon listed eleven regional offices in its 1989 accounts ranging from Glasgow down to Crawley and across from Taunton to Lowestoft. The map suggested a national structure but the south-east was barely covered (five per cent of sales in 1988). Others with similar levels of output had extended more gradually from their home base, with a higher degree of concentration in the areas that were covered. For instance, Wilson Connolly, based in Northampton, had four regions, Midlands, Northern, Anglia and Southern but there was a heavy concentration around the original midlands base whereas London and the southern home counties were barely covered. Westbury (Cheltenham) had a historically strong position in Gloucestershire and had expanded into south Wales (where it was one of the larger builders), the south-west and the midlands.

[12] Rights issue document, May 1985.

7. Recession and Recovery Again, 1989-2000

Introduction

The house price boom at the end of the 1980s ended, as it did in the early 1970s, with a collapse in the housing market and a weakening of the corporate balance sheet. Key differences were that the fall in real house prices was translated into nominal prices so house buyers as well as house suppliers suffered losses. However, in contrast with the mid-1970s, the banks were more supportive of the corporate sector and immediate bankruptcies among the larger companies were largely absent. Nevertheless, the financial shock, and land write-offs totalling around £2.5 billion, once again produced extensive change within the corporate sector: the 1990s saw the weak, particularly housebuilders owned by contractors, depart the industry; the financially stronger housebuilders consolidated their position. In a market which saw little overall change in demand, some of the more successful housebuilders substantially increased their volumes. By the end of the decade, there were fewer companies building over 1,000 units but the top ten had increased their share of the market to over 40 per cent; the age of the national housebuilder had arrived.

The Private Housing Market - The Collapse

The housing recession of the early 1990s rivalled that of 1974. The 30 per cent fall in housing completions, from 200,000 in 1988 to 139,000 in 1992 was almost identical to the collapse between 1972 and 1974 (from 196,000 to 141,000). Housing completions had risen by some 60 per cent between 1982 and 1988 and there was a final period of frenetic activity in 1988 as the Chancellor gave six months notice of his intention to abolish double mortgage relief. House price inflation in 1988 and the first half of 1989 increased to an annual rate of 29 per cent.[1] Base rate had fallen to 7.5 per cent in May 1988, its lowest for exactly ten years, but was progressively increased to 15 per cent in October 1989, where it remained for a year; the mortgage rate peaked at 15.4 per cent in March 1990. The exit from the exchange rate mechanism in September 1992 (when interest rates rose five per cent in the day) prolonged the agony.

A crucial distinction between the two recessions, which will be well known to all house-owners, is that house prices fell, for the first time in living memory, introducing the expression 'negative equity'. Real house prices had fallen in 1974 but the high rate of underlying inflation had not caused nominal house prices to fall. Between the third quarter of 1989 and the first quarter of 1995, the Nationwide house price index fell by 19 per cent. The fall in the south-east started earlier and went deeper - 31 per cent between the end of 1988 and the beginning of 1993. The impact on the value of unsold stock was considerable but even more so was the effect on land holdings. The value of land is a residual, being the difference between anticipated selling price and building cost. Like 1974, there were extensive write-offs and provisions. The 29 companies that had built more than 700 units in their last pre-recession year made total provisions against their land and work in progress of £1billion over a four year period; on a pro-rata basis that would have implied write-offs of £2.5 billion for the industry as a whole. Four housebuilders suffered write-offs of over £100m. each with another seven exceeding £50m.[2]

Which Firms Built the Houses?

There were corporate failures but this time the banking system stood behind their housebuilding clients to a greater degree, believing that their best chance of repayment lay in

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[1] *Nationwide Building Society House Price Index.*

[2] *PHA*, 1994.

the management building out the assets in a controlled manner. Not one of the housebuilders that had been building over 1,000 units a year in the late 1980s was forced into receivership. In total, some 28 housebuilders were building 1,000 houses or more by 1995. Although there were no longer any companies building more than 10,000 units a year, there was still the same number building over 2,000 and over 5,000 as before the recession. The top ten accounted for a slightly lower number of completions than before, at around 48,000, but this represented a higher market share at 32 per cent.

Although the forced bankruptcies were fewer than in the 1970s, the recession very quickly changed the corporate order in the housebuilding industry. There were relatively few failures or acquisitions amongst the medium-sized and larger housebuilders. Federated Homes went into receivership and Fairbriar into administration (from which it later emerged).[3] Walter Lawrence was crippled by its American diversification and sold out to Raine Industries. Other disposals tended to be driven by wider groupings selling their housebuilding operations - sometimes from necessity, others from disillusionment. Thus, Costain Homes, having reduced volumes from 2,200 to only 410, was sold to Redrow; Heron Homes (950 units before the recession) was sold by Gerald Ronson's Heron Corporation to Taylor Woodrow; Sears sold Galliford to Prowting; and ECC, having failed in its earlier bid to win Bryant, gradually ran down its housing and sold the rump to Higgs & Hill. Those that survived, but only in straitened financial circumstances, tended to reduce volumes. Amongst the larger companies, McLean (part of Tarmac) and Ideal (within Trafalgar House) both halved their unit volumes compared with their pre-recession record. Examples from further down the list include McCarthy & Stone, supported by its banks, which saw volumes fall from 2,600 to 900; Clarke Homes, now part of BICC, down from 1,600 to 400; and Wates, building little more than 200.

In complete contrast were a group of medium sized housebuilders that had come through the recession with lowered profits but with their finances secure. Realising that there was little possibility of profit margins returning to the unsustainably high levels of the late 1980s, they saw that the only method of restoring, or even increasing, the absolute level of profits was to increase volumes substantially. In this, they were supported by shareholders and funds were raised to buy land at low prices - often the land that the less successful companies were forced to sell. These include a group of housebuilders that could be described as 'two thousand going on four', in that they increased their volumes from around 2,000 before the recession to around 4,000 by the mid-1990s, all of which was achieved through organic growth. Bellway produced the fastest growth (120 per cent), followed by Persimmon (76 per cent), Bryant (74 per cent) and Wilcon (49 per cent).[4]

There were even more dramatic increases further down the order. Fairview repeated the strategy it adopted in the previous recession and increased its volumes from 650 to 1,950; Countryside, having seen its volumes halve in 1990 to 320, drove them up to 2,200 in 1995 albeit largely through an increase in social housing. Newer companies were also emerging. Berkeley Homes, formed in 1976 to specialise in up-market housing in the home counties, had increased its volumes from 600 in 1988 to 1,400; Tay Homes, another 1976 creation, almost doubled its pre-recession output of 800; and JS Bloor, formed in 1969, steadily increased its volumes through the recession to become the largest privately owned housebuilder in the country. None of these companies had owed much to acquisition, in contrast to Raine which increased its volumes in 1992 through the purchase of Walter Lawrence.

[3] Dates for this and other examples in the paragraph can be found in Appendix A.
[4] The percentage increases are from the highest pre-recession output (see Table 6.2) to 1995.

Table 7.1: A League Table of Housebuilders in 1995; firms building 1,000 units or more p.a.

Date formed	Housebuilder	Annual Output	Ranking 1988[5]
1880	Wimpey	7609	2
late 1930s	Beazer	6679	4
1958	Barratt	6601	3
1920	McLean/Tarmac	6140	1
1904	Wilcon	3873	11
1946	Bellway	3813	16
1885	Bryant	3733	13
1972	Persimmon	3593	12
1946	Raine	3458	19
1786	Lovell	2943	7
	Top ten	**48,000**	
1964	Westbury	2678	10
1929	Ideal	2644	5
1974	Redrow	2258	25
1958	Countryside	2201	48
1885	Bovis	1995	8
1963	Fairview	1951	40
c1960	David Wilson	1916	18
late C19th	Fairclough	1811	14
1963	Crest	1717	20
1935	Alf. McAlpine	1715	24
	Top twenty	**61,000**	
1848	Laing	1675	6
1976	Tay	1559	39
1976	Berkeley	1411	50
1969	Bloor	1300	30
1986	Wain	1300	33
1911	Prowting	1154	38
1900	Maunders	1089	37
1921	Taylor Woodrow	1063	29

The Private Housing Market - Recovery

If the statistics for housing completions are examined for the 1990s, 'recovery' would not be the obvious descriptive word; there was virtually no change in volumes. What did happen to the industry was financial rather than physical. By the mid-1990s, the land write-offs had all been made, house prices had stabilised and confidence was returning to the corporate sector. House buyers returned in greater numbers and, with planning restrictions restraining volumes, house prices and, hence, profits began to accelerate. The statement that housebuilding volumes were held back by planning restrictions rather than by a deliberate attempt by the companies to force up house prices might not be accepted by all but it is the most rational explanation; for the purpose of this thesis, it is sufficient to note that volumes were static. With the rise in corporate profitability came the confidence to make acquisitions and the closing years of the millennium saw strong housebuilders acquiring the weak - the companies that had been supported by the banks during the recession but were not necessarily strong enough to retain shareholder confidence. What followed was a period of consolidation

[5] Based on actual figures for 1988; the positions may therefore differ slightly from Table 6.2, which was based on the 1987-89 average.

in the industry through a combination of acquisition and organic growth against a background of almost unchanged industry sales.

Which Firms Built the Houses?

The year 2000 would have been the obvious year with which to close the analysis of the twentieth century, but so much corporate activity took place in that year that 2001 provides a fuller picture of the new industry structure. There were fewer companies building more than 1,000 a year, some 21, but this reflects acquisitions within that group. The top ten increased their combined volumes to 65,000, representing a market share of 43 per cent; there were now three companies building more than 10,000 a year.

There were some striking departures from the industry's 1995 top ten. McLean was absorbed within Wimpey in 1996 in exchange for Wimpey's construction and quarrying divisions; Raine was acquired in 1997 by Alfred McAlpine (which fell in turn to Wimpey in 2001); and YJ Lovell's housing was bought by Morgan Sindall in 1999 (although continuing to operate under its own name). Beazer and Bryant, having announced their own merger plans in 2000, fell instead to Persimmon and Taylor Woodrow respectively. Further down the scale, Ideal had been bought by Persimmon in 1996, Maunders by Westbury (1998), Fairclough by the American Centex (1999), Wain by Wilson Connolly (2001) and Tay by Redrow (2001). Of these acquisitions, all but one reflected weakness on the part of the seller - Maunders being the exception where the controlling shareholder sold ahead of fears that the incoming Labour government would change the capital gains legislation. Raine, Lovell, Ideal (as part of Trafalgar House) and Fairclough had all been fundamentally weakened by the recession; Tarmac had wanted to focus on its traditional quarrying business; Beazer and Bryant had both suffered from managerial problems towards the end of the decade and Wain and Tay both experienced sharp profit falls from localised difficulties.

The progress of those housebuilders that increased their volumes was, in part, the corollary of the failures above. Persimmon became the industry leader by virtue of its acquisitions of Ideal and then Beazer; Wimpey absorbed McLean although the enlarged entity was building no more than Wimpey had on its own 20 years previous, and less than the pre-recession figure for McLean; and Taylor Woodrow resumed its pre-war housing ranking with the purchase of Bryant; Westbury had bought Clarke Homes and Maunders. But other companies within the top ten owed their growth to the organic development of the business. Bellway had achieved another 50 per cent growth in its volumes and had trebled its pre-recession size; David Wilson had just about doubled with the help of only one small acquisition; and Berkeley had also doubled volumes and, with its concentration on high priced city centre schemes, had become the fifth largest housebuilder by turnover.

Table 7.2: A League Table of Housebuilders in 2001; firms building 1,000 units or more p.a.

Date formed	Housebuilder	2001
1972	Persimmon	12051
1880	Wimpey	11537
1958	Barratt	11310
1946	Bellway	5725
1921	Taylor Woodrow	5226
1904	Wilcon#	4582
1964	Westbury	4008
c1960	David Wilson	3908
1974	Redrow	3463
1976	Berkeley	2892
	Top ten	**65,000**
1885	Bovis	2429
1958	Countryside	2191
1927	Miller	2030
1963	Fairview	1744
1969	Bloor	1700
1786	Lovell	1630
1961	McCarthy & Stone	1550
1911	Prowting *	1533
1963	Crest	1531
1848	Laing+	1375
	Top twenty	**83,000**
late c19th	Fairclough	1243

*acquired by Westbury 2002 +acquired by Wimpey 2002 #acquired by David Wilson 2003

The Era of the National Housebuilder

It has already been stated that the top ten housebuilders account for 43 per cent of national output; if all the housebuilders with volumes over 2,000 a year are included that rises to 47 per cent. All of the top ten can be said to operate nationally or near nationally, with clearly defined regional structures. The larger companies would typically have a tiered structure with a number of local companies reporting to a regional managing director or chairman who in turn reports to the group managing director. Barratt, for instance, has four regions, each with six or seven companies, plus a separate branded division (Kingsoak) with a further eight companies. Persimmon has two entirely independent north and south regions, comprising 11 and 14 operating companies respectively with its separately branded division (Charles Church) having a further six.[6] Most of the remaining companies building in excess of 1,000 units a year have varying degrees of semi-national coverage and it is only Fairview that has taken the policy decision to remain in its home (London) area.

[6] Company Accounts.

8. Market Share through the Century A Summary

The chronological chapters in Part I have charted the progression of the industry's leading companies. The source material becomes more accurate as the century progresses but the corporate data are sufficiently robust to present a meaningful picture of change and consolidation within the housebuilding industry from the 1930s onwards, summarised in Table 8.1. Ball's assertion, made over 20 years ago, that 'It is very difficult to give a broad outline of the speculative housebuilding industry as ...the number of volume builders...cannot be discovered',[1] is no longer valid. For the first time, it is possible to show the absolute volumes and the market share of the top ten housebuilders from the inter-war period through to the end of the twentieth century. In addition, the table shows the number of housebuilders within the size ranges 1,000, 2,000, 5,000 and 10,000 units.

Table 8.1: Market Share Summary, 1930s-2001

	Top ten volume	Top ten %	Number of firms building more than			
			1,000	2,000	5,000	10,000
1930s	16-17,000	6-7	10	3	1	0
1960	14-16,000	9	5	2	1	0
1965	18-19,000	9	10-11	1	1	0
1973	32-33,000	18	27	6	1	1
1980	36,000	28	13	4	2	1
1988	50,000	27	28	14	4	1
1995	48,000	32	28	14	4	0
2001	65,000	43	21	13	5	3

Within an industry that saw its volumes halve between the 1930s and the end of the century, the top ten housebuilders (an ever changing list) have quadrupled their collective volumes and increased their market share from six or seven per cent to 43 per cent. Although there remained an abundance of local firms, from the 1960s the industry saw the emergence of first regional and then national housebuilders. Whereas no housebuilder had achieved volumes of 10,000 a year before the 1970s, there were three in excess of that number at the end of the century; there were five companies building over 5,000 a year against one before the war; and by the late 1980s, 13 or 14 companies building over 2,000 a year compared with three in the 1930s.

It is not surprising that the pre-war housebuilders were smaller in size than housebuilders of the last 20 or 30 years. The 1930s housebuilding market was still a local market: 'the builders of British towns were, by 1939, for the most part, still experiencing only the early stages of competition from non-local firms. And most of that competition was from nearby towns.'[2] However, local operation did not mean small scale; the housebuilders did not need to be large enterprises to support large scale production units. The housebuilders all operated off very large sites, often with only a few in full flow. Many of the London sites ran into thousands of houses, e.g. Costain's Elm Park of 5,000 houses. In the mid-1930s Wimpey was operating off nine sites for its 1,300 units averaging around 150 a site per year while Ideal was producing 5,700 houses in 1934 on its 16 sites, an average of 350 per site per year. In reality, as some of those sites would be finishing and some starting, the active sites would have an even higher annual throughput. In comparison, a housebuilder producing, say, 5,000 units a year today could well be operating off more than 200 individual sites. Although large sites do still exist, they are few and far between and with over half the industry's output accounted for by 'brownfield' land there is probably little more than 50,000 a year now being

[1] Ball, 'The Speculative Housebuilding Industry', p.31; Merrett, *Owner Occupation in Britain*, p.159.
[2] J.W.R. Whitehand, 'Makers of British Towns Architects Builders and Property Owners c.1850-1939', *Journal of Historical Geography* 18 (4), 1992, p.435.

built on 'greenfield' land. The industry has changed from mass building on large open spaces on the edge of conurbations to a process that relies more heavily on infilling and reusing sites. The irony is that the post-war corporate consolidation of the industry has been accompanied by a significant reduction in the average size of the 'production unit' or site.

World War Two and the controls that followed had a profound influence on the structure of the speculative housing industry. Housebuilding stopped for the duration and the requirements of a wartime economy meant an increase in specialist construction, especially airfields and the Mulberry Harbour. The more dynamic firms of housebuilders became successful contractors, sometimes even international in scope. By the early 1950s, when the post-war speculative housebuilding boom started, these firms were dominated by contractors who looked down on housebuilding; death and old age had killed off other firms: the pre-war leaders were not necessarily the people to lead the post-war revival. Although Taylor Woodrow and Ideal tried to resume where they had left off, by the end of the 1960s only Wimpey remained in the top ten. Table 8.1 shows that by the mid-1960s, the output of the top ten was little more than it had been in the 1930s although, with lower industry output, the market share was two or three points higher.

It was not until the late-1960s and early-1970s that the volumes of the top ten significantly increased as firms created in the post-war era, such as Barratt, Whelmar (both of which relied on acquisitions) and Broseley, rapidly increased their volumes into the 2-4,000 unit range; indeed; five of the top six housebuilders were firms that had not built before the war. The market share of the top ten had doubled to 18 per cent and, as a measure of the abundance of medium-sized firms, there were 26 housebuilders building more than 1,000 units a year compared with ten before the war. It was the post-war boom that also marked the arrival of the regional housebuilder, and by 1973 most of the medium to large housebuilders were semi-national; Barratt, for example, built widely across the North of England. One or two housebuilders, for example Bovis, claimed national status, while others, such as Carlton and Bardolin, aspired to it; however, only Wimpey had the coverage to claim legitimately to be a national housebuilder.

Since 1973 the housebuilding industry has suffered two devastating recessions (for convenience, noted as 1974 and 1990) and the concomitant company failures accelerated the process of corporate change as the culling of established firms enabled others to take their place at the top table. The recessions and their aftermath also provided the opportunity for the strong to acquire the weak: those managements that had the ambition to expand regionally could use their stock exchange status to feed in the corporate pond. In the 1970s, industry output collapsed, but the top ten managed to hold their volumes (largely a result of Barratt's growth) and, in consequence, they increased their share of the reduced market to 28 per cent. When the strong recovery in the housing market occurred in the 1980s, the top ten's volumes rose in line with the industry; Tarmac and Beazer led the unit growth and, by then, all the top ten housebuilders exceeded 2,000 units a year. Moreover, during this period, two more firms, Tarmac and Barratt, had developed national coverage and exceeded 10,000 units a year.[3] Although their volumes were smaller, at around 5-6,000 units a year, both Ideal and Beazer also built across the country, while below them were a number of sizeable regional businesses planning on national status. The national housebuilder had started to arrive.

After the 1990 recession, as happened in the 1970s, the top ten held their volumes and therefore increased market share, which rose to 32 per cent by 1995. Although the second half of the 1990s saw a housing boom in the sense that house prices rose, industry volumes showed little change. However, the increased profitability of the corporate sector, and the low cost of finance, facilitated a wave of mergers; for example, Persimmon's acquisition of Ideal and then Beazer propelled it into industry leadership, while Wimpey's acquisition of Tarmac's McLean allowed it to restore volumes to earlier levels. By the end of the century, all the top

[3] Although Barratt was subsequently damaged by adverse television coverage.

ten could claim to be national housebuilders, and they controlled 43 per cent of the private housebuilding industry between them.

As well as illustrating the rise in concentration, the chronological league tables have also recorded the considerable change in the composition of the leading housebuilders. Table 8.2 lists the top ten housebuilders in each time period, with their respective positions and, with the exception of Wimpey, the table demonstrates the lack of continuity at the top. Of the 1930s top ten companies, only four (Davis, Ideal, Taylor Woodrow and Wimpey) were in the 1960 top ten, and only Wimpey consistently remained in these league tables. The same pattern can be observed at each chronological stage. Thus, of the 1960 list, only Bellway, Whelmar and Wimpey remained in the 1974 top ten. From the pre-1974 top ten, again only three were in the late-1980s list (Bovis, Barratt, and Wimpey); and of that late-1980s top ten, only four were still represented in 2001 (Barratt, Westbury, Wilson Connolly, and Wimpey). In all, 37 housebuilders appeared in one or more of the top ten listings. Of those 37, only 13 were extant at the time of writing - and two of those were under different ownership; while another couple build less than 200 units a year. Corporate change has been extensive and leadership has often proved transient. The reasons underlying this corporate change, both growth and decline, provides the subject of Part II.

Table 8.2: Top Ten Housebuilders; A Chronological Record, 1930s-2001

Housebuilder	1930s	1960	1965	Pre-74	1980	1987-89	1995	2001
Ideal	1	2	3		9	5		
Boot	2							
Wates	3							
Taylor Woodrow	4	9						5
Davis	5	10	7					
Wimpey	6	1	1	1	2	2	1	2
McTaggart & Mickel	7							
Costain	8							
Crouch	9							
Laing	10					6		
MRCE/Whelmar		3	2	3	10			
Janes		4	4					
John Lawrence		5	5					
McLean		6			3	1	4	
Gough Cooper		7						
Bellway		8		10			6	4
Hallmark			6					
Fell			8					
Fletcher			9					
Page-Johnson			10					
Northern Developments				2				
Bovis				4	5	8		
Barratt				5	1	3	3	3
Broseley				6	4			
Leech				7	6			
Bryant				8	7		7	
Bardolin				9				
Comben					8			
Beazer						4	2	
Lovell						7	10	
Westbury						9		7
Wilcon.						10	5	6
Persimmon							8	1
Raine							9	
David Wilson								8
Redrow								9
Berkeley								10

A Note on the NHBC Data

For the last two decades, the aggregate company data compiled for this thesis can be cross-checked with NHBC data. The NHBC gives the number of builders in different size categories, the two largest being 501-2,000 units a year and over 2,000, and the share of total starts taken by each category.[4] There is no NHBC category that matches the 1,000 and above used in this thesis, their most relevant being builders over 2,000; that shows a rise from 24 per cent in 1979 to 46 per cent in 2001.

[4] NHBC *New House-Building Statistics*, (Amersham, 2002), 2nd Quarter.

The number of housebuilders identified as building more than 2,000 units in any one year is similar for both sources, often being the same and never more than two apart. Any discrepancy can be explained by reference to Methodology Part II.1, in particular, differences between starts and sales, and year ends. In some years the Wellings data contain companies building only 50 units above or below the 2,000 limit and it is easy to see how a marginally different definition would change the ranking. Further small differences may arise from the inclusion of social housing within the published sales totals by some housebuilders (see Methodology) while the NHBC has only 85 per cent coverage of the industry.

The percentage market share for the two data sets is also similar. It is subject to the same differences discussed above which become more noticeable when demand changes sharply.

Figure 8.1: A comparison of NHBC and Wellings data; firms building more than 2,000 units, (number of firms)

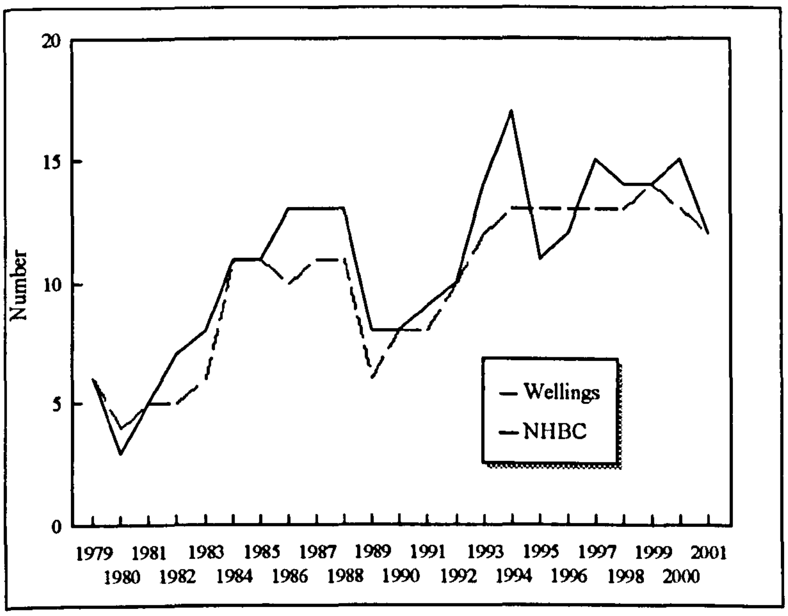
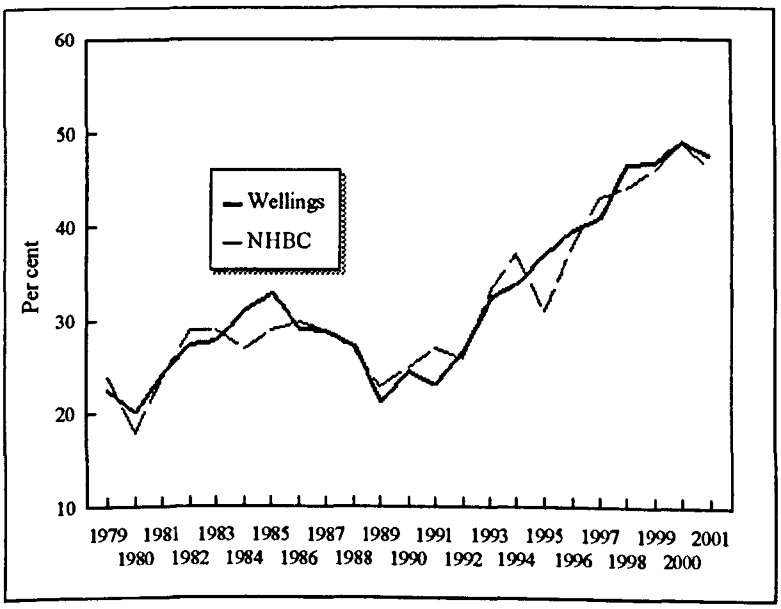


Figure 8.2: A comparison of NHBC and Wellings data; firms building more than 2,000 units, (market share)



There are occasional references in the literature to NHBC data from earlier periods but these are not supported by the NHBC archives.

A Note on Overseas Comparisons

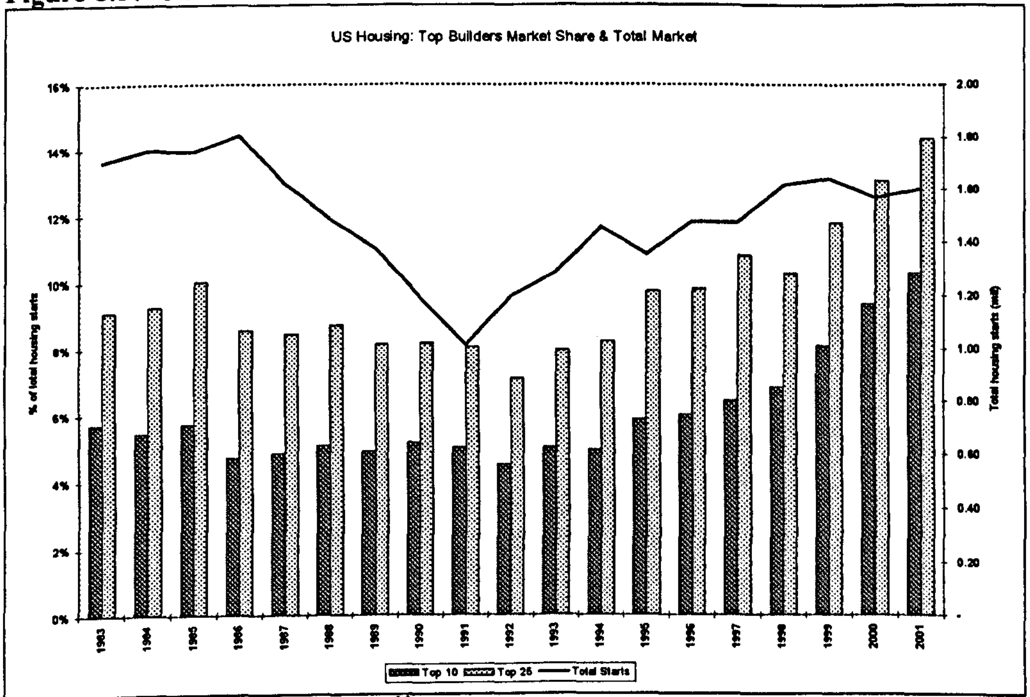
This thesis covers the British[5] speculative housing market only but the author is not aware of any other developed economies where speculative housebuilders have achieved the same degree of concentration. Indeed, in many markets, the structure of the housebuilding industry is quite different from that of the Great Britain. Martens' survey of private housing in western Europe noted substantial variations between the individual countries but the differences were 'especially marked between Britain and the rest of Europe'.[6] It was not just that the UK had the highest proportion of owner occupiers, and was unusual in its speculative building boom of the 1930s; from the standpoint of this thesis, the crucial distinction is in the nature of the supply of private housing. In the Netherlands, West Germany and France, the housebuilding industry is dominated by contractors rather than by speculative housebuilders: 'the latter are, in a European context, a specific British phenomenon.'[7]

The British speculative housebuilder does find a parallel in the USA, where it is sometimes called a merchant builder. The US market still differs from the UK by virtue of its size and less restrictive planning and it is therefore more common to find some firms purchasing large tracts of land, landscaping and providing services (roads, utilities etc.) and selling off lots to other builders. Nevertheless, there remain the essential economic similarities with the UK industry - the speculative purchase of land well in advance of sales, the wholesaling and development function and the range of independent and (often) quoted companies. U.S. concentration levels are shown for comparison in Figure 8.3.

Market share information from *Professional Builder* showed that the top ten housebuilders had only around a five to six per cent market share in the early 1980s, a figure which showed little change until the late 1990s. By 2001, the top ten market share had risen to ten per cent and even the top 50 produced no more than 17 per cent. The market concentration in the US is substantially less than in Britain. Grebler, writing in 1973, describes the speculative housebuilders as very localised before the 1960s, with large firms not emerging until the second half of the 1960s.[8] Remarkably, Grebler reported that firms building over 500 houses a year saw their share of single family housing fall from 24 per cent in 1959 to eight per cent in 1969 although this might have reflected a swing to multi-family accommodation by the large firms. Grebler also has a table of the top 15 housebuilders in 1971, all of which built 5,000 units a year or more. The largest, Levitt (then owned by International Telephone) built 12,000 units, making it comparable in size with Wimpey.[9] A more recent analysis of US housebuilding concentration can be found in Buzzelli.[10]

[5] The industry statistics used are for Great Britain, not the U.K.; there has been almost no involvement in the Northern Ireland housebuilding by the mainland firms.
[6] M. Martens, 'Owner Occupied housing in Europe: Post war developments and current dilemmas', *Environment & Planning A*, Vol..17, 1985, p.605.
[7] Ibid., p.608.
[8] Grebler, *Large Scale Housing and Real Estate Firms.*
[9] Ibid., p.4, 24.
[10] Buzzelli, 'Firm size structure in North American housebuilding'.

Figure 8.3: US Housebuilders Market Share



Source: *Professional Builder*, USA.[11]

[11] This spreadsheet was actually compiled from *Professional Builder* by a US investment house and provided to me as part of an information exchange.

PART II THE PRIVATE HOUSEBUILDER: A RATIONALE OF GROWTH AND DECLINE

Summary

Part II explores the factors underlying the emergence of the national housebuilder, or the consolidation process in the British speculative housing industry: as it leans towards a behavioural explanation of growth, the opening two chapters elaborate on the role of the entrepreneurial function within the speculative housebuilding industry. Chapter 9 explains why the speculative housebuilding industry is so suited to entrepreneurial management, focusing on its peripatetic production base, the transient labour force, and the 'speculative' nature of land purchase. In particular, it is argued that these entrepreneurs could enter the industry at the end of the century just as easily as they did in the inter-war period. The second introductory chapter provides the background to the people who created and ran these businesses - and not infrequently ruined them. The dominant individuals, more often than not the founder, were predominantly trade-based although, surprisingly, this was less true of the larger pre-war companies where there were many who were simply entrepreneurs. Post-war, the proportion of white-collar building trades (surveyors, estate agents etc.) increased relative to the manual trades but the latter continued as an important source of industry leaders. By the end of the century, although more firms were being led by salaried management, there was still an important minority of first generation founders.

Having provided the human backcloth, the remaining chapters cover the issues of growth and decline and their place in the theory of the firm. Chapter 11 addresses, and rejects, what might be described colloquially as the housebuilders' argument for growth - that size brings economies. For most industries, economies of scale have not just encouraged, but have <u>necessitated</u> larger operating units. For the housebuilding industry, the nature of the building process is such that the physical economies of scale are minimal. To the extent that economies do exist, the irony is that housebuilders cannot of their own volition achieve that desired scale, as the size of their operating unit is not within their control - it is determined by the size of site that is available.

There are more substantive arguments in support of Chandler's 'economies of scope', the advantages that accrue to the large organisation rather than the large operating unit: land acquisition, purchasing and marketing economies are all addressed. However, there are considerable managerial diseconomies attaching to large housebuilders: these are not just organisational and supervisory costs but also the dilution of entrepreneurial flair. These diseconomies manifest themselves in the costs of providing the regional structures that do no more than replicate the original business. To test whether larger companies did earn higher operating returns than smaller companies, profit margins were examined for the years 1987 and 2001: there was no evidence to support the assertion that large housebuilders are more profitable than smaller ones. Economies accruing to size do exist but they are not sufficient to suggest that it is necessary, rather than convenient, for housebuilding entities to grow.

Chapters 12 and 13 examine the causes of decline and failure, first using the time periods established in Part I to plot what happened to each of the larger companies. The three common themes underlying decline are succession, lack of focus and the recessions of 1974 and 1990. Succession to a dominant individual plays an important role in decline, and family and managerial succession are both addressed; it may also be that succession lay behind the willingness of many medium-sized firms to sell their businesses. Lack of focus encompasses the almost universal failures that occurred when speculative housebuilding was combined with other activities, be it with construction, commercial property development, or even unrelated businesses. By the end of the 1990s, the pitfalls appear to be generally recognised and the top ten housebuilders were all focused firms with little in the way of non-housing interests. Housebuilders' diversification overseas, particularly in France and the USA, is

considered and it is noted that few have been able to sustain such ventures. The third important explanatory role in decline is the housing recessions of 1974 and 1990: around 40 quoted housebuilders left the industry as a result, and over half of those were run by a dominant individual at the time. However, despite their high absolute failure rate, the focused housebuilders, particularly those with a lengthy control by a dominant individual, were the least likely to fail and provided most of the long-term successes in the housebuilding industry.

The empirical evidence suggests that there is little that large housebuilders do that cannot be, and is not, paralleled by smaller enterprises; the final chapter, therefore, explores three alternative (and interlinked) explanations for corporate growth. This thesis argues that the growth of regional and then national housebuilders has been substantially driven by financial considerations. When capital can be profitably reinvested in the same business, it makes economic sense for the owners of the business to make that investment; as the product cannot be physically delivered to the purchaser, reinvestment can only be made by extending geographical coverage. The ability to float on the Stock Exchange provided an incentive for private companies to grow to a floatable size, and the existence of a quotation has allowed companies to finance a faster rate of growth and to make acquisitions. Equally important, investors exert pressure on quoted company managements to produce profits growth and the only way that can be done in a static market is by increasing market share. Although the concept of rational economic man is no longer central to business history, even the extensive interviewing underlying this thesis has produced only the occasional admission of personal ambition driving corporate growth. However, the behaviour of some of the business leaders is supportive of the proposition that the personal motivation of owners and management has been an important driver of growth. Spontaneous drift has also been suggested as an explanation for growth as the dispersion of firm sizes over time increases concentration, but greater weight is given in this section to the intellectually simpler concept of not making mistakes. Long-term success in the speculative housebuilding industry has occurred when individual entrepreneurs have exercised the judgmental qualities necessary to avoid firm-threatening mistakes at the peak of the housing cycle; this creates a pool of successful survivors and it is these firms that are best placed to grow when the housing cycle recovers.

9. The Importance of the Entrepreneurial Function within the Speculative Housing Industry.

Introduction

Chapter 9 provides a background discussion of entrepreneurship, outlining the characteristics of speculative housebuilding which make entrepreneurial leadership central to the analysis: the lack of a fixed operational base, the transient labour force, the 'speculative' nature of land purchase, and the judgement necessary to correctly position the firm at critical points in the housing cycle. For an industry to sustain its entrepreneurial character, there must be continuous access for each new generation of entrepreneurs: the ease with which entrepreneurs can enter the housebuilding industry seems no less at the end of the century than it did in the inter-war period.

The concept of the dominant individual is developed to describe the creator of growth: it can be the founder, a later generation or, in some cases, a paid manager. This avoids the more familiar taxonomy of family and non-family firms which sometimes equates entrepreneurial drive with the former. Finally, the Chapter charts the routes by which the dominant individual in housebuilding firms arrive, be they founders, inheritor generations, acquired entrepreneurs or managers.

Why is the housebuilding industry so suited to entrepreneurial management?

Although the claim is often made, no industry can describe itself as unique; there are always attributes that are common to other industries. However, many have particular features, each one perhaps shared with only a limited number of other industries which, when taken together, give that industry a distinctive character. For the speculative housebuilding industry, these characteristics centre around the transitory production location, labour supervision and the land buying decision. It is these which make the housebuilding industry so suited to, and so dependent on, entrepreneurial management.

Manufacturing industry, retailing and distribution, finance and most service industries operate predominantly from a fixed base (factory, store, warehouse) where systematic procedures can be established, routines followed, allowing day-to-day management to be systematised and therefore delegated. In contrast, housebuilders' operational locations are forever changing so that although generalised procedures and principles can be put in place, they are being applied in locations which are never the same, with planning requirements which differ from council to council, to products which may be specific to the site, and to ground conditions which certainly are unique to the site.

Most of the site trades are self-employed, with a recognised skill base and an independence that owes as much to temperament as to legal status. In the early stages of growth, site supervision will rest with the entrepreneur; decisions made on site require a strong personality. As the company grows, the entrepreneur needs to recruit, then motivate and supervise the senior management who now control the building operation. For the large company this culminates at the point where the team he leads contains people who, if they chose, could themselves be working as entrepreneurs.

Land is the housebuilder's raw material; it is rapidly exhausted and needs replacing. The entrepreneur who is adept at controlling building operations at a site level also requires the skills necessary to negotiate land purchases, often from owners whose social and professional status is far removed from that of the building site. He needs to visualise the transformation of raw land into a finished, customer-appealing, housing estate. He is a dealer in land, every piece of which has unique physical and market related characteristics. Every purchase is a bargaining negotiation and the developer must be prepared to take a view on its future value, both in relation to alternative sites in the same area, to planning considerations and to future movements in land values.

It is the combination of natural personal authority, organisational skill, development vision, and negotiating ability that characterises the successful housebuilding entrepreneur, to which one adds the determination and drive that are found in entrepreneurs throughout the business world. Although many of the successful housebuilding entrepreneurs use a related trade or professional qualification as a means of entry into the industry, most of these skills are inborn and honed in the real world. Few have been university educated let alone had formal business training.

Ease of entry

Housebuilding may encourage the exercise of entrepreneurial character but the entrepreneurs still need to be able to enter the industry. There appears to be no shortage of entrants: there were over 16,000 housebuilders on the NHBC register in 1999 (down from 29,000 in 1990);[1] leaving aside the interesting group of 10,600 housebuilders that built no houses, there were over 4,600 firms building up to ten units a year, down from a 1988 peak of over 10,000 firms.

Trade and professional expertise offer a natural route into the housebuilding industry; they provide a skill base for the entrepreneur. But access to the industry also requires that there be limited barriers to entry and here there is an apparent contradiction. The housebuilding industry is relatively capital intensive – for instance, the average sales capital ratio was around one to one during the early 1990s.[2] However, the requirement is almost entirely for working, not fixed, capital. There is no minimum capital hurdle to cross; there are no factories to be built; no distribution centres to be established; no computer networks to be installed. The operation can be started on a very small scale, building in ones and twos where necessary.

Burnett describes the small speculative builders of the late nineteenth century, relying mainly on local networks of private sources of finance, built up over the years on the basis of personal knowledge and trust. Frequently eschewed by the banking system, these men were financed by landlords, other builders and informal partnerships.[3] Many examples can be cited but, to gain a wider perspective, the top ten housebuilders of the 1930s (as per Table 3.2) were examined to see if there were any broad conclusions that could be drawn. Some entered the industry from an existing small business base, presumably using surplus cash flow; Costain, Laing and Henry Boot were already contractors and the Wates family had a furniture shop. Use of personal savings features in a number of cases - Frank Taylor and John Mactaggart from what must have been modest incomes, and Leo Meyer (Ideal) from a professional salary; Meyer also teamed up with an older man (Philip Shephard) who was an agent for Royal Exchange and able to introduce land.[4] Little is known of Geoffrey Crouch's origins other than he started in a small way, while Arthur Davis's father was a failed developer who presumably passed on more in the way of know-how than finance. Family help is documented for some: Frank Taylor's greengrocer father added £70 to his son's £30 savings. Only Wimpey was financed in a more substantial way: Godfrey Mitchell bought George Wimpey in 1919 for £3,000, raised from his post-war gratuity and the sale of shares with a further £3,000 loan from his father for working capital; however, when Mitchell did

[1] NHBC *New House-Building Statistics.*

[2] *PHAs.*

[3] Burnett, *A Social History of Housing,* p.25.

[4] See accompanying disk for Ideal history.

begin private housing some years later, he started by using his own money.

A similar exercise was carried out for the post-war period using the 1973 league table (Table 5.3), and taking the ten largest businesses that had been formed since the war, only excluding those formed by merger. Here, there was even less evidence of the need for outside capital than there had been in the pre-war cohort. Again, there were housebuilders that had developed out of existing businesses: Greaves and Galliford came out of small building firms (indeed, much smaller than Boot, Costain and Laing had been), and Broseley came out of estate agency. Personal savings featured as a source of initial capital for several firms, sometimes just to build the first house. Derek Barnes (Northern Developments) and Bob Francis (Francis Parker) had only modest employment; the Bell family had been builders before the War and put £200 of their own money in to form Bellway in 1946; and accountant Lawrie Barratt had built his own home before going into partnership with a local builder. The only housebuilders that had more substantial resources at their disposal from the beginning were Whelmar, formed with the backing of Metropolitan Railway Country Estates, and Federated, established for Jimmy Meyer by his father, Ideal's Leo Meyer, who also organised a £1m. bank overdraft.

There is little evidence to suggest that entry into the industry has become any harder in more recent times. Of the top ten housebuilders in 2001 (Table 7.2) there were three that had been formed as recently as the 1970s. Duncan Davidson's Persimmon was formed with the proceeds of the sale of a previous company, Ryedale, formed in 1965 with the help of a £10,000 loan, half from his mother and half from his fiancée. Steve Morgan started Redrow in 1974 with £5,000 backing from his father to take over one small civil engineering subcontract, moving into housebuilding a few years later. Tony Pidgley, founder of Berkeley, was brought up by the gypsies; he had no access to capital and the first lorry was purchased for £500 cash out of savings; from that developed a fleet of lorries and a ground clearance business.[5]

In the closing years of the twentieth century, housebuilders continue to be formed by entrepreneurs using a wide variety of resources. The passage of time meant that there was a greater availability of family money, and expertise, made out of the same industry: Tony Pidgley junior formed Thirlstone; John McCarthy's sons formed another sheltered housing business, Emlor;[6] and Percy Bilton's grandsons formed Raven.. Others used their own resources, in one form or another: Colin Brooks used his share of the proceeds from the sale of Scotchbrooks estate agency in 1990 to form Bewley Homes; after 15 years with Berkeley, Peter Owen formed Grenville Homes in 1999 backed by a private individual from Philadelphia; and in 1993 Graeme Simpson 'remortgaged his house, sold his car, and squeezed loans from every available source' to form Millgate Homes.[7]

Financial institutions, both banks and venture capitalist, have played a larger role in housebuilding start-ups, being prepared to invest substantial sums behind individual housebuilders. Remo Dipre, ex-Fairbriar, formed Gladedale in 1992 as a £2 company with Bank of Scotland providing all the finance. David Holliday, previously managing director of Laing Homes, formed Admiral Homes in 1989 with Phildrew Ventures' capital support of £75m. believed then to be the UK's largest start-up; two years later, Philip Davies, ex-managing director of McAlpine Homes, received venture capital backing to form Linden, now building over 1,000 houses a year. The willingness of financial institutions to back what they consider to be a promising entrepreneur, and the growing number of high net worth individuals looking for investment opportunities, means that entry into the housebuilding industry appears as easy now as it was in the inter-war period. Access to capital cannot be regarded as a barrier to entry in the speculative housebuilding industry.

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[5] All the of above companies can be referenced from the accompanying disc.

[6] Now Churchill Retirement.

[7] *HouseBuilder*, May 1997.

The Dominant Individual within the Housebuilding Firm.

This section examines the characteristics of the people that that both founded and developed the housebuilding businesses, typically the entrepreneur who has been accorded an increasingly central role in the theory of the firm.[8] Nomenclature can confuse: entrepreneurs may be equated with the founder, but they may be later generations or even managerial. Nor is the distinction between family and non-family firms the proxy for entrepreneurship that some of the literature implicitly suggests. Indeed, Casson admitted that 'although the family firm has long been an important feature of business enterprise, the concept is rarely defined in a rigorous...way.'[9] However, his own definition, which centred around the proportion of shares held by family members, does not fully capture the dynamics of control which is more often determined by the personality of the leader.

What is often forgotten when defining individual (or family) control by reference to the percentage holding in the business, is that the shareholding may be substantially reduced without the individual ever losing his dominating influence. An example is provided by Frank Taylor, who sold most of his holding in Taylor Woodrow before the war but continued to dominate the group until the end of the 1980s - even after standing down in an executive capacity. Frank Taylor was probably unusual in the sale of so much of his personal holding so early in the development of his firm but many controlling shareholdings reduced in absolute size in the 1980s and 1990s through share sales, but especially in percentage terms as firms used their stock exchange quotations to raise additional capital through 'rights' issues or to make acquisitions for shares. Barratt's early success was built on acquisitions and by 1985 the directors held only one per cent of the share capital; also as a result of acquisitions, Brian Beazer held less than two per cent of his 'family firm' by 1989. Two companies that floated in the 1980s and went on to be among the most successful in the industry also saw substantial reductions in directors' shareholdings: in 1985, directors held 52 per cent of Berkeley and 62 per cent of Persimmon; by the end of the 1990s, this had reduced to four per cent and eleven per cent respectively. Retirement of other directors had contributed to the reduction but, in each case, the dominant founder was still at the head of the company. Of the ten largest housebuilders in 2001 (all quoted) the average holding by directors was only six per cent and in only two cases was there a holding of over ten per cent.

The characteristics of 'the business leader' were summarised by David Jeremy, who had studied enough of them in his capacity as editor of the *Dictionary of Business Biography*. He reported that interest in leadership first centred on 'the traits of the great person' citing Barnard's study of the chief executive in the late 1930s which had argued that the individual was more important than the situation. The most common traits observed were 'intelligence, initiative, self-assurance and ... the ability to rise above the details of a situation'.[10] Jeremy noted that the 'trait theory' fell out of favour to be replaced by 'style theories of leadership' which suggested that 'a democratic style will show a better response from employees than an authoritarian style.' It is unlikely that such theorists ever worked on a building site.[11]

Maude's description seemed more relevant, at least for the early stage of a housebuilding company describing 'Rough, tough leadership' as highly effective - his examples specifically include construction gangs where threats, punishment and 'energetic man-to-man influence'

[8] For instance, Mark Casson, 'Entrepreneurship and Business Culture' and T.A.B. Corley. 'The Entrepreneur: the Central Issue in Business History?' both in Brown and Rose, *Entrepreneurship, Networks*, pp.30-54 and pp.11-29; and Livesay, 'Entrepreneurial Dominance', pp.1-21.

[9] Casson, *Enterprise and Leadership*, p.197.

[10] Jeremy, *Business History of Britain*', p.381.

[11] For a fuller discussion of leadership theories, see Charles Handy, *Understanding Organisations*, (London, 1999), pp. 96-122.

may be needed to sustain control.[12] Maude offered a more encompassing description of the authoritarian style describing successful leaders in industry as intensely individualistic in ideas, tastes and lifestyles with strong opinions about their own companies, industry in general, the unions, the government, politics, society. But despite their individual ideas, a pattern emerges amongst these leaders: they work long hours with 'drive and diligence', are extremely competitive, and have an intense desire to succeed.'[13] For those starting in the housebuilding industry, literally and metaphorically, at grass roots level, the ability to exercise personal authority over what is an extremely independent labour force can be paramount. Descriptions of authoritative personae abound in the individual company histories:[14] 'a steely individual who is not easily crossed' (Brian Beazer);[15] 'a very hard nosed man who ruled the company with a rod of iron – a very tough character.' (Arthur Davis);[16] 'a rugged individualist' (Leo Meyer);[17] 'Through force of character and a gift for publicity, Mactaggart became established in those years as one of the most prominent figures in Scottish housebuilding' (John Mactaggart).[18] Even these characteristics of a dominant individual remained evident after retirement - 'The self-possession and charisma...were difficult to resist even after he had relinquished an executive role' (Frank Taylor).[19]

Over the years, the author has met literally hundreds of business leaders and it is not easy to generalise about their personality. The descriptions above fit many of them; strong personalities abound but the way in which those personalities express themselves can be very different. This thesis recognises the descriptions of leadership, but they are not sufficient to explain success: unfortunately for those engaged in forecasting, the analytical difficulty is that many of the failures also share the same personality traits as the successful. The crucial differences between managerial successes and failures lies in the exercise of the leader's judgement, and this is discussed more fully in the final chapter. The historian has the benefit of hindsight (although not in itself a foolproof tool); in trying to forecast which leaders would prove successful, it has always seemed more productive to assess the leader's strategic judgement than his personality.

Founders are the most recognisable dominant individuals within business but there can be a grey area between the nominal founder and the effective founder; it may actually be a later generation that takes a small existing business and grows it. Sometimes the dominant individual in an organisation arrives through the acquisition of a smaller but more dynamic and entrepreneurial company. And, although less common, there are striking examples of managerial dominant individuals. Most of the successful housebuilding firms that started in the inter-war period fell into the founder category, which is not surprising as this was the period when the modern speculative housebuilding industry came into being. Notable examples were Arthur Davis of Davis Estates; Leo Meyer, who rapidly made Ideal Homesteads the largest of the pre-war housebuilders; Frank Taylor who created the international construction group Taylor Woodrow; the eponymous William Leech; and, of course, Godfrey Mitchell – although to be strictly accurate, he bought the existing road making firm of George Wimpey to start his construction career.

Post-war examples are legion and one can instance Derek Barnes of Northern Developments, perhaps second only to Wimpey in 1974 before it crashed; Lawrie Barratt, an accountant who made Barratt Developments the largest ever housebuilder; Danny Horrocks, whose Broseley was controlled by an insurance company for most of its existence; Denis Cope, an

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12 Maude, *Leadership in Management,* p.103.
13 Ibid., Preface.
14 See accompanying disc.
15 *Management Today,* Oct. 1986, p.142.
16 Interview with Paul Bliss, May 1999.
17 Edward Erdman, *People & Property,* (London, 1982), p.27.
18 Watters, *Mactaggart & Mickel.*
19 *Financial Times,* 16th Feb. 1995.

estate agent who built up Fairview Estates; Duncan Davidson, one-time page boy at the Coronation, who sold his first company to Comben before founding Persimmon which he took to number one in the industry by the 2001; and Steve Morgan, who took his small contracting company Redrow into housing development in the early 1980s, liquidating most of his holding in the company between 1995 and 2000. Occasionally the founders were two individuals, often of disparate temperaments or skills, who reinforced each other, e.g. James Comben and William Wakeling in the inter-war period and Jim Farrer and Tony Pidgley of Berkeley some 50 years later.

Sometimes the dominant individual was a second, or even later, generation in a previously small family business. Norman Wates and John Laing provide good examples from the inter-war period. Norman Wates was educated at Emmanuel School Wandsworth and received some accountancy training before turning the little family firm into one of the pre-eminent London housebuilders; John Laing actually joined his father at the end of the nineteenth century and backed his grammar school education with an apprenticeship to a bricklayer and a mason. Post-war examples are provided by Brian Beazer and David Wilson: the former entered his father's Bath-based firm as company secretary after a spell in the City, while David Wilson joined his father, having abandoned plans to become a dentist. These last two examples illustrate the difficulty in distinguishing between founder and second generation. Brian Beazer entered a long established, albeit localised, construction business and could not be regarded as anything other than second generation; David Wilson joined no more than a carpentry workshop where his father employed only four or five people and common sense would suggest that he should more properly be regarded as a founder. Also difficult to disentangle are businesses where the second generation has founded the business and then brought in the father; for instance, John T Bell (later Bellway) was founded by brothers in 1946, naming the company after their father.

Another entry route for the dominant individual is for his small business to be acquired by a larger concern. He may have been a founder of the acquired business but then moves to a salaried position; often with a shareholding in the larger entity, he occupies a half-way house. Frank Sanderson came into Bovis when his housebuilding company was acquired in 1967. He rapidly expanded the housebuilding operation, became group managing director in 1970 only to expand the group to the verge of bankruptcy. When Bovis was rescued by P. & O. in 1974, Sanderson had no more than a five per cent shareholding. Eric Pountain's route to managing director of Tarmac was more tortuous. He had joined the Wolverhampton estate agents Maitland Selwyn as a sales executive going on to become joint principal and founding the housebuilding business of Midland and General Developments. Midland and General was acquired by McLean in 1969; McLean's profits fell that year precipitating a boardroom coup and Eric Pountain replaced Geoffrey McLean as managing director. In 1973, McLean in turn was acquired by Tarmac specifically for its development skills. In 1977, Pountain was appointed to the main Board and when Tarmac's construction business went into deficit, yet another boardroom coup (in 1979) saw Pountain appointed group managing director; with no more than a nominal shareholding, he dominated the group until 1992 when he, in turn, was eased out of his position.

The driving force of a company is not necessarily an entrepreneur in the sense of someone who owns all or part of the business; the person responsible for growing the business may be managerial. Livesay pointed out that individuals do often control massive corporate bureaucracies, many prevailing without benefit of ownership position; he argued that the long run success of major corporations depended more 'on the ability to attract and hold people with the right combination of talent and personality than on any particular form of corporate organisation.'[20] He went on to argue that, regardless of firm size, it was 'dominant individuals' that held the key to success.[21] The expression 'dominant individual' is therefore

[20] Livesay, 'Entrepreneurial Dominance', p.2.

[21] Ibid., p.4.

used on occasion in this thesis to describe the individual who has control of the business entity for a long period of time, the person who literally dominates the decision making, although not necessarily the ownership of the firm. Whereas the increasing role of managerial staff through the twentieth century is extensively discussed in the literature, there is little quantitative discussion as to the extent of the 'professionalisation' of the leader's role. It is hard, therefore, to tell whether, compared with other small- to medium-sized enterprises, the housebuilding industry was slow to move away from founders or family-successors as business leaders.

There is little evidence of salaried directors running housebuilders before the Second War. Early post-war examples of salaried administrators taking over the management as founders aged, became incapacitated, or developed other interests included accountants John Adamson at Leech and Ernest Uren at Laing, and John Boardman, a buyer, at Gough Cooper. Other salaried directors were specifically recruited for the benefit of their already established talents. The key figure in Bryant's post-war housing history was Roy Davies, who ran Bryant Estates from 1958 until he retired in 1987, serving under Chris Bryant, himself third generation. Westbury, which was founded by the Joiner family in the late 1960s, was always run by salaried professionals, first Geoff Hester (a surveyor) then Richard Fraser (an accountant) who led the business out of family ownership in 1984.[22]

Within the housebuilding industry, one of the best examples of a managerial dominant individual was Wilson Connolly's Mike Robinson. Lynn Wilson had become sole managing director of Wilson (Connolly) in 1970 on the death of his father and later that year Wilson, only 26 years old at the time, recruited Mike Robinson as Chief Executive of the construction and housing division. Robinson had a first in civil engineering from London University and was then working for Page Johnson. Lynn Wilson said that 'I realised that the executives my father had merely took his instructions and were not capable of running the thing without his direction. I realised that if you are a public company then you have to perform. I wanted to be first division so you have to get first division management. I don't know that I ever said to myself I can't do this but what I did say was that I definitely need some help.'[23] Robinson became Group managing director and created one of the most successful housebuilding companies of the 1980s. He was killed in 1990 and, in losing him, the Company proved as unsuccessful without him as it had been successful with him.[24]

From the discussion above, it will be clear that labels are not, and cannot be, prescriptive. Categorisation becomes a matter of degree, particularly when ownership and management overlap: it has to be recognised that any classification ultimately relies on subjective judgement. There will be individuals that have played a prominent role in a company for a significant period in its history without their names necessarily being synonymous with the company. There are also housebuilding entities that have been run without the benefit of a dominant individual, as in the later histories of Costain Homes and Wates. Chapter 10 explores in more detail who were the dominant individuals in the larger housebuilding firms, and their backgrounds.

Despite the occasional claims of their leaders, no industry is unique; were it to be so, business history would lack cohesion. However, the continually moving production base, such a marked contrast with most fixed-base industries, and the capital commitment to land, which may be purchased years before it can be processed, gives the speculative housebuilding

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22 All the of above companies can be referenced from the accompanying disc.
23 Interview with Lynn Wilson, September 2000.
24 The firm was taken over by Taylor Woodrow in 2003.

industry a distinctive character and makes it a fertile field for the observation of entrepreneurial talent and judgement. These features underpin the analysis in the later chapters of Part II, particularly Chapter 13.

10. Who were the Builders?

Introduction

The entrepreneurial character of the housebuilding industry is epitomised by the continued success, at the end as at the beginning of the twentieth century, of first-generation firms and trade- and skill-based management. Jeremy's 'Entrepreneurs and Management' concluded that for most of the twentieth century, UK business leaders came from the middle and professional classes; that in the first half of the century the public schools were disproportionately responsible for educating business leaders; and that in the largest companies the chairmen and managing directors were two or three times more likely to have been to university than managers.[1] This is far removed from the profile of the dominant individual in the housebuilding industry. Jeremy also referred to apprenticeship as 'the traditional form of training which peaked between the 1920s and the early 1960s, was regarded as a wasteful and exploitative route by the 1960s'. If there was one single route by which the twentieth-century housing developers entered the industry it was the tradesman route.

Given the large number of very small businesses in the housebuilding industry, it is not surprising that founders tend to be trade-related, although as firms grew in size, and further education extended its reach, those running housebuilding firms were more likely to be educated to a higher standard. However, the professional manager, with general rather than industry-specific skills, remained a small minority throughout the period under study. Surprisingly, there is more evidence of the generalist being at the helm of the larger pre-war housebuilders than tradesmen, possibly because there was not then a pool of tradesmen who had been accustomed to working with large housebuilders.

The post-war period saw the larger housebuilders predominantly run by tradesmen, building-related professionals, and a sprinkling of accountants. From the 1960s, surveyors and estate agents (qualified or not) feature more prominently as the skills involved in land assembly and acquisition became more important. There were also lawyers and accountants, but these tended to be entrepreneurs who provided either the finance or the professional management, rather than starting a business themselves. Surprisingly, by the end of the century, there was an increase in the number of first generation founders running the larger companies, and the founders continue to include people with no post-school qualifications.

The Housebuilders - Pre-war

Who were the new breed of estate developers? In an analysis of 57 housebuilders operating within the London area Bundock wrote that 'Prior to 1913, it is probable that the vast majority of speculative housebuilding firms had been founded [by craftsmen] while between the wars there can be no doubt that the tradition continued, although to a lesser extent and in a more adulterated way.'[2] He found that carpenters were the most common tradesmen starting housebuilding firms. One explanation was that they were active in all stages - floor joists, roofing timbers, and doors and windows – and therefore they had organisational experience. His second suggestion was more provocative: 'the probability that in general the woodworking trades required a higher level of intelligence than did the other trades.'[3] In contrast, Jackson noted the entry of some 'extraordinary people' - a milkman, estate agents'

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[1] Jeremy, *Business History of Britain*', pp.378-408.
[2] Bundock, 'Speculative Housebuilding', p.368.
[3] Ibid., pp.374-5.

clerks, a maker of silk ties, a gown manufacturer and a Liverpool iron and steel merchant, many of whom later found the going tough.[4]

Table 10.1 draws on the list of large housebuilders shown in Table 2.2 and identifies the background of the dominant individuals.

Table 10.1 The Origin of Dominant Individuals in Pre-war housebuilders

Company	Dominant individual	Founded	Background
Ideal Homes	Leo Meyer*	1929	building surveyor
Henry Boot	Charles Boot	c.1886	nightschool educated
Wates	Norman Wates	1901	secondary school; joined small family housebuilder
Taylor Woodrow	Frank Taylor*	1921	greengrocer and nightschool
Davis Estates	Arthur Davis*	1929	father a developer
Wimpey	Godfrey Mitchell*	1919+	army, shipping and quarrying
Mactaggart & Mickel	John Mactaggart*	1901	mercantile clerk
Costain	Richard Costain	1865	privately educated 3rd generation
G.T. Crouch	Geoffrey Crouch*	.1928	'builder'
Laing	John Laing	1848	bricklayer and apprentice mason in small family firm
T.F.Nash	Tommy Nash*	c.1925	carpenter
Dares Estates	Harry Dare	1864	3rd generation
R.T. Warren	Tom Warren*	1906	plasterer
Comben & Wakeling	James Comben* William Wakeling*	1904	master mason carpenter
Janes	Herbert Janes	1884	'building manager'
Morrell Estates	Morrell brothers*	1929	tradesmen?
Mucklow	Albert and Jothan Mucklow*	1933	grammar school (no trade)
William Leech	William Leech*	1932	window cleaner
Miller	James Miller*	c.1927	architect
N. Moss & Sons	Nathaniel Moss*	late 1890s	'builder'

* Founder +Date of acquiring small company

15 of the companies in Table 10.1 were run by the original founder; the other five were run by people whom, if they did not actually start the business, had taken over what had been no more than a very small concern and turned it into a substantial business; they could be thought of as the pseudo-founder. They appear to have less in common than Bundock's analysis suggested. Education ranged from minimal to boarding school although it is not easy to be definitive about qualifications as night school was used extensively when the school leaving age was no more than 14.[5] An excellent example of the extent of night school education is provided in Kennett's account of Herbert Janes, who had left school at the age of only 12. He was aged 17 before he resumed education at evening classes: in 1906 he took exams in advanced book-keeping and mensuration; in 1907 building quantities; in 1909 building construction; and 1910 carpentry and joinery. By 1911 he had finished at the Luton Technical College and took a correspondence course on reinforced concrete technology.[6] Others had a professional background: Leo Meyer had been a building surveyor with the

[4] Jackson, *Semi Detached London*, p.105.
[5] Compulsory education to the age of 14 was made universal by the Fisher Education Act of 1918; prior to the First World War, extensive concessions had permitted children to leave school at 12.
[6] Kennett, *A Provincial Builder*, p.28.

local authority; James Miller was an architect who had inherited his father's practice at an early age; John Mactaggart was privately educated and had risen to be the accountant of a timber merchant before starting on his own; Richard Costain had also been privately educated before being introduced into the family firm; and Godfrey Mitchell had been trained in his father's quarrying business and had risen to army captain in the First World War. At the other end of the scale William Leech was a window cleaner and Frank Taylor helped in his parents' Blackpool greengrocery shop; neither knew anything about the mechanics of the building process.[7]

Bundock may have found an abundance of tradesmen in the smaller firms, and it will be seen that they are frequently founders of successful housebuilders after the war, but tradesmen are less evident in the list above. John Laing was apprenticed in his own family firm and it is only Messrs Comben and Wakeling, Tommy Nash and Tom Warren that could genuinely be described as rising from the ranks of the tradesmen. Two companies mentioned in Part I as possible omissions from the list of leading housebuilders do no more than add to the mix:. Hilbery Chaplin was an estate agent; and Metropolitan Railway Country Estate's development activities were started at least by staff lent by the Railway Company.[8] Some were described in the company records as 'builder', but without further information it is not known if this meant a recognised technical competence or a post hoc description.

The diversity of dominant individuals can be noted without necessarily having an explanation. Probably, the skills involved in running a number of very large sites required a different mix of talents to those needed for running one or two sites, for the only link between the men above is their organisational ability and intense determination. These new housebuilding entrepreneurs needed to combine traditional building skills with development and marketing skills; they needed to buy the right land, to lay out the estates and to sell the houses – not just build them. Later periods in the history of the housebuilding would see firms started by men who had drawn their experience from working in the housebuilding industry. When the private housing boom started in the 1930s, that pool of specialist experience did not exist; those that exploited the opportunities were, therefore, more likely to have a more diverse background.

The Housebuilders - the Post-war Boom

In the inter-war period, the founder (or, occasionally, the family successor) and the dominant individual in the business were synonymous. As firms developed over time, encompassed more than one activity, and changed leadership, the dominant individual becomes less easy to identify and therefore to characterise. For the post-war boom period, there were 31 companies that attained 1,000 units or more in at least one of the years, and those companies have been taken as the sample. Of these, 14 were pre-war creations (although not necessarily large enough then to qualify for Table 3.2); these 14 are listed in Table 10.2.

The dominant characters running those companies that existed before the war are harder to categorise as they include second and third generation family members who will have had on-the-job training which could have included periods on site and in technical college. It is now possible to find housebuilders were there was no dominant individual: there might be several family members, or a succession of line managers reporting to a main board that had other interests, e.g. Costain. The traditional trades feature less than for the post-war creations; although John Lawrence (a carpenter) remained at the helm of his Glasgow business and Godfrey Mitchell's right hand man, F.W.McLeod, driving the largest of the country's housebuilders, had been a bricklayer. There is an estate agent in the form of Eric Pountain, whose own business was reversed into the older McLean and a surveyor, Roy Davies,

[7] See accompanying disk for additional background.
[8] MRCE Prospectus, 1919.

developed Bryant's housing for the family. Employee management on behalf of the family can be seen at Leech, run by accountant John Adamson, and Gough Cooper, where John Boardman, originally the firm's buyer, was in charge.

Table 10.2: The Origin of Dominant Individuals in Post-war housebuilders, (a) Companies that were active before the war

Company	Dominant Individual	Position	Origin
Wimpey	Godfrey Mitchell	founder	ex-army, shipping and quarrying
	FW McLeod	employee	bricklayer
Leech	John Adamson	employee	accountant
Bryant	Roy Davies	employee	surveyor
Wates	Neil Wates et al	3rd generation	lawyer/SAS officer
Gough Cooper	Harry Gough-Cooper	founder	architect
	John Boardman	employee	buyer
Janes	Leslie Sells	son-in-law	solicitor
	Robert Janes	2nd generation	presume in house building
McLean	Geoffrey McLean	2nd generation	civil engineer
	Eric Pountain	acquired/founder	estate agent
Costain	none		
Davis Estates	mixed		
John Lawrence	John Lawrence	founder	carpenter/nightschool
Whittingham	Tom Whittingham	3rd generation	surveyor
Ideal	mixed		
Taylor Woodrow	Frank Taylor	founder	greengrocer/nightschool
E Fletcher	Geoffrey Fletcher	2nd generation	builder?

The other 17 housebuilders, out of those that had reached an annual output of 1,000 units, were post-war creations and are listed in Table 10.3.[9] Trades-related companies predominate, including bricklayers, carpenters and a plumber at Northern Developments, Broseley, Wait, Galliford and Greaves. Working builders included Bob Francis of Francis Parker, Geoffrey Fletcher of E. Fletcher and later Bardolin, and Johnny Johnson should also be included in this category as he had been brought up in his father's small building business.[10] The site acquisition route, as opposed to construction expertise, was represented by surveyors and estate agents. Tom Baron of Whelmar had been the senior partner of a Manchester firm of surveyors, a contrast to Jimmy Meyer, who had been gifted Federated when newly qualified; Ronald Fell was a land surveyor for Dewsbury Council before gaining building experience with a local firm. The estate agents were not necessarily qualified - Danny Horrocks, who started as a carpenter, moved into estate agency; Frank Sanderson had first been a clerk in an estate agents; and Alan Draycott, who started the housing companies that went into Hallmark, was an established south coast agent. Bellway's two brothers described themselves as a surveyor and accountant respectively; in neither case did they appear to be qualified and their building expertise would have come from working with their father immediately before and after the war. In total, it can be seen that some 14 of the 17 companies (or 82 per cent of the sample) had their origin in, or substantial influence from, practical building and development skills.

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9 Page-Johnson has been treated as a post-war creation although there had been a small family business before the war; 'Johnny' Johnson would have worked in that briefly before wartime service. Bovis was a pre-war builder but its private housebuilding only began after the war. Comben was a pre-war housebuilder but the post-war acquisition of Carlton Homes was a reverse takeover. It does illustrate the problems of arbitrary classification.

10 Some founders described themselves as builders without having what today would be regarded as a recognised building qualification; they would undoubtedly have had some trade expertise, on the job experience, possibly supplemented by nightschool.

Beyond that, there is evidence of housebuilding being approached from a financing standpoint: Barratt was run by an accountant, although in partnership with a builder in the early days; Orme was created solely as a financing exercise and Bardolin under Jock Mackenzie became one. Carlton Homes (which reversed into Comben & Wakeling) was founded by Leon Roydon, son of a textile entrepreneur, although his son, who later took over the management of the enlarged Comben, was the first housebuilding managing director to have a degree in estate management. That left only David Charles, run by an ex-naval officer for his father-in-law, as an isolated case. If the dominant individuals running the larger housebuilders in the pre-war and post-war periods are contrasted, the surprise is that in the later period that the founders had a greater tendency to come from directly relevant backgrounds. The tradesmen, in the wider sense of the word, showed a greater propensity to build substantial housebuilding businesses than they had done before the war.

Table 10.3: The Origin of Dominant Individuals in Post-war housebuilders, (b) Companies that were created after the war

Company	Dominant Individual	Position	Origin
Northern Developments	Derek Barnes	founder	bricklayer
Whelmar	Tom Baron	founder	surveyor
Bovis	Frank Sanderson	acquired founder	estate agent
Barratt	Lawrie Barratt	founder	accountant
Broseley	Danny Horrocks	founder	carpenter/estate agent
Bardolin	Jock Mackenzie	shareholder	lawyer
	Geoffrey Fletcher	acquired founder	builder?
Bellway	Russell Bell	founders	surveyor[11]
	John Bell		accountant
Francis Parker	Bob Francis	founder	clerk/working builder
Orme	Peter Whitfield[12]	founders	financiers
	Bob Tanner		
Comben/Carlton Homes[13]	Leon Roydon	founder	grammar school/entrepreneur
	Terry Roydon	2nd generation	degree - estate management
David Charles	Robin Buckingham	son-in-law	Royal Navy
Fell	Ronald Fell	founder	land surveyor
Federated	Jimmy Meyer	founder[14]	surveyor
Greaves	Edward Wheatley	founder	plumber
Page-Johnson #	'Johnny' Johnson	2nd generation	builder/designer
Hallmark/Wait #	Sidney Bloch	founder	solicitor
	Alan Draycott	acquired founder	estate agent
	Arthur Wait	acquired founder	technical school/carpenter
Galliford Estates #	John Galliford	founders	bricklayer
	Cecil Galliford		carpenter

Companies taken over during the period

The Housebuilders in the late 1980s

No specific date has been selected for Table 10.4. The intent is to capture those who dominated the industry towards the end of the 1980s, i.e. before the collapse of the housing

11 These were probably not qualified positions; Russell had worked with his father in the building trade before the war.
12 There were operational managing directors within the individual subsidiaries.
13 Comben was the continuing legal entity but it was really a reverse takeover by Carlton Homes.
14 Technically the founder but Federated had been established for him by his father, then managing director of Ideal Homes.

market in 1990. By now, the determination of company size has become easier, but the identification of the dominant individual becomes progressively harder. The passage of time has meant that, on average, there are more mature companies than in the earlier tables; they are larger and with a more diffuse management structure. Thus, although the managing director of a housebuilding operation might accurately be named, it does not mean that he is dominant in the way defined earlier; for those categorised as employees, they may only have been there for a few years.

Compared with the earlier time periods reviewed, the housebuilding company is now frequently part of a larger group where power and control may or may not be easy to categorise (even for those working there) and such control may or may not be centred on the housebuilding business. To illustrate this, the companies have been given an 'independence ranking' to indicate the extent to which the housebuilding companies, if not their heads, could be regarded as dominant within their organisation.
1. Wholly or almost entirely private housing; most of the directors would consider themselves housebuilders.
2 Housebuilding an important part of the group but only one of a number of building industry related activities – key directors have a housebuilding origin.
3 Housebuilding only one of a number of building industry related activities – key directors do not have a housebuilding origin.
4 Housebuilding owned by unrelated parent company.

Table 10.4: The Origin of the Dominant Individual; Housebuilders building more than 1,000 a year in the late 1980s

Housebuilder	Independence rank *	Dominant individual	Status	Origin
McLean/Tarmac	2	Eric Pountain	acquired founder	estate agent
		Sam Pickstock	employee	conveyancer
Wimpey	3	Nelson Oliver	employee	builder FCIOB
Barratt	1	Lawrie Barratt	founder	accountant
Beazer	2	Brian Beazer	2nd generation	company secretary
Ideal	4	David Calverley	employee	accountant
Laing	3	David Holliday	employee	builder
Lovell	2	None		
Bovis	4	Philip Warner	employee	builder
Westbury	1	Richard Fraser	employee	accountant
Wilcon	1	Mike Robinson	employee	university/civil engineer
McCarthy & Stone	1	John McCarthy	founder	carpenter
Bryant	1	Andrew McKenzie	employee	surveyor
Persimmon	1	Duncan Davidson	founder	'aristocrat'
Bellway	1	Howard Dawe	employee	builder MIOB
Costain	3	None		
Fairclough	3	Malcolm Hawe	acquired founder	surveyor
Raine	2	Peter Parkin	acquired founder	surveyor
David Wilson	1	David Wilson	founder	building diploma
Crest	2	Roger Lewis	employee	accountant
Clarke Homes	3	mixed		
Fairview[15]	1	Denis Cope	founder	estate agent
Alfred McAlpine	3	Bobby McAlpine	3rd generation	company trained
		Philip Davies	employee	building college
Redrow	1	Steve Morgan	founder	builder
Galliford Sears	4	David Brill	employee	carpenter
English China Clays	4	John Reeve	employee	surveyor
Walter Lawrence	2?	Trevor Mawby	employee	accountant
Mowlem	3	Roger Clark	employee	surveyor
Croudace	2/3	Tony Timms	employee	civil engineer
Wates	2/3	Bill Gair	employee	articled architect
Abbey	2	mixed		

.*See text above

The subjective element in all these categorisations must be stressed: Bryant's construction was not insubstantial and a purely statistical approach might have placed it in category 2; conversely, a more liberal approach to Crest and Lovell's peripheral interests might have deemed them to be in category 1. Nevertheless, the broad sweep of the classification is probably reasonable.

Of the 30 housebuilders that reached 1,000 units a year in the late 1980s, just one third (or ten to be precise) could be regarded as substantially housebuilding companies. A further 16 housebuilding companies were part of much larger construction and building materials groups; of these, perhaps half or less of the parent groups were dominated by directors that had their roots in housing; in the others, the housing managing directors were not dominant at main board level. Finally, Ideal was part of the Trafalgar House conglomerate which, although built up by a property developer (Nigel Broakes), had spread across shipping, hotels

[15] Not included in Part I Table 5.2 as it last exceeded 1,000 units in 1985.

and newspapers as well as housing and construction; Bovis was part of the P&O shipping group; Galliford Sears was part of a retailer and English China Clays speaks for itself.

There is a preference for objective criteria when it comes to identifying the individuals who could fairly be described as dominant within their organisation; the obvious ones being the position held and the length of time in that position. Unfortunately, some degree of subjectivity is required when, for instance, housebuilding is part of a larger group, e.g. Ideal's David Calverley under Nigel Broakes' Trafalgar House. Generally speaking, those category 3 and 4 companies involve more subjective judgements than the category 1 companies. Length of time would appear to be an objective criterion but if, for instance, a term of ten years in charge was considered a minimum it would exclude Peter Parkin who arrived at Raine in 1986 when it was building 400 units a year and increased it to around 2,000 within three years. Ultimately, the judgements have been based on the author's own knowledge of the companies and the individual histories prepared as background for this thesis.[16]

All bar two of the category 1 firms were deemed to be run by dominant individuals; although at Bryant, Roy Davies had run Bryant Homes for 30 years and retired in 1987 to be replaced by Andrew McKenzie; at Bellway, Howard Dawe had similarly been a recent appointee to the top job. Four of the category 1 firms were still run by their founder and two by long standing chief executives who had substantially enlarged the business for the founding family. Outside the category 1 firms, it was harder to find dominant personalities. Eric Pountain and Brian Beazer were such; one was a founder of a constituent housebuilding company and the other a second generation owner. However, in both cases they dominated the larger business rather than the housebuilding subsidiary. The only other people deemed to be 'dominant' were Philip Warner who ran Bovis Homes for a quarter of a century, and Malcolm Hawe who had a much shorter reign after he merged his Hammerfine company with Fairclough Homes.

The fact that there is so much difficulty in defining who is or is not a dominant individual in comparison with the pre-1974 position tells its own story. At the top end of the industry, the firms were becoming more managerially controlled. Only ten of the 30 companies were run by someone with entrepreneurial roots compared with a substantial majority pre-1974. Professionally, there was less evidence of the humble beginnings or tradesman route. There were five accountants (only one of whom was a founder), the rest having backgrounds related to the industry, including another five who were surveyors.[17] Only John McCarthy, the sheltered-housing pioneer, had come via the tradesman route and there were two school leavers without additional qualifications: Eric Pountain worked his way via estate agency whereas Duncan Davidson, a page boy at the Coronation, came from the landed classes. Otherwise there was a range of builders and surveyors, largely qualified through technical college and night school, with one University first in civil engineering.

The Housebuilders in the 1990s

The analysis of the top 20 housebuilders at the end of the century shows differences from the 1980s table, not all of which would have been expected. What stands out is the preponderance of category 1 companies; it had become the age of the focused housebuilder; the construction hybrids and the conglomerates had virtually vanished from the scene. Wimpey had swapped its construction for Tarmac's housing; Beazer Homes had emerged as an independent company after Hanson had bought the larger Beazer entity; Bovis Homes had been similarly demerged from P&O; Amec had sold Fairclough Homes for it to become the UK housing arm of the American housebuilder Centex; and Ideal and Costain Homes had been sold to other housebuilders. Other pure housebuilders had appeared in the top 20 for the

[16] See accompanying disc.

[17] For an exposition of the role of accountants in industry, see Edgar Jones, *Accountancy and the British Economy 1840-1980*, (London, 1981); the best overview of the surveying profession is provided by F.M.L. Thompson, *Chartered Surveyors The Growth of a Profession*, (London, 1968).

first time – Redrow, Berkeley, Bloor, Countryside and Fairview – each one being run by its founder.

Table 10.5: The Origin of the Dominant Individual; Housebuilders building more than 1,000 a year in the late 1990s

Housebuilder	Independence Ranking	Dominant individual	Status	Origin
Wimpey	1	Denis Brant	employee	civil engineer
Barratt	1	Frank Eaton	employee	joiner
Beazer	1	Denis Webb	employee	civil engineer
Persimmon	1	Duncan Davidson	founder	'aristocrat'
Bellway	1	Howard Dawe	employee	builder MCIOB
Westbury	1	Martin Donohue	employee	surveyor
Alf. McAlpine	2/3	Graeme McCallum	employee	accountant
Wilcon	1	Ian Black	employee	accountant
Bryant	1	Andrew McKenzie	employee	surveyor
David Wilson	1	David Wilson	founder	surveyor
Redrow	1	Steve Morgan	founder	civil engineer
Berkeley	1	Tony Pidgley	founder	ground worker
Bovis	1	Malcolm Harris	employee	accountant
Crest	1	John Callcutt	employee	lawyer
Countryside	1	Alan Cherry	founder	estate agent
Taylor Woodrow	2/3	none		
Fairclough	1	Stewart Baseley	employee	school leaver
Lovell	2/3	none		
Bloor	1	John Bloor	founder	plasterer
Fairview	1	Denis Cope	founder	estate agent

The first-generation founders, although in a minority, are now a clearer grouping than in 1988, all seven being active executive heads of their companies. Although some of these have their origins pre-1974, they are primarily creations of the period after the 1974 recession; their greater prominence in 1999 reflects the additional time available to them to grow their business. The founders continue to include people with no post-school qualifications. Duncan Davidson, grandson of the 15th Duke of Norfolk and Tony Pidgley, brought up by the gypsies, provide an interesting contrast; John Bloor was a plasterer. The other founders comprise a couple of estate agents, a surveyor and civil engineer, but all these qualifications were earned the hard way. The more successful did not appear to regret their trade background: according to Steve Morgan, 'I do think there's far too much emphasis on higher education. I'm sure that many would be better off taking up a good old trade at 16. Many of our directors at Redrow came through the trade route.'[18]

The review of housebuilders' origins has been compartmentalised into chronological periods for ease of analysis. In the inter-war period, craftsmen predominated, but there were a number of leading housebuilders founded by generalists with no particular experience of the industry; all the large firms were run by dominant individuals. Those firms that survived the war gradually matured and it became harder to identify the driving force, particularly if housebuilding became only one of a number of divisions: there emerged a broader mix of founders, successors and now employees, and their origins began to include the professions as well as the trades. By the 1970s and 1980s, the mixed businesses were more prevalent, but this reversed sharply after the 1990 recession, and housebuilders once more became focused businesses. Interestingly, the dominant individuals at the end of the 1990s were either

[18] Steve Morgan, *Daily Post,* 21st Aug. 2000, p.9.

employees or founders - there were no 'successors' running any of the top twenty companies, and trades origins could still be found.

Whatever the reader might have expected to see, the origins of the housebuilding industry's leaders cannot have come as a complete surprise; they nearly always have a related skill that can be applied to the business, be it a traditional trade, a building qualification or land assembly skills. Those without a specific skill base have worked their way through the trade as have most of those listed as accountants or solicitors. What is interesting is the dog that didn't bark: there is no example of a managing director being brought in to a housebuilding business at the highest level, having been a managing director in an unrelated business, in the belief that managerial skills are universal and can be applied to any industry.

11. The Rationale for Growth: the economies that accrue to size

Introduction

Chapter 11 explores the reasons behind the growth in size of individual housebuilders and the trend to consolidation by examining what the industry generally refers to as economies of scale, but more specifically divides into the traditional Chandlerian economies of scale and of scope. It is these economies that have driven concentration in other industries but, despite the claims of management, they do not appear to offer an intellectually rigorous justification of why housebuilding firms need to grow.

Economies of scale, in their narrow sense of returns to the increasing physical size of the individual operating unit, are found to have no explanatory power. There are some limited gains to be made by developing on large rather than small housing sites but these sites do not have to be owned by large firms. Moreover, and perhaps uniquely, the housebuilders themselves have only limited control over the size of their operational units; even if there were economies of scale on site, there is little that management could do to obtain them. Allied to economies of scale is technological change, a contentious issue in the housebuilding industry, but this thesis argues that technological change is driven by suppliers, is therefore available to all housebuilders, and does not require increased size for its exploitation.

There are stronger reasons for suggesting that there are economies of scope, although combining in order to exercise market power is not one of them Equivalent to the multi-plant firm, the housebuilder with many sites may secure cost savings over a firm with few sites: indeed, where acquisitions are made in the public arena and explanations to shareholders and media have to sound rational, it is economies of scope that are instanced in justification: in particular, the arguments for increased size in the key areas of land acquisition, marketing and purchasing are all addressed. Even where they do exist, the economies of scope are not overwhelming, in the sense that they do not confer such a competitive advantage that smaller firms are unable to compete; they do not <u>necessitate</u> increased size. Where there are economies that accrue to the larger firm, they are offset by organisational diseconomies and the dissipation of entrepreneurial flair, particularly in land buying. These diseconomies manifest themselves through the establishment of extensive regional structures, all replicating the original single unit firm.

The accounts of some 80 housebuilders for the year 2001 are analysed to see if there is any statistical evidence to indicate that large companies do earn superior rewards to small companies. There was no consistent evidence to support the proposition and examples are provided of smaller companies that have profit margins substantially greater than the national housebuilders.

Scale - the economies of the large site

The most cited reason for growth in market share across the economy in the twentieth century has been technical change and innovation whereby the increasing scale of production drives down unit costs of production, typical examples being power generation, chemical plants etc. This view was articulated succinctly by David Jeremy: 'historically, the foremost motive for expansion has been to gain economies of scale'.[1] While low barriers to entry and a requisite skill base enabled entrepreneurs to flourish in the early history of most industries, these were conditions that did not, in general, last. Today, it is difficult to envisage individual entrepreneurs creating businesses of significance from scratch in, for instance, bulk

[1] Jeremy, *Business History of Britain*', p. 197.

chemicals, volume car production, soft drinks, retailing, life insurance - or even in this author's stockbroking industry. But entrepreneurs still start new firms on a regular basis and with considerable success in the speculative housebuilding industry.

Inter-war studies of the housebuilding industry argued for the benefits of large sites. According to Jackson, 'Conditions in the boom years of the late twenties and early thirties favoured the establishment and growth of larger units...a builder could not make a reasonable profit unless he already held land or could erect 100 or more houses in one batch.'[2] In the view of Johnson, 'The larger builder was also favoured in the competition for business by his ability to construct a greater number of houses at one time.'[3] Immediately after the war, a NHBRC director commented that: 'The bulk of the houses were built by firms who had remodelled their business along lines particularly adapted to repetitive production.'[4] However, there was an implied assumption that large sites meant large firms; to the contrary, there is no evidence that ownership of large sites required the creation of large firms. Indeed, Bundock's thesis actually includes a section on the role and importance of the large single estate developer giving George Ball (Ruislip) as an example, building an estate of 3,300 houses in Ruislip-Northwood.[5] Nor has the passage of time changed these economic relationships: examples will be provided later of contemporary small companies controlling large urban developments.

In any event, the advantages of the large site need to be kept in perspective: the bricklayer does not lay his bricks any quicker, nor the tiler his tiles; the painter does not paint the walls more quickly nor the plumber connect his pipes more speedily. There are organisational advantages in that work can be progressed more efficiently across a range of standardised house types and the costs involved in site management will be lower per unit. These site organisational economies were applied to full advantage by the contractor-housebuilders in the 1960s. They would 'efficiently' clear all the site, put in all the roads and services across the whole site and then systematically start building rows of similar looking houses. The effort was actually counter-productive: large amounts of capital were locked up as production ran far ahead of sales. The production-driven approach lacked flexibility, not just when there were major cyclical changes in demand but also when local tastes necessitated a change in product range.

Ron King described what they found when McLean Homes was bought by the Tarmac construction group in 1973: 'We were pretty good at housebuilding whereas they were construction. I can remember the day after the deal was done –Eric [Pountain]asked me to go round all the Tarmac sites...They were just building box type houses, poor quality construction, no design appeal, no selling appeal and nearly a thousand houses built and not sold. Our philosophy was we sell them and then we build them. Whereas they were just totally construction oriented, building houses.'[6] This attitude by construction-led housebuilders was not uncommon. Wimpey did not separate out its private housing into a separate subsidiary until 1978 but there remained close operational links with construction: Cliff Chetwood, who was made chief executive in 1981, explained that Wimpey Homes could use subcontractors 'but if there was a construction company there you used it; basically it was a requirement that construction did it.'[7] A similar approach could be seen at John Laing which only changed with the appointment of David Holliday as Laing Homes managing director in 1980. 'The construction company did the work for housebuilding and charged them what they felt like and made a profit, and housing tried to make a profit from

[2] Jackson, *Semi Detached London,* p.105.
[3] James H Johnson, *The Suburban Expansion of Housing in London 1918-1939* in J.T. Coppock and H.C. Prince [eds], *Greater London,* (London, 1964) p.157.
[4] Talk by Norman Walls at the Housing Centre quoted in *The Housebuilder* Sept. 1945.
[5] Bundock, 'Speculative Housebuilding', p.317.
[6] Interview with Ron King, November 1999.
[7] Interview with Sir Cliff Chetwood, April 2000.

development. I said this was not the right way to do it'.[8] The relationship between construction and speculative housing is discussed in more detail under 'Focus' in Chapter 13.

The standard expositions on economies of scale assume, explicitly or implicitly, that, if they exist, they will be exploited to the economic benefit of the enterprise. However, the housebuilder is in an unusual position. Even if the economies of scale of the large site were to be significant, there is little the housebuilder can do to ensure that he can maximise those advantages. The size of the site is the size of the site; he may tell the planning authorities that he could build more cheaply if they gave permission for a site, say, five times as large but there is no record of such special pleading being accepted. And for urban sites and infilling, the physical limitations are insurmountable. This thesis argues, therefore, that the production economies accruing to the large site are limited; can be offset by what is sometimes called 'the contractor mentality'; and even if the economies are advantageous, it is outside the control of individual firms to increase site size.

Technological Change

There is a wider issue of technological change within the housebuilding industry and, rightly or wrongly, the industry has been criticised for its lack of innovation.[9] Michael Ball has been one of the most consistent critics, for instance opening his *Chasing a Snail* with the pronouncement that 'British Housebuilding has an exceptionally poor record at introducing innovation in design and production methods', although he did proceed to give a balanced defence of the housebuilding industry, pointing out that the constraints of varying production locations and the conservatism of the house buyers.[10] However, the debate is not about whether the rate of technological change within the housebuilding industry is as slow as its critics suggest: it is whether technological change offers an explanation for individual firms' growth. Is it necessary for housebuilders to increase to a particular size to profit from whatever technical change is taking place? Prais went as far as to suggest that, based on his study of giant manufacturing firms, 'on the whole one cannot ascribe to technological factors... any great part in the process [of concentration] we are examining'.[11] How much less likely, then, can the evidence be found within the peripatetic housebuilding industry. The point is made in Chapter 13 that, unlike manufacturing businesses, housebuilders do not appear to fail for technological reasons; it is suggested here that they do not succeed for technological reasons either.

If the expression 'builder' was removed from the term housebuilder and replaced by developer it may be that the accusation of being slow to adopt technical change would be diverted to those further down the supply chain. There is no reason why technological change should be led by the 'house developers' themselves. Their underlying economic function is to find land, procure the construction process, and market and distribute the end product to the customer; they employ groundworks contractors for site preparation, use subcontracting trades for the construction, and purchase the materials from large manufacturing firms. In practice, technological innovation is led by the plant and material suppliers and, when developed, the technology is available to all. Ball himself conceded that changes in groundwork, a significant part of housebuilding, were independent of the housebuilder. Above ground, the innovations occurred through 'a piecemeal improvement of building elements, rather than through radical transformation', and he instanced plasterboard replacing wet plaster and roof trusses replacing traditional roof construction.[12] When new products become

8 Interview with David Holliday, December 1998.
9 Adams, *Greenfields, Brownfields*, pp.142-44 discusses this issue, conveniently citing a list of critical works.
10 Michael Ball, 'Chasing a Snail: Innovation and Housebuilding Firms' Strategies', *Housing Studies*, Vol. 14, 1999, pp.9-21.
11 Prais, *The evolution of Giant Firms in Britain*, p.165.
12 Ball, 'Chasing a Snail', p.13.

available, they are available to any housebuilder; moreover, the implementation of the technological change is, to some extent, in the hands of subcontractors who use the materials, and restrained by buyers who, financed by conservative lenders, may be resistant to change, rather than the housebuilders themselves. If a technologically advanced material or process became available, the increase in market share would go first to the supplier, and then to the subcontractors that adopted it. Moreover, the nature of the incremental process of change is such that size is not a prerequisite to its being used. This author cannot think of a material or a process that is only available to builders of, say, 5,000 rather than 50 houses a year.

If the successful adoption of new technology has been incremental and, for the housebuilder, low in adoption cost, the holy grail has been pre-fabrication or off-site production, a matter of recent topicality as volume housebuilders such as Beazer, Westbury and Wilson Connolly all established factories to produce timber-framed houses in the late 1990s in an attempt to exploit the economies of scale. The reality is that off-site production has been increasing throughout the twentieth century. Ive and McGhie stressed that the discussion of industrialised or prefabricated buildings 'has tended to distract' from the significance of industrialised building materials and equipment.[13] Go back to the inter-war period and carpenters were making staircases, doors and windows on site; in the 1920s concrete roof tiles were made in small presses.[14] Now, when whole bathroom units can be provided in pre-fabricated form, the ultimate conclusion is to move to producing pre-fabricated buildings. There has been considerable debate on their merits but the most recent experiments have not proved successful. One of Persimmon's first actions on acquiring Beazer in 2001 was to dispose of the latter's factories. Wilson Connolly bought a timber-framed factory in 2000 and that played a part in its profit warning a year later: 'the Group embarked upon a major shift to timber-framed construction without much attention being paid to the commercial benefits of doing so;'[15] in 2002, a new chief executive announced 'a dramatic shift back to traditional housebuilding'.[16] Other housebuilders refused to be drawn too far down the path of pre-fabrication. At a press conference in December 2000, the Berkeley Group managing director was asked about the economics of pre-fabrication: 'There's no savings in costs. I don't believe you will see modular construction at, say, Imperial [a site in Hammersmith with over 1500 units planned] because you do not get the flexibility. You couldn't build that as attractively using a modular system.'

The advantages or otherwise of using pre-fabricated units on large sites can make for an interesting debate but, as with the earlier discussion on technological change, it is a debate that is not really germane to the economics of large sites. Pre-fabricated buildings can be used or not as suits the site; there is no more need for the production facilities to be owned (which would necessitate scale) than the housebuilder needs to own the brick manufacturer.

Scope - the economies of the large firm

Economies of scale do not provide an adequate explanation for the growth in size of housebuilding firms; to be fair to the housebuilders, where the term is used by them, it is in the sense of the economies which relate not to the size of the production unit but to the size of the firm. This is a distinction well recognised in the literature although the analysis tends to be manufacturing-oriented and the speculative housebuilding industry does not sit neatly within the various descriptive frameworks. Chandler uses *Scale and Scope* as a title and described the 'three-pronged investment in production, distribution, and management that

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[13] Ive, Graham and McGhie, W.J., 'The Relationship of Construction to other Industries and to the overall labour and accumulation process', in *The Production of the built environment*, Proceedings of the Third Bartlett Summer School 1982, (London,1983), pp.3:6.
[14] Wellings, *The History of Marley*, pp.14,21.
[15] Wilson Connolly Annual Report, 2001.
[16] *Building*, 1st Mar. 2002, p.22.

brought the modern industrial enterprise into being'.[17] Prais and Penrose also use manufacturing analogies to distinguish the concepts of scale and scope: Penrose notes that 'one can distinguish the economies of size applying to plants from those applying to firms' and Prais discusses 'the rise of large multi-plant manufacturing firms'.[18]

Although the economies that Prais identified related to manufacturing firms, his exploration of the desire for market power as a driving force provides an interesting starting point for the examination of the housebuilding industry.[19] Could the exercise of market power be the rationale behind the housebuilders' drive for increased size? The 'desire for greater market power' in the sense of an ability to control the market place can be dismissed fairly quickly. No doubt housebuilders, like any other business, would use whatever power was available but no group of companies has the requisite control over its customer, the house purchaser. Even though the top ten housebuilders had over 40 per cent of the market for new houses at the end of the 1990s, their product competes, more or less equally, with second-hand houses; new houses represent, in broad terms, around twelve per cent of the total number of housing transactions. The top ten new housebuilders account, therefore, for around five per cent of total housing sales: housebuilders are price-takers, not price-setters.

The larger firm may have a number of advantages derived from its size; land is the key to a housebuilder's success so any advantage that size brings to its ability to find land, and finance its purchase could be an important determinant of increased concentration in the industry. Land acquisition and its finance are therefore discussed in detail below followed by marketing and purchasing economies. It will be argued that, although the larger firm can be seen to have certain advantages, they are not considered to be of such magnitude as to necessitate an increased size of firm.

Land Acquisition and Finance

The most important raw material for any housebuilder is land, and specifically land which either has, or can obtain, planning permission. Can larger housebuilders exercise market power as buyers? Clearly, the top ten housebuilders have a much larger share of the market for residential land than for total housing, although with development land having alternative uses (commercial, industrial, leisure) they are also in competition for some land with those outside their immediate peer group. Moreover, it is not just the top ten that would have to exercise some form of market power as land buyers; there might be many times that number capable of bidding for any particular piece of land that came on to the market.

Even if the idea that large companies can control the market for land is dismissed, does being a large company provide a competitive advantage over the small company? Does size (rather than collusion) confer an advantage? The larger firms have specialised land departments but these should not necessarily be regarded as a benefit of scale but a consequent cost and a dilution of the entrepreneurial flair of the founder. In practice, land departments may cover a variety of functions ranging from identifying the land-buying opportunity and the purchase negotiation, down to the processing of the land through the planning system. The ability to acquire suitable land rests on a whole variety of factors – knowledge of what might be for sale, expertise in assessing its development potential, negotiating skill, and the financial ability to effect the purchase. The first three of these factors are typical entrepreneurial skills; they do not require large organisations for them to be effective. Indeed, many vendors appreciate the advantages inherent in dealing with the top man in a smaller organisation rather than the more bureaucratic structures of the larger firm; the necessity to acquire large quantities of land each year to service the requirements of the volume housebuilders requires

[17] Chandler, *Scale and Scope*, p.8.
[18] Penrose, *The Theory of the Growth of the Firm*, p.89; Prais, *The evolution of Giant Firms in Britain*, p. 60.
[19] Prais, ibid., p.60.

many employee-land buyers, and this diffuses the skills of the entrepreneur at the head of the firm.

Financial strength is a factor where size might automatically be assumed to be an advantage in facilitating the purchase and exploitation of large sites; indeed, the statement might even be deemed 'obvious'. However, some of the largest sites to have been developed in the twentieth century were those in the London suburbs before the war, and these were frequently acquired by individuals or firms that were still of modest size. In his study of Bexley, Carr argued that: 'The rise in the price of land since the 1920s was of comparatively little importance, for although the biggest single capital outlay for any individual builder it constituted only a relatively insignificant proportion of total development costs.' The 1953 AGM of MRCE confirmed this view: 'Before the war the supply of building land available and suitably planned greatly exceeded the demand in many areas and thus kept the pre-war price of virgin land very moderate indeed.'[20] There is no more than occasional anecdotal information on land prices available for the inter-war period but Wimpey did compile data for 128 houses that had been requisitioned by the military; in contrast to the previous comments, this suggested land was more than 'relatively insignificant' with average plot cost at 21 per cent of the pre-war selling price.[21]

Funds for land purchase appeared to come from a variety of sources, including the clearing banks. The 'Macmillan Gap' epitomised the problems that small- and medium-sized businesses faced in obtaining capital;[22] however, it was not fixed capital that the housebuilders required, but finance for working capital and it may be that they found more favour with the clearing banks than did manufacturing industry. Bundock argued that the importance of the banks should not be underestimated as it was probably 'more significant in their land purchase considerations than many of the builders interviewed admitted'; he also noted that banks appeared willing to lend to housebuilders 'even where they were inexperienced', a foretaste of lending policies to come.[23] Capital also came from private sources and there was some direct financial support from building societies. The Coventry Building Society asked 'How far was the Society financing builders...builders' finance was supplied in the Oxford area...but literally all over England and Wales.'[24] Henry Boot received building society support for its large rental estates at Sheffield, Corby and Croydon;[25] John Laing turned to what had been his local building society, The Cumberland, to provide mortgages for his first London estates,[26] and the history of the Haywards Heath Building Society records that 'the Society lent money to...developers in the 1930s, such as Summerhill Estates,[et al]'.[27] There is little evidence from the limited archives, or the few histories, that access to finance for land purchases was any more of a problem for small rather than large housebuilders.

In the second half of the twentieth century, it appears to be accepted that land became progressively more important as a proportion of total costs.[28] If papers can be written asking whether banks have

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20 *The Times*, 24th Feb 1954.
21 Memo in Wimpey archive, 31st Aug. 1943.
22 Jeremy, *Business History of Britain*', pp.288-9.
23 Bundock, 'Speculative Housebuilding', p.635, 634.
24 Martin Davis, Every Man his own Landlord A History of Coventry Building Society, (Coventry, 1985), p.74.
25 Berry Ritchie, *The Abbey National Story A Key to the Door*, (London, 1990), p.85; O.R. Hobson, *A Hundred Years of the Halifax* (London, 1953), pp. 111-12.
26 Coad, *Laing*, pp.112-13.
27 Wyn K. Ford, *The Story of the Haywards Heath Building Society 1890-1990*, (Haywards Heath, 1990), p.18.
28 This would be a generally accepted statement within the industry but it is hard to find statistical confirmation. A land price index is available back to 1963 (published in the relevant *Housing and Construction Statistics*) and this can be compared to the change in house prices. The comparison shows, as would be expected, land prices rising and falling faster than house prices in boom and

failed British industry by insufficient lending,[29] the banking system could more properly be criticised for over-lending to the housebuilding industry. Surveys in the *Investors Chronicle* of over 20 predominantly small quoted housebuilders showed that, in 1974, average borrowings were 82 per cent of the cost of land holdings and, in 1975, 162 per cent of equity capital. In the late 1960s and early 1970s, the secondary banks lent to a wide range of developers. Unquoted companies could be found with even higher borrowing ratios: 20 years later Richard Fraser still marvelled at the ability of his finance director to get the secondary and tertiary banks to lend Westbury 'large sums of money on very iffy schemes. We were highly geared, never mind 50 per cent, we were geared something like 10-1. You wonder how the banks ever lent these sums of money to the company.'[30]

Similar willingness to lend was seen in the late 1980s as, once again, the housing boom reached a peak. The borrowing ratios were not as excessive as in the early 1970s as some of the quoted companies operated a prudent borrowing policy. Nevertheless, the average gearing of 24 of the larger quoted housebuilders and housing contractors had reached close to 50% by the onset of recession in 1990; within that, companies such as Countryside and McCarthy & Stone had gearing ratios of over 150% and Beazer and Costain were close to 100%. Even these figures ignored the substantial off-balance sheet borrowing that many developers had used to finance their land purchases.[31] Outside the ranks of the larger quoted companies, higher debt percentages could be found: for example, when Fairbriar went into administration in 1990, £41m. of its equity was supporting £93m.of loans plus unquantified off-balance sheet debt.

The financial lessons of the 1990 recession appear to have been well learnt in the quoted sector and, as boom conditions emerged again in the late-1990s, the quoted companies operated with more modest gearing levels. However, a more relaxed attitude to debt financing could be found in the private arena, with the venture capital firms and the Scottish clearing banks playing a more prominent role.[32] For instance, six housebuilding MBOs were financed in 1999 and 2000 (Banner, Wainhomes, Cala, Ward, Linden and Fairview) and, for the five that survived,[33] the gearing levels were staggering: a combined debt of £515m. was supported by only £66m. of equity - and almost all of that was goodwill.[34] The banks were also prepared to provide substantial support to new entrants to the industry. For example, Gladedale, mentioned above, was financed by the Bank of Scotland; its 2000 accounts showed debt of £83m supported by net tangible assets of only £8m. It does not appear that the financial sector has been holding back new entrants into the industry.

The central issue is whether the need to finance either the purchase of individually large sites, or collectively a large number of sites, requires housebuilders to be larger than the operational minimum. It may be helpful to outline some of the specific means of site finance, outside the banking system, that have been available to the housebuilder. Bundock wrote extensively about land acquisition in the inter-war period,[35] and although he argued that quantitative analysis was not possible on the basis of the evidence known, he detailed a wide range of examples.[36] Bundock noted that the purchase of the whole of a landed estate or farm was a rarity, 'generally the speculative housebuilder appears to have purchased just one part...of farms, private estates, or other single ownerships for his development purposes'. Estates were subdivided, sometimes because the whole estate had failed to achieve the desired price, or it

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slump respectively. However, it also shows that through the cycle, land prices have been rising faster than house prices, which must mean that land is accounting for a higher proportion of costs over time. (See Figure 13.2)

29 Forest Capie and Michael Collins, *Have the Banks Failed British Industry*, (London, 1992).

30 Interview with Richard Fraser, September 2000.

31 The same observation was made about commercial property developers in Scott, *Property Masters*, pp.222-3.

32 For a discussion of the rise of venture capital firms see: Richard Cooper and Donald Clarke, *3 i Fifty Years Investing in Industry*, (Oxford, 1995), pp.160-79.

33 Wainhomes was taken over in 2001.

34 See *PIIA* 2002, pp.12-14.

35 Bundock, 'Speculative Housebuilding', pp.419-687.

36 Ibid., p.488.

was considered too large by potential purchasers; while some of these subdivisions ran into hundreds of acres, appropriate only for the larger firms, there were also many sales of a few acres a time, permitting the smaller housebuilder to operate in the same market.[37] For those housebuilders that could not even afford small undeveloped acreages, serviced sites were advertised for a ten per cent deposit and several years to pay; indeed Bundock noted that those interviewees who had experience of inter-war purchase of serviced land said that they were almost always able to defer the balance of payment for each plot until they had sold the house.[38]

Land acquisition methods have changed little over time, and, in the 1980s, Short, Fleming and Witt were still able to argue that financial strength was 'a useful but not overriding factor in the acquisition of prime land - much more important is early knowledge and early securing of the resource by outright purchase, option agreement or conditional contract.'[39] Vendors may still split the sale of large sites because it suits their own financial or taxation position, or because they receive a better price by acceding to developers' cash flow requirements. The plot by plot sale has been adopted by public sector, often referred to as 'on the drip'. Perhaps the most common form of deferred payment today is through options or conditional contracts which are subject to satisfactory planning consent allow the developer time to deal with all the planning issues and consents. However, there is nothing new about option arrangements and Bundock describes their extensive use in the inter-war years as a means of reducing development risk.[40]

One of the changes that has taken place in the industry is the increasing proportion of urban building on previously used sites. Before the war, and through the 1960s and 1970s, the industry was overwhelmingly developing 'green fields'; today, the Government target is for 60 per cent of private housing development to be on 'brownfield land'. The public sector initiatives of the 1970s in urban regeneration gradually gave way in the 1980s to private sector redevelopment, London Docklands being the best known example.[41] It might be logical to expect that urban regeneration would place a greater importance on financial strength. The sites are expensive to buy, infrastructure and decontamination costs are incurred before building starts and the flats have to be built in complete blocks (as opposed to a few houses at a time).There is less scope for physically splitting the site between builders to reduce the capital outlay; thus the capital requirements of urban regeneration would drive the industry further towards larger units and hence consolidation. If this is the theory, the empirical evidence suggests that it is seriously flawed. If financial resources necessitated scale then the industry's mergers and acquisitions would have featured urban developers. To this author's knowledge, there have been no acquisitions of predominantly urban developers; instead, the acquisitions have been of greenfield builders. More to the point, neither would the small urban developer have prospered if the larger developer possessed overriding economics of scale.

Large companies can undoubtedly claim that their size makes it easier to facilitate the purchase of large urban sites and, more to the point, finance the subsequent work in progress. During the 1990s the Berkeley Group, for instance, purchased individual sites costing more than £30m. with subsequent capital commitments in excess of that. As the top ten housebuilders became ever larger in the second half of the 1990s, their relative financial economies of scale were greater than they ever had been Nevertheless, there are numerous examples of small companies buying hospitals, army barracks, and developing large sites in city centres; they manage to do so with limited, at times extremely limited, capital resources. The privately owned Weston Homes first achieved 100 units a year in 1997 and 200 in 2001

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37 Ibid., pp.493-5.

38 Ibid., p.614.

39 Short, *Housebuilding Planning*, p.45.

40 Bundock, 'Speculative Housebuilding', pp.639-48.

41 Adams, *Greenfields, Brownfields*, pp.43-50.

by which time its capital base was £7m.; it had completed such projects as the refurbishment of Highlands Hospital, Winchmore Hill, with a sales value of £7m.; was about to start a 350 unit development in the Isle of Dogs, with a sales value of £96m.; and to purchase the Royal Earlswood Hospital, Redhill, at a cost of £4m. Operating off an even smaller capital base, Gladedale, mentioned above, built only 58 units in 1999 but was still able to buy the 180 acre former Shoeburyness Barracks for a proposed 430 unit development: 'We won it because we did a great deal of homework and made the best presentation in the design and tender process.'[42] Tom Bloxham, through his company Urban Splash, pioneered city centre redevelopment in Manchester and Liverpool and by the age of 32 had redeveloped 750,000 square metres of warehouse space in the two cities.[43] Raven Homes, formed in the early 1990s by the grandsons of Percy Bilton, builds around 100 units a year; projects have included the conversion of an asylum in Norwich and a hospital at Camboume. Its most recent scheme is the redevelopment of a 46 acre asylum near Hereford. Raven's response is typical of the entrepreneurial flair and flexibility which is even more important in urban redevelopment than in greenfield building: 'The site had been on the market for a while and I know of other companies that were interested but no-one could get the site to work out. It would have frightened the life out of most housebuilders because there were all these conversions and there's a lot more problems with them than straight new-build housing, which is what most housebuilders want.'[44] Finance for land acquisition is not, therefore, regarded as necessitating increased scale.

Marketing Economies

Both Prais and Chandler instanced marketing as one of the important economies. However, as it has already been argued that Chandler's first 'prong', namely production facilities which are large enough to exploit economies of scale, does not have a place in the housebuilding industry, it somewhat undermines the second element, the investment in marketing and distribution necessary to sell that increased production. In the inter-war period, promotion of the product was entirely site-specific and Jackson includes numerous examples of intensive marketing techniques.[45] Apart from extensive advertising, with its claims of healthy suburban living, fast commuting times and modern houses complete with all the latest appliances, there were fully furnished show houses, not only on the sites but also at the Ideal Home exhibition and at central London railway sites; free travel by private car to the site (redolent of modern time-share selling); appearances and commendations by media stars (including, for those with long memories, Elsie and Doris Waters); *son et lumières*; stamp duty paid; £1 deposits; free furniture and season tickets.[46] These incentives were frequently offered by firms operating on only a limited number of sites. It could be asked whether these marketing costs were born more economically by larger sites, but it may have been that it was only the very large sites that required such expenditure; in any case, it has already been indicated that large sites did not equate to large firms.

With some exceptions, housebuilders' advertising remained predominantly local throughout the post-war period, resting on point of sale site promotion, local agents and local newspaper advertising. The importance attached to a good reputation can be seen from the advertisements for second-hand houses in any local press: 'Built by Bloggs' and the Bloggs in question is as often as not a local rather than a national builder. However, for two decades after the abolition of building controls, marketing went little further than advertising: the promotional skills of the pre-war housebuilders were abandoned and forgotten. Tom Baron, founder of Whelmar and one-time advisor to Michael Hesseltine, was a fierce critic of his

42 Founder Remo Dipre quoted in *Building*, Sep. 2000.
43 *Building*, 1st Nov. 1996, p.26.
44 *Housebuilder*, Aug. 2002, p.26.
45 Jackson, *Semi Detached London*, pp.201-11.
46 Apart from Jackson's extensive references see also: Jenkins, *On Site*, p.21; Coad, *Laing*, pp.109-11

industry's approach to marketing. 'For 20 years up to 1974 we operated in a sellers' market...and we didn't need to work hard to sell our houses, our customers came and bought from us.' He described the industry's marketing principles as 'you can have any sort of house you want as long as it is the one I intend to build'.[47] Like all good generalisations, there were notable exceptions. This author remembers attending a conference in the mid-1960s where Neil Wates literally shocked the housebuilders in the audience by announcing that he would subcontract anything from the foundations to the roof but the one operation he would never subcontract was marketing. In the Midlands, McLean had a similar reputation for marketing innovation which 'contains a number of firsts... they have even been known to buy a prospective customer's existing house and help sell it for him'[48]

Nevertheless, Baron's generalisation remains a fair assessment of the post-war period, and it was typified by Wimpey, the industry leader: 'They were very conservative, limited house types and it was just carrying on pushing, pushing; what happened was a culture that marketing didn't apply to housing. It wasn't just that it was a seller's market, I heard it expressed....When Barratt came on the scene with their marketing techniques., Wimpey just said that's a complete waste of money'.[49] Although, as mentioned above, companies such as McLean and Wates, had paid attention to marketing in the late 1950s and 1960s, the sellers' market for housing that had pertained since the War had not encouraged the industry as a whole to be marketing-oriented.[50] It was not until the late 1970s that the industry as a whole afforded marketing the attention that it deserved and the leader of that change was Barratt: 'I'm always amazed at the way Lawrie Barratt has persuaded the rest of us that we are in a marketing business rather than a building business. He alone convinced the industry that it had to be market orientated'.[51] Precedents for many of the marketing schemes Barratt employed could be found in earlier periods (although it was surprising in the interview process for this thesis, how many housebuilders were totally unaware of the marketing ideas prevalent in the inter-war period); what Barratt did was to implement them systematically and reinforce them by the creation of a national brand.

Although Wimpey was a nationally-known concern by virtue of its size, Barratt pioneered the deliberate creation of a national brand; the Company advertised heavily on television in the 1970s and its oak tree, helicopter and Patrick Allan became familiar. This was associated with a period of undoubted commercial success for Barratt and it must be presumed that its national advertising played some part in this. However, when Granada Television screened two critical World in Action programmes in the early 1980s, the highly-promoted Barratt name became a liability, and its sales collapsed from 16,500 in 1983 to 6,800 in 1987. Since then, no other housebuilder has considered that the economics of scope merit the creation of a national housebuilding brand. More recently Bryant has advertised on the Classic FM radio station and Berkeley Homes had a brief awareness advertising campaign on television but these were no more than exceptions to the generally accepted practice of specific site advertising in either the property sections of the quality national papers or, more widespread, the local media. Indeed, over the last couple of decades, some housebuilders have actually adopted marketing policies that reduce the benefits of a nationally known brand name, as indicated below.

The need to stimulate consumer choice on large sites encourages land swaps between builders so that there can be a variety of brand names on the one site, and individual housebuilders have occasionally justified different brand names within the own organisation as it allows them that same diversity on large sites. 'We were helped by the fact that on a big tract of land

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47 Tom Baron, *Design and Marketing in the Eighties*, 1980; unpublished transcript.
48 L.W. Madden, 'Builders and their Businesses 7: John McLean & Sons Ltd. of Wolverhampton', *Building* 18th April 1969, p.147.
49 Interview with David Penton, October 1999.
50 More detailed background is available on the accompanying disc
51 Tom Baron quoted in *Housebuilder*, Aug. 1986.

we could have three of our own companies working – Tarmac, McLean, and Midland and General.'[52] Different names have also been used for different segments of the market: Countryside and Redrow introduced the Copthorn and Harwood names respectively for lower cost housing while Beazer and then Persimmon retained the Charles Church brand for its luxury housing. However, the use of differing brands within the same housebuilder can go further. Housebuilders may retain existing local names where they are of long standing and of good repute: Kier trades under the names of Allison, Bellwinch and Twigden. Other housebuilders deliberately create new brands. NorthCountry Homes [sic] registered a series of names during the 1990s, provocatively using names that had been taken over by other housebuilders and abandoned - including Broseley, Clarke and Whelmar. Berkeley, as well as taking over Crosby and retaining its name for the Group's northern business, also created St George for the London market, St Andrew and St David for Scotland and Wales, Beaufort for the west of England and St James for a joint venture.

For the housebuilding industry, marketing economies of scale could only be regarded as a significant influence on size if national advertising and the creation of a brand image was important in securing sales. The evidence of housebuilders' own strategies suggests that national marketing economies are not significant. No housebuilder has repeated the investment that Barratt put into the creation and exploitation of a national brand while some, albeit a minority, actually foster the use of separate brands within the same organisation. Marketing remains site-oriented with the benefits available to large and small firms alike. This is not illogical: the housing product is not moveable like a car or washing machine which can be brought to the customer; neither can it be utilised, like a petrol station or restaurant, by the customer temporarily moving to the point of sale. If the housebuilder does not have a site exactly where you want to live, down to the right side of the railway line, with the appropriate number of rooms, then no amount of brand creation will help.

Purchasing

Purchasing is an important economy of scale in some industries, but only recently has it been mentioned as a factor behind the increased consolidation within the housebuilding industry. In the pre-war and early post-war periods purchasing was generally through builders' merchants at a local level. The housebuilders themselves were local, and the building materials industry had a tradition and preference for dealing through merchants until at least the 1970s, as disclosed in various government reports. For instance, at least 60 per cent of all bricks were distributed through merchants, as was 95 per cent of cement, all plasterboard, and almost all sanitaryware.[53] As customers were progressively given the opportunity to deal directly with the manufacturers, there was increased opportunity to obtain purchasing economies but it was not until the mid-1990s that purchasing was given as even a minor benefit of an acquisition or merger, and that only in a minority of cases. Persimmon's offer for Ideal in 1996 referred to 'improved buying power for building supplies' and its bid for Beazer looked for 'enhanced purchasing power'; the abortive Bryant/Beazer merger proposal of 2000 had mentioned 'procurement savings'; and Wimpey instanced 'improved procurement' from the continued integration of McLean in 2001.[54]

Apart from those examples, there was very little attempt to argue the merits of scale procurement. Interestingly, no contractor has numbered procurement as one of the benefits of owning a housebuilder; others played down the advantages. Berkeley's managing director

[52] Interview with Eric Pountain, November 2000.
[53] The Monopolies and Mergers Commission, *Building Bricks*, (London, 1976), p.13; Price Commission, *The Associated Portland Cement Manufacturers Limited - Increase in Cement Prices*, (London, 1978), p.14; The Monopolies Commission, *Plasterboard*, (London, 1974), p.13; The Monopolies and Mergers Commission, *Ceramic Sanitaryware* (London, 1978), p.14.
[54] Persimmon offer document, Feb.1996, p.6; Persimmon offer document, Feb. 2001, p.9; Wimpey press release, p.4.

responded to a specific question on group procurement: 'I don't believe that size would give us anything. I believe that a single owner-driver housebuilder, by and large, can buy most of the components for a single house as well as we can. We had a big team up to three years ago that did Group procurement...It cost us more to run the system than gain in discounts.'[55] Philip Davies thought that a firm of Linden's size (then around 700 units a year) could get effective buying through a large merchant who could probably get better terms than any housebuilder. Also, given the trend towards more complex urban schemes 'I can't see the advantage: materials are so varied that bulk rates do not represent a great saving'[56] David Wilson, running a 4,000 unit a year company, said that he was somewhat sceptical about the benefits of central purchasing for, although they did have such a facility, he thought that the local man could probably do the best deal.[57] Another housebuilder put it more succinctly: 'I've never been convinced that there are huge economies of scale in housebuilding. If you get the land decisions wrong, then no amount of discount on bricks is going to get you out of the hole.'[58]

Subcontracting

References have been made earlier to the use of subcontractors and this widespread structural feature of the industry is another important factor militating against the requirement for corporate scale. Within the corpus of business history, subcontracting has been seen as one of the most important aspects of the wider analysis of networking.[59] Extensive analysis of networks and transactional economics, explaining why some activities are performed within the firm and others performed by the market can be found as far back as work by Coase and more recently by, for instance, Williamson and Casson.[60] The housebuilding industry provides an excellent example of intermediation. The modern housebuilder could equally be termed the house developer (c.f. property developers) and this terminology would be more representative of its economic organisation. Whereas in the inter-war period the majority of construction work (and, indeed, some materials manufacture) was carried out within the firm, the opposite is now true: although the housebuilder will invariably employ its own supervisory staff, the actual construction work is performed by specialist subcontractors.

The relationship between the 'housebuilder' and his subcontractors is a close one, frequently near-permanent in the sense that one local housebuilder may regularly use the same two or three subcontractors in each trade, and each subcontractor regularly working for the same two or three housebuilders: In a 1984 interview, John Duggan, managing director of Charles Church, stressed the importance of subcontractor loyalty, going as far as to prevent them from working for anyone else; many had been with the company since its formation.[61] Eccles, in an article which uses Williamson's transaction cost approach to explain the organisation of work in the construction industry, described this 'stable organisational unit' as a 'quasifirm'.[62] Eccles' description was of the construction process, which is where the term subcontractor is normally associated, but the subcontracting principle has been used, to varying degrees, throughout the housebuilding firms' organisation - for sales (estate agents), design (architects), conveyancing (lawyers) and planning (planning consultants).

55 Press conference, December 2000.
56 Interview with Philip Davies, February 2000.
57 Interview with David Wilson, February 2001.
58 John Theakston interview in *Housebuilder*, May 2001.
59 P. Pearson and D. Richardson, 'Business networking in the industrial revolution', *Economic History Review*, Vol. 54, 2001, p.658.
60 Coase, 'The Nature of the Firm; Oliver E. Williamson, and Sidney G. Winter,[eds], *The nature of the firm: origins, evolution and development*, Oxford, 1991; Casson, *Information and Organisation*.
61 *Housebuilder*, Sept. 1984.
62 Eccles, 'The Quasi firm in the Construction Industry', p.333.

Diseconomies of Scale

Businesses experience organisational diseconomies as they grow in size but the issues for the housebuilding industry are not just the increased costs of supervision and communication, but, perhaps even more important, also the dilution of the entrepreneurial flair which was responsible for creating the earlier growth. As early as 1937, Coase noted that 'there may be decreasing returns to the entrepreneur function, that is, the costs of organising additional transactions within the firm may rise.'[63] A contemporary view from Casson, specifically writing about enterprise and leadership, expressed similar concerns. Although not writing with housebuilding in mind, he described the weakening supervisory links as firms increase in size: 'jobs are increasingly delegated to people who are not personally known to the entrepreneur'.[64] Penrose took a different approach, arguing that the once universally agreed concept of diminishing returns to management could no longer be supported and that 'single minded direction' could now be achieved through 'an appropriate form of organisation'. She suggested that it was the capacity of the firm to alter its administrative structure that made it difficult to say that there was a point where a firm is too big to be efficiently managed.[65] This is not a view shared by those writing specifically about the housebuilding industry, nor supported by the evidence of the large housebuilders that emerged in the 1980s.

Harloe et al. argued that problems of site supervision increased as the companies grew, requiring more elaborate organisation and expertise.[66] Grebler made similar observations on U.S. housebuilders, noting the conventional wisdom that the organisation of residential projects is so complex that 'the large builder is apt to incur incremental overhead expenses which tend to offset his other cost advantages'. The large firm had to extend its 'span of management' requiring a hierarchy of supervisors to ensure efficiency.[67] Although diseconomies of scale is discussed in this thesis as a late-twentieth century problem, there is some evidence that Ideal, then three times the size of its nearest competitor, was being affected before the Second War. Horsey argued that 'Combines such as New Ideal Homesteads suffered from the relatively new problems of large size and loose organisation: notably, insufficient supervision of subcontractors or their own employees, leading to pilferage... short cuts in construction, and the sale of houses before proper installation of essential services.'[68]

The organisational problem in the housebuilding industry centres not on the individual operating unit, but on the regional structures. The consensus is that the ideal size for one operational manager is 4-500 houses a year in a localised area, a rough and ready figure that has regularly been mentioned to me by managements since the 1960s, a recent public iteration being Wimpey's reference to its regional businesses being 'around the 500 unit a year capacity of received housebuilding management wisdom'.[69] Increased corporate size requires not the doubling of the operating unit, but its replication and, ultimately, the introduction of additional layers of management. Given the limitations on the number of executives that might report directly to a group managing director, further increases in size require yet another intermediate layer of supervision. Not only does that incur a monetary cost but it also imposes a motivational barrier. The local managing director may now have two layers of management above him, yet, if he is to produce acceptable performance, he has to be of a calibre where he could have been, for instance, a main board director of a smaller company. In particular, the entrepreneurial land buying has to be delegated to individuals who can no

63 Coase, 'The Nature of the Firm', p.394-5.
64 Casson, *Enterprise and Leadership,* p.75.
65 Penrose, *The Theory of the Growth of the Firm,* p.18.
66 M, Harloe, R. Issacharoff, and R. Minns, *The Organisation of Housing Public and Private Enterprise in London,* (London, 1974) p. 141.
67 Grebler, *Large Scale Housing and Real Estate Firms,* p.65.
68 Horsey, 'London speculative housebuilders', p.151.
69 Keith Cushen quoted in *Building Homes,* April 2001.

longer be directly supervised by the group managing director; yet these subsidiary managements are competing against independent companies of similar size where the land buying may be personally directed by the controlling entrepreneur. It is in these subsidiary entities that the entrepreneurial flair can be lost: the Redrow finance director commented that 'In any housebuilder there are a limited number of people at the top who add value, significant value, through land purchases. A large acquisition would dilute those skills – it is unlikely that there are people down the organisation who have them.'[70]

Quoted company accounts provide some indication of the regional structure of a national housebuilder as the practice of listing the individual subsidiaries and the regions became increasingly common over the last decade or two. Such lists may not be totally accurate representations of the organisation (there may be area offices without legal form), but they do give an indication of the diffusion of management in a national housebuilder. In the pre-1990 period, three housebuilders exceeded annual sales of 10,000 units and of these, Wimpey's housebuilding structure, for so long integrated with its construction, was opaque. Barratt, however, was more informative: at its peak in 1983, it had sales of 16,500 and to manage that volume, the 1982 accounts showed that it required five UK housebuilding regions, in turn supervising 29 housebuilding subsidiaries, averaging just under 500 units each. By the end of the decade, Tarmac was building in excess of 12,000 units out of 21 subsidiaries, or just under 600 per subsidiary; its regional organisation was not stated.

These three firms stood head and shoulders above the rest of the industry by size; each went on to suffer substantial declines in volumes. Barratt fell from 16,500 in 1983 (with plans for 18,000) to under 5,000 in 1993; McLean from 12,000 in 1988 to 6,000 in 1994; and Wimpey from 10,700 in 1986 to 5,500 in 1992. There was no single reason for these substantial declines. Barratt's sales were crippled by critical television programmes.[71] McLean's parent, Tarmac, had to contend with rising debt and problems across its divisions; in 1992 Neville Simms, previously managing director of the construction division, was appointed group chief executive with a policy to release capital by reducing the size of the housing division.[72] Wimpey, too, had recession-induced problems across a broad front, combined with managerial changes and was not sufficiently focused on housing to drive it forwards. Whatever the proximate causes, it remains the fact that three housebuilding firms, each of which was the industry number one for a time, not only failed to grow but actually experienced substantial volume declines. It is not necessarily a cause, but, nevertheless, a common feature for all three was the dilution of the entrepreneurial flair which created the firms.

For a contemporary comparison, the year 2001 was the first ever that there were three housebuilders, Barratt, Persimmon and Wimpey, each building more than 10,000 units in the same year. There are differences between the firms (Persimmon, for instance, includes the low-volume, high-price Charles Church brand) but Table 11.1 demonstrates the large number of subsidiaries, each with their own managing director and boards, all reporting upwards through regional chains of command, that are necessary to process large volumes. These management structures have yet to be tested by recession.

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[70] Interview with Neil Fitzimmons, August 2001.

[71] Granada's World in Action, June 1983 and June 1984.

[72] In 1996 Tarmac sold its housing division to Wimpey in exchange for the latter's construction and quarrying.

Table 11.1: Housebuilders' regional structures, 2001

Housebuilder	Units	Regions	Subsidiaries	Subsidiaries per region	Units per subsidiary
Barratt	11,310	5	29	5.8	390
Persimmon	12,051	7	33	4.7	365
Wimpey	11,537	3	23	7.7	502

Source: Company Accounts

Managerial responses to the problems of control and motivation vary in the emphasis on either centralisation or delegation. The Barratt approach to controlling a large organisation during its growth phase was standardisation, both of the product and the development procedures; there was no doubt that edicts from Newcastle were to be followed. This was both a strength in providing a framework for growth and yet a weakness in that it inhibited local flexibility. In an interesting interview comment, John Cassidy, one-time deputy chairman, reflected on one man who ignored the system: 'Tony Fawcett was the finest managing director I have ever come across in the industry. He didn't like the Barratt philosophy; he liked to run his own business. The philosophy when I became involved was to build 70 per cent for the first time buyer and in Manchester, we were building 1,000-1,100 houses in the late 70s and making £3m. profit. Tony, over in Yorkshire, ignored the first time buyer market - he did 400 houses a year and he also made £3m. profit. Because he was successful doing it his way, Lawrie was never in a position to challenge it.'[73]

Other housebuilders attempt to address the supervisory challenge by delegating as much authority as possible down to the local subsidiary whilst maintaining key supervisory controls at the centre. Berkeley probably took that as far as most, with its profusion of brand names and its belief 'in the importance of autonomous operating companies'.[74] Grebler quoted a similar philosophy from the chief executive of a large US housing company: 'The continuing struggle for a large company is to try to get the advantages of the relatively small, localized, hard-hitting firm and at the same time get the advantage that a large firm has in financing...We are trying more and more to give our ...division managers wide areas of latitude and to encourage them to think as one does in running his own business.'[75] The disadvantage, of course is that the housebuilder becomes more exposed to the mistakes of those appointed at a divisional level, a point made by one of the most successful housebuilders of recent times, Redrow's Morgan: 'The bigger you get the harder it is to control and anybody who says different is not telling the truth. The further you get from head office the more the cost overruns.'[76] The problems underlying regional expansion are further discussed below.

The diseconomies of scale arise not from larger and larger sites but from the need to introduce new operating units as the housebuilder expands geographically. The strategies for opening new regions vary. Some firms have preferred the acquisition route, as did Barratt in the 1970s. Although there is more than one motive for making acquisitions, they can provide a ready-made nucleus of local management. For those who prefer to move into a new location from scratch, there is a choice between recruiting a manager from that new region, conversant with all the peculiarities of his area and with an established network of contacts; or sending an existing manager, already known and trusted by the group, to develop the new region. A more cautious approach was to split an existing region in two and let the organisation creep out. There is no clear consensus about the best way to develop regionally. Bryant in the 1990s and McLean in the 1970s and 1980s, both believed in using their existing management:

[73] Interview with John Cassidy, March 1999. Tony Fawcett was managing director of Barratt York from 1972 to 1982; however, he eventually left to start his own business.
[74] Group accounts, 1999.
[75] Grebler, *Large Scale Housing and Real Estate Firms*, p.68.
[76] Interview with Steve Morgan, April 2003.

'We [McLean] always sent in one of our own people; we didn't go out and recruit. Our monthly management meetings were very intense and the men who could cope with the heat were going to be good managers.'[77] Persimmon's Duncan Davidson was a strong advocate of seeking out the right local managing director before opening a new office; Redrow favoured splitting regions although it also used the acquisition of Costain Homes in 1993 to move into the south-east. Usually new regions were contiguous with existing operations but occasionally firms would make a more distant investment, as did the Edinburgh-based Cala when it bought the Surrey Anns Homes in 1983.[78]

Some firms found the organisational problems hit them very early in the expansion phase. Allen Homes was part of the successful Allen construction group. Its volumes had doubled to 250 in 1987 and its profitability encouraged Allen to move into new areas. 'They had a grand scheme to cover the whole country in the mid-1980s; we had to be a national housebuilder. We had planned out the regions.' In 1986, managers were recruited to start operations in Yorkshire, North Wales and the West Midlands. In the late 1980s, offices in Stoke, Leicester and Nottingham were being opened. 'So we had 7 operating companies that were going to do 500 each. Yorkshire and Midlands were a disaster and Wales was only doing 12 a year.'[79] Allen had planned its expansion too late in the cycle, its resources were spread too thinly and not every subsidiary managing director appointment worked; in the event, the addition of these new regions added little more than ten per cent to housing volumes.

Invariably, when a UK housebuilder has experienced problems with a part of its operation, it is not in its home area; the managerial control is lost in the distant regions and it is usually exposed by a downturn in the market. One numerical example in the public domain is Bryant, where figures derived from its subsidiary company accounts filed at Companies House were published.[80] Table 11.2 contrasts the highly profitable home area (the midlands), even in the difficult year of 1993, with the more distant regions.

Table 11.2: Bryant Homes Divisional Profits

Division	**Turnover £m**		**Operating Profit £m**		**Margins %**	
Year to April	**1993**	**1994**	**1993**	**1994**	**1993**	**1994**
Central	101	132	19.7	25.1	19.5	19.1
Northern	18	45	0.9	5.5	4.9	12.3
Southern	105	121	(3.1)	4.6	(2.9)	3.8
County Homes	5	22	(0.2)	(0.2)	(4.9)	(0.8)
Total	**224**	**302**	**17.3**	**35.0**	**7.7**	**11.6**
c.f. Divisional Total in Accounts	*224*	*306*	*17.4*	*33.9*	*7.8*	*11.1*

Note: Figures may be subject to rounding errors

Many other examples can be found. Newcastle-based Bellway, one of the most successful companies of the 1990s, was in serious trouble in the mid-1980s with big losses in Scotland, north west and Yorkshire.[81] The 1990 recession created problems for Westbury in its southern division: 'We opened an office in Fareham and started buying land at exactly the wrong time. When you look back we never had a write-off in Wales or in Gloucestershire which was our home patch.'[82] Cala, mentioned above, remained profitable in Scotland but incurred substantial losses in southern England. The Chairman was frank in his annual report: 'Recessions generally highlight weakness in controls and in

[77] Interview with Sir Eric Pountain, November 2000.
[78] See accompanying disc.
[79] Interview with Ian Hilton, January 2002.
[80] Fred Wellings, *Forecasting Company Profits* (Cambridge, 1998) p.119.
[81] Interview with Howard Dawe, November 2001.
[82] Interview with Richard Fraser, September 2000.

individuals and Cala has not been without its difficulties'.

Many housebuilders were fully aware of the problems of organising growth and chose not to expand regionally. Ben Bailey stayed in the north-east, modestly doubting its competence: 'One, we probably didn't want to and two, I'm not sure that we had the ability. I don't know really. We didn't do it so I suppose we hadn't got the ability'.[83] Roy Davies ran Bryant Homes from 1958 to 1987, keeping it at more or less the same size between 1975 and 1985 building around 2,000 a year; his only regional move was to open a southern office. Davies said 'I didn't want to be bigger - we couldn't see the point. I wanted to see every site at least once every eight weeks.'[84] Fairview, one of the most consistently profitable companies in the industry, remained resolutely committed to the London area. It had refused to increase its regional coverage despite being encouraged to do so when taken over by Hillsdown in 1987. Dennis Cope, the founder of the business, had never wanted to become a national builder but Hillsdown thought it a natural progression. 'I can remember sitting down with Harry Solomon and him saying "what's the potential for this business, why can't we become major housebuilders." "Well, we can Harry if you want. I'll open a business for you in Glasgow, I'll open a business for you in Bristol and one in Birmingham but I will tell you now, we'll double the size and halve the margins so what's the point. Because once you get into these regional offices you are reluctant to delegate to people at those regions the authority to spend money on sites without planning permission, you are going to have to be extremely lucky to find the number of people you want that have got the skills and the judgements."'[85]

By the year 2001, there were once again three housebuilders with an annual output in excess of 10,000 - Barratt, Persimmon and Wimpey; whether they will avoid the fate that befell the big three of the 1980s (Persimmon now stands in place of McLean) remains to be seen. Persimmon recognised that if it wished to achieve significantly higher volumes it had to adapt its organisation to cope with the managerial strains. The 1999 Chairman's statement laid out the new structure whereby, under the group chief executive, the national housing business, then building around 7,000 units a year, was split into separate north and south divisions, each with its own board controlling ten operating companies. Two years later, the acquisition of Beazer almost doubled the size of the group to 12,000 a year. Asked why he thought Persimmon would avoid the mistakes of the other housebuilders who had reached 10,000 a year, founder Davidson explained, 'The biggest single reason is that we have split the group into three main businesses - the North, the South and Charles Church.[86] They are run completely separately and the only link with the head office is through John White and the finance director.' Davidson argued that, in the past, Barratt , McLean and Wimpey Homes had been run in a more centralised manner: 'Also, our people have all been there a long time.'[87] It is too early to judge the success of this strategy although it does implicitly recognise the problems inherent in continued expansion of the reporting lines.

It is in periods of takeover activity that the arguments in favour of the economies of scale are most frequently expressed, although their validity in a battle for corporate survival may be questionable. Equally, there have been some damning refutations, for instance in the late 1980s. English China Clays' had claimed, when bidding for Bryant, that without a merger Bryant (then building 2,000 houses a year) would find it increasingly difficult to maintain its growth without access to greater resources. *Building's* leader article called this 'a moot point...The scale economies of volume building have become less important for the housebuilder pursuing the predominant trade-up market Local knowledge rather than financial muscle is the key to successful land buying.'[88] Another rebuttal came from French

[83] Interview with Richard Bailey, January 2002.
[84] Interview with Roy Davies, December 1999.
[85] Interview with Denis Cope, September 1999.
[86] The premium housing brand that came in via the Beazer acquisition.
[87] Interview with Duncan Davidson, October 2002.
[88] *Building*, 2nd Jan. 1987, p.4.

Kier in 1986 following Beazer's claim that its bid would 'provide benefits of synergy and a savings of scale'. Chairman, John Mott said 'There are economies of scale, but there are also costs associated with size'.[89] As the years passed, it could be seen that it was these buyers' strategy that was found wanting. Some ex-national housebuilders were also able to be more dispassionate when they looked back on their time running national businesses. David Calverley reflected on Ideal: 'To me, in the 'eighties, having a national coverage, the economies of scale were not that great; we were all firm believers that it was all about regional knowledge, knowing your patch, accountability, appoint good regional managers and let them run the business.'[90]

Do large companies earn superior rewards? A Statistical Comparison

The empirical evidence offered in this chapter and the supporting arguments indicate at best that there is a body of successful housebuilders who do not believe there are economies of scale of sufficient size that they are prepared to deliberately enlarge their business to secure them. A reasonable question to ask is what other evidence might there be of the existence or otherwise of substantial economies of scale? What would a housebuilding world look like if significant economies did exist? Presumably it would contain larger companies consistently earning superior returns to smaller ones. What would it not look like? It would not contain smaller companies competing side by side with the larger ones for the same customers, for the same resources and offering the same product at the same price.

It is not conceptually difficult to formulate statistical comparisons of profit margins for companies of different sizes; indeed, readers of this thesis might expect such statistical comparisons to play a central part in the debate. However, interpreting financial comparisons is a minefield; all too often, comparisons of accounting data are made without regard to variation inherent in companies' financial data. But even without that significant proviso, it will be seen that the evidence does not suggest a positive link between size and margins. Even if it had done, there would remain question marks over the validity of any positive correlation. Forget the fact that the companies are not homogeneous; that they may contain different mixes of social housing, or land dealing, or sales-capital ratios - all of which affect individual profit margins. Over a large sample, these individualities may even out. The difficult interpretational problems centre on the related issues of causality and sample selection.

Over a long period of time, it is the more profitable firms that can afford to expand the fastest. They generate returns that can be reinvested and have stock market ratings that facilitate acquisitions. If large firms do earn higher returns, is it their size that has enabled them to achieve those returns or is it the high returns that have enabled them to expand? At the other end of the scale the causality between low volume and, perhaps, low margins is even harder to disentangle. There are without doubt small firms on low margins but not because they lack economies of scale. Sometimes they are firms that once were larger, but poor performance has led to lower profits and a reduction in the size of the firm, such as Shepherd Homes and Wates.

Despite these qualifications, some basic comparisons have been made to see if there is a recognisable relationship between volume and margins; if there is, the qualifications may need to be re-addressed, if not, they are of passing interest only. The *PHA 2002* (the latest year available at the time of writing) was used to compare profit margins in year 2001. A contemporary period for analysis was chosen because (apart from convenient access to reliable data) it represented the maximum concentration achieved within the housebuilding industry; if economies of scale were being achieved, that is the time when superior returns

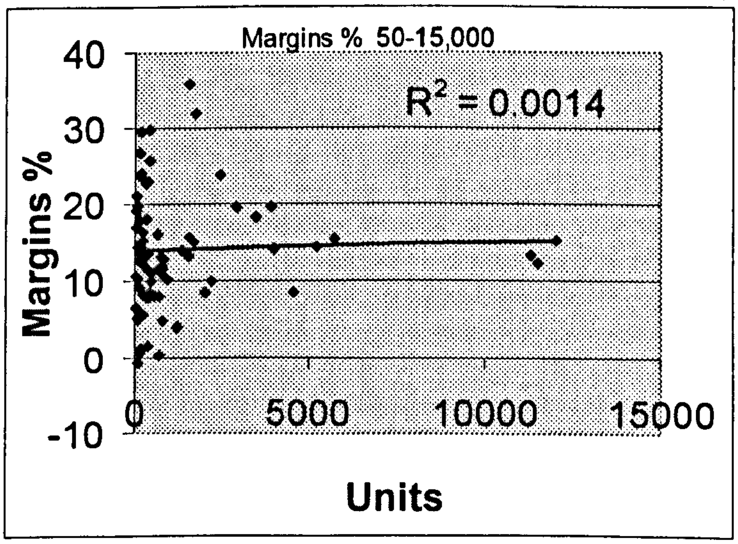
[89] *Building* 10th Jan. 1986, p.15.

[90] Interview with David Calverley, November 1998.

should be most evident. To check that the year 2001 was not in some way aberrant, the same calculations were performed for companies in 2000 with almost identical results. To test a significantly earlier period, the year 1987 was selected, although slightly different size boundaries had to be used; like 2000 and 2001, it followed a sustained period of rising prosperity and was relatively free from the distortions that can arise during a recession. Again, the results were not inconsistent with those of 2001 and references to the 2000 and 1987 results are given in the footnotes. It was not possible to perform the same tests on periods prior to the 1980s as there is insufficient corporate data.

The total number of companies in 2001 was 84 from which six were removed; two were predominantly social housing companies (on which margins are very low) and the financial data for the remaining four was either not available or unrepresentative. Figure 11.1, comprising housebuilding companies ranging in size from 50 to 15,000 units a year, shows an almost horizontal line with a low coefficient of determination.[91] A chart which eliminated the very small companies (those below 500 units) would have shown a line that was almost equally horizontal, although R^2 did rise from 0.001 to 0.008.[92]

Figure 11.1 Housebuilders' Margins, 2001, 50-15,000 unit companies



Source *PHA*, 2002

In an attempt to find some range of companies where there would appear to be a recognisable difference between the smaller and the larger, the size range 500 to 5,000 units was taken. This has some logic in that 500 units is the size of operation generally regarded to be around the optimum for one managing director to control. Figure 11.2 (a) shows this grouping and a slightly more positive relationship between size and margin is found, but R^2 remains at no more than 0.072.[93]

If the figures were to be taken at face value they might suggest that as firms increased from the single division structure of around 500 units towards a multi-division 5,000 (say, a semi-national), some improvement in margin can be detected. And when the volumes are pushed higher to the large national size, that advantage disappears. However, the high variation of margins around the average and the small number of companies in the larger size category does not suggest that the data provide any convincing statistical evidence that significant benefits accrue to size. Just to illustrate what appears to be an almost random distribution of profit margins, the size group 1,000-5,000 was also taken and this actually shows a negative correlation (Figure 11.2 (b)).[94]

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91 R^2 was 0.008 for 1987 and 0.004 for 2000.

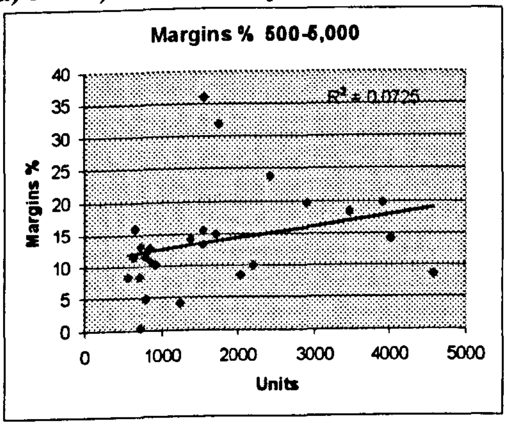
92 Eliminating the very small companies gave R^2 of 0.002 for 1987 and 0.005 for 2000.

93 R^2 was 0.002 for 1987 and 0.057 for 2000.

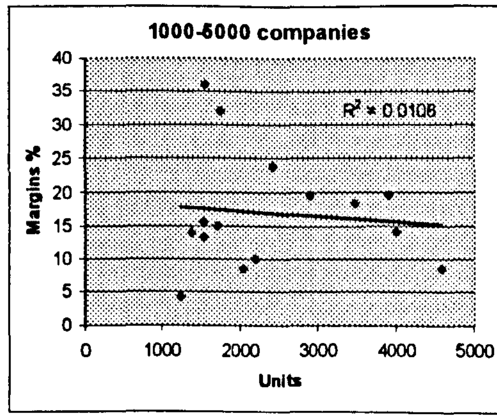
94 The line for year 2000 also sloped downwards with a very low R^2 of 0.011; for 1987, the line was

Figure 11.2: Housebuilders' Margins, 2001

a) 500-5,000 unit companies



b) 1,000-5,000 unit companies

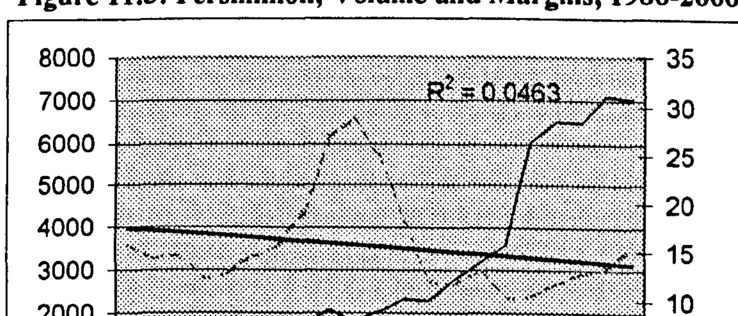


Source: *PHA,* 2002

An alternative approach was considered, taking the largest companies and comparing the change in their margins over time. However, the further back chronologically the data are taken, the smaller the percentage of companies that have survived. If an historic group is taken, many (generally the poorer performing ones) will have fallen by the wayside and their data is not available for the later years; if only the survivors from the historic control group are used, then there is an inbuilt bias towards success. The same effect is true in reverse: if a contemporary control group is selected, that too has an inbuilt bias towards success as it consists only of survivors. The second difficulty is the considerable cyclical variability of profit margins; changing the base by only one year can make a large difference to the comparisons. This approach was therefore not considered helpful although, out of interest, the statistics did not support the contention that size improves margins.

The next exercise was to take a selected individual company that had grown rapidly and see if its increasing size has produced superior margins. Once again, the substantial cyclical variation in margins makes comparisons over time difficult to interpret. Persimmon, highly regarded within the industry, should provide one of the best case studies, as it increased its volumes from 300 to 7,000 in two decades, with the help of only one acquisition; yet Figure 11.3 shows that its trend in margins followed predominantly that of the housing cycle. Moreover, there was a small negative correlation between volume and margins.

Figure 11.3: Persimmon; Volume and Margins, 1980-2000



Source: Company accounts for Persimmon

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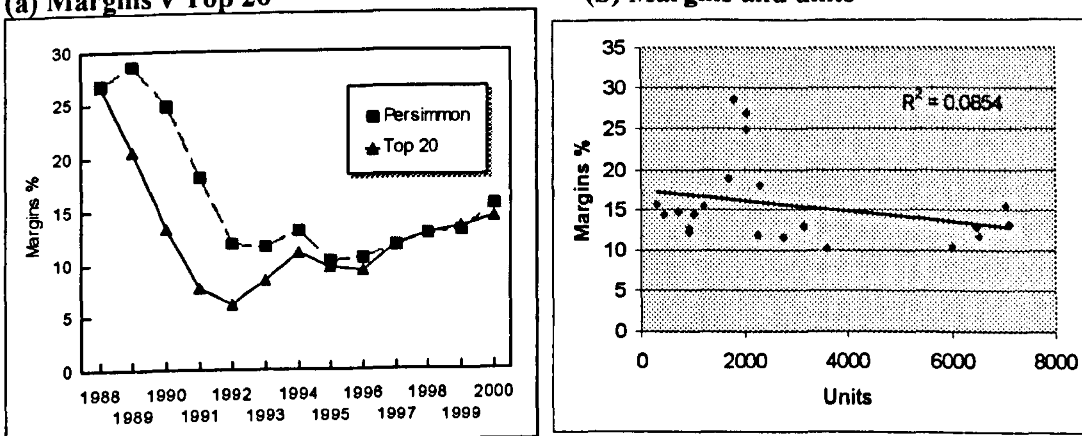
horizontal with R^2 infinitesimal.

In Figure 11.4, Persimmon is compared with the top 20 control group; its margins are seen to be the same as the control group in both the starting and the finishing year. Following another acquisition after the comparison period, Persimmon became the country's largest housebuilder but integration costs mean that it is too early to judge the effect on margins. In Figure 11.4 (b) margins and size are plotted; the fit is not good and, if anything, there is a small inverse correlation.

Figure 11.4: Persimmon Margins, per cent

(a) Margins v Top 20 **(b) Margins and units**



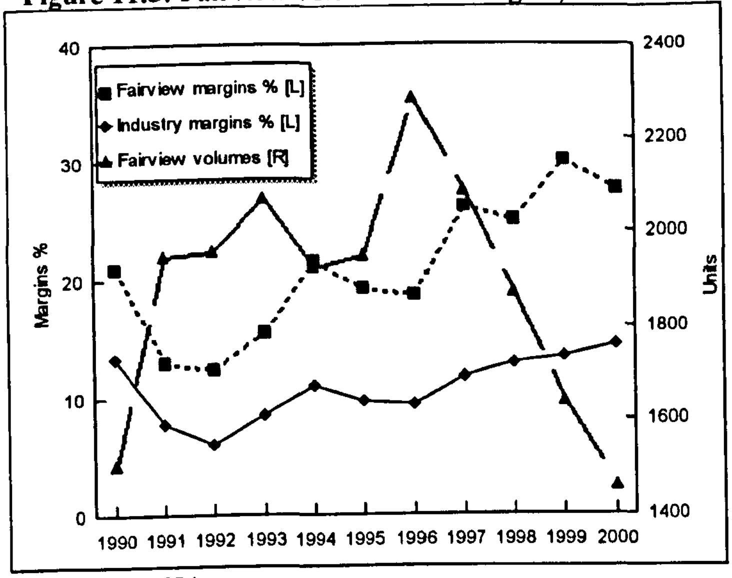
Source: Persimmon Accounts; *PHA*

The final exercise was to compare selected small companies with the returns made by large companies. Figure 11.1 showed that there was a very wide variation in margin within the smaller companies and it has been stated that the causality is harder to determine for the small than the large company. Poor financial performance, i.e. low or non-existent margins, does have a strong negative effect on growth. Many of the small companies are where they are because of their low margins, and not the other way round. A further complication is that more of the small companies are private and there are other ways of extracting value from a family business than by creating taxable profits. These are explanations of why the average margin for small companies is not higher than it is. However, there exists within the portfolio of small companies many who earn above average margins, often considerably so; some of these do so without any perceived wish to grow the size of their business. Three differing examples are discussed below.

Hubert Leach founded his housebuilding firm in 1933; his son Paul succeeded him in 1967 and the third generation is in place. In the five years to 2000 the company averaged around 100 houses a year and its average margins of 26 per cent compared with the top 20 average of 12.3 per cent over the same period. Paul Leach stated that the family had made a conscious decision not to expand for its own sake, and resisted the temptation of a public quotation: 'we were never greedy in our lifestyles'.[95] He attributed the high profitability to their willingness to contain the size of the business. In contrast, Hopkins Homes, a Suffolk housebuilder, was only founded in 1993 and by 2000 had expanded to over 150 units a year with a medium term growth target of 500; despite the cost of expansion, its margins in the three years to 2000 were a consistent 24-25 per cent, almost twice the top 20's 13.5 per cent in that period. Figure 11.5 shows that Fairview had little interest in volume growth, yet maintained consistently higher margins than the industry throughout the 1990s (and as it did through the previous decade). For the period 1990-2000 its margins averaged 20.9 per cent against a top 20 average of 10.7 per cent and for 1996-2000, 25.5 per cent against 12.3 per cent.

[95] Interview with Paul Leach, July 1998.

Figure 11.5: Fairview volumes and margins, 1990-2000



Source: *PHAs*

Summary

Chapter 11 has examined the standard explanations for growth in corporate size and found them less than convincing. The production economies of large sites were regarded as modest and often conflicted with capital-utilisation requirements; moreover, site size is largely outside the control of the housebuilder. There were more substantive arguments for economies of scope accruing to the multi-sited large housebuilders but they did not necessitate national businesses: ability to acquire land because of greater financial strength, marketing and purchasing were addressed. Access to finance may assist in the purchase of very large sites but there was no evidence that finance was a constraint to either entry into the business or to the growth of smaller firms: indeed, if there is a criticism of the financial sector it is that is over-relaxed about lending to speculative housebuilders. Marketing tended to be localised and site-oriented and the one attempt to aggressively promote a national brand (Barratt) proved counter-productive. More recently, some of the major acquisitions have been accompanied by claims of purchasing economies but not all housebuilders are convinced.

Such advantages that accrue to scale may be matched, to a greater or lesser extent, by organisational diseconomies. After a certain size (typically 500 units) housebuilders become large by replicating their original structure on an ever-widening regional basis. This introduces additional layers of supervisory and administrative costs; equally important, it dilutes the entrepreneurial flair of the business leader. Businessmen may have wished to expand but it does not appear that it is economically necessary that their firms should expand; the statistical analysis that closes Chapter 11 shows that highly profitable small firms can be found operating side by side with large firms, offering the same product, in the same market place.

Those who believe in the economies of scale and scope in the housebuilding industry should ask, as local housebuilders became regional, and then national, concerns and the industry consolidated, why did it still remain relatively easy for new entrepreneurs to continue entering this industry, compete effectively with national concerns, and become significant businesses themselves? Although there are recognisable competitive advantages that accrue to the larger firm, this thesis argues that any economies that do exist in the speculative housebuilding industry are apt to be exaggerated, not of sufficient amount to necessitate the creation of large firms, and are frequently offset by organisational diseconomies. Chapters 12 and 13 concentrates on the reasons why housebuilders decline or fail ,before the thesis concludes with an alternative explanation of why housebuilders seek to grow.

12. The Decline Of The Private Housebuilder: a Chronology

Introduction

Chapter 12 begins the examination of the reasons for corporate decline or failure by analysing the fate of the leading housebuilders. Rather than take them as a group, the housebuilders have been divided into three time periods: the leading firms from the 1930s; those at the end of the post-war boom; and the leading firms at the end of the 1980s.[1] Each period is analysed, with a summary table listing the leading housebuilders and their size; their industry ranking in 2000 if they survived; and a brief description of the reason for their departure. The predominant cause of decline amongst the pre-war housebuilders is attributed first to the cessation of housebuilding during the War and the immediate post-war period, and to succession. For the pre-1974 list the departures were a result, firstly, of attractive offers from acquisitive companies in the late 1960s and early 1970s; then financial failure as a result of the 1974 recession; and then succession issues. During the third period, the leading companies in the late 1980s, suffered from a combination of the 1990 recession and an unwinding of earlier diversified structures; it is too early to judge the importance of succession. These companies provide the raw material for the themes that are brought together in Chapter 13.

The Pre-war Housebuilders

Table 12.1 returns to the list of the large pre-war house-builders and shows that, with the exception of Wimpey, the names bear no relationship to the large housebuilders at the end of the century and not much to those of even the 1970s. Their decline can be almost entirely attributed to two factors; the hiatus of wartime and building controls, and problems of succession. The table contains 20 pre-war housebuilders and summarises what happened to each individual company. Of the 20, only seven survived to 2000; Wimpey was then the largest private housebuilder, a position that it had occupied for longer than any other company. That apart, only three others ranked in the top 25 in year 2000 and the other three can be described as no more than small house-builders by today's standards. Even the four firms that were building over 1,000 a year by the end of the century had only reached their respective positions after experiencing long periods of decline. Wimpey built no more in 2000 than in 1972 and its output had halved between 1972 and 1992; it was only the merger with the similarly-sized McLean Homes that restored its volumes. Laing's housing volumes had fallen to 2-300 by the mid 1970s and Taylor Woodrow and Miller were both down to around 500 a year by the late 1980s. It is only fresh generations of management that allowed these housing businesses to grow again. Not one single pre-war housebuilder, therefore, has avoided long periods of decline; the best that can be said is that a few of them survived long enough with their other interests to regroup and focus once more on their original housing businesses.

The hiatus of 15 years of war and post-war controls meant that businesses were run down, founders passed through what would have been a conventional retiring age without being able to restart, succession patterns were broken and, crucially for many of the larger firms, other activities came to dominate. Fifteen years can represent a whole generation of employee directors; include a few more years for re-building the original business and it does literally represent a business generation.[2] Some of the pre-war house-builders turned into national, even international, contractors. As outlined in Part I, this was particularly true of Wimpey, Laing, Taylor Woodrow and Costain. The wartime effort of building airfields, defence works,

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[1] When wartime, when there was no housebuilding, and the current leaders (we cannot tell yet what will happen to them) are excluded, these are the periods that remain.

[2] The statement is based on observation over 40 years; as a cross-check, the 14 companies in the 2003 *PHA* all had different finance directors than when I left the City in 1991.

and the Mulberry Harbour created a massive resource of construction and civil engineering expertise. Unable to resume private housing, the directors capitalised on their wartime experience by creating national or even international construction businesses. By the time building controls were removed, the parent company boards were dominated by contractors and engineers. Taylor Woodrow and Wimpey were two that rapidly resumed their pre-war housing operations, but only Wimpey really grew the business for a significant period of time. One cannot criticise, merely note, those companies that created substantial non-housing businesses. However, nearly all the remaining companies (and many outside that list) became shadows of their former selves - if they survived at all.

Table 12.1: The Pre-war Housebuilders; Corporate Outcome

Company	1930s output	Fate by year 2000	2000 Rank
Ideal Homes	5000	taken over 1967[3]	
Henry Boot[4]	1500-2000	independent c.600 p.a.	34
Wates	1500-2000	independent c.100 p.a.	100+
Taylor Woodrow	1200-1500	independent 2000 p.a.	15
Davis Estates	1000-1200	taken over 1957, parent acquired 1982 and withdrew from housing	
Wimpey	1200	independent 11,000 p.a.	1
Mactaggart & Mickel	1000	independent c.150 p.a.	50+
Costain	1000+	housing sold 1993	
GT Crouch	1000	collapsed 1984	
Laing Homes[5]	800	independent 1200 p.a.	25
TF Nash	750-1000	vanished early post-war years	
Dares Estates	800	rescue bid 1971 after construction losses; later withdrew from housing	
RT Warren	750	taken over 1967	
Comben & Wakeling	600	taken over 1971 (reverse)	
Janes	600	taken over 1976	
Miller	500-600	independent 1800 p.a	16
Morrell Estates	500?	collapsed 1937-39	
Mucklow	500	wthdrew from housing 1980s-90s	
William Leech	500	taken over 1985	
N Moss	500?	taken over 1946 and withdrew from housing	

Source: Company history disc

Companies which had done little more than put their pre-war operations on a care and maintenance basis, or had only a mild flirtation with construction, frequently found that the eventual resumption of their mainstream activity was all too often impeded by the ageing or death of the pre-war driving force. Succeeding generations opted for a quiet life, perhaps shifting the balance of the business towards investment, often using the stock of pre-war rented housing as a base. Mactaggart & Mickel is a typical example, continuing to build modest volumes, for a long time on sites which had been acquired before the war, whilst at the same time amassing a considerable investment portfolio. George Ball Estates converted itself into a wholly investment company; the Warren and Gough-Cooper families are others that still carry on a property investment business having sold out the development arm of their groups; while Hilbery Chaplin is once more an estate agent. For some of the established pre-war firms little is known other than they rapidly departed the housebuilding scene. Nathaniel Moss's son sold the firm in 1946; London builders such as T F Nash, F & C Costin

[3] Sold by Trafalgar House to Persimmon 1996; separate identity then lost.
[4] Sold to Wilson Bowden, 2003.
[5] Sold to Wimpey, 2002.

and Newman Eyre vanished without trace and corporate records have been destroyed;[6] Ellis Berg appears to have sold E & L Berg to a property company in around 1971.Whether these founder-managed businesses 'departed' for physical lack of family succession, want of second generation interest, or ineptitude is dulled by the passage of time and a lack of data.

Succession issues link nearly all the companies in Table 12.1 whether they were survivors, taken over, or sold by their parent company. Some of the succession issues are easily identifiable: the dominant individual falls ill or dies. Illness prevented Ideal's Leo Meyer from attending Board meetings after 1959 and he died in 1961; by then, his eldest son Jimmy was firmly established running the independent Federated Land. Non-family succession failed and Ideal succumbed to a takeover by Trafalgar House in 1967. Arthur Davis had a severe car accident in the 1950s and the business was sold to Wood Hall Trust, a conglomerate with interests in Australian pastoral trading, food, property and building; in turn, Wood Hall was taken over by the Australian Elders group and private housing was progressively wound down. Tom Warren died in 1964 leaving seven family shareholding groups. 'All the son-in-laws got involved – there was internecine strife.'[7] The trading business was sold to Bovis in 1967.

Less dramatic was when the dominant individual reached retirement age or, to be more precise, the age at which he no longer wished to run the company; it was not unknown in the building industry for this to be a generation after the conventional retirement age. Sir Herbert Janes was 78 before he resigned as Chairman in 1962 and although volumes increased modestly thereafter, succession ultimately became a problem. In 1976, Janes accepted a bid from Barratt prompted, it is said, by friction within the family. The relationship between Leslie Sell (Sir Herbert's son-in-law), then 76, and Robert Janes (Sir Herbert's son) had deteriorated to such an extent that they no longer conversed at all, with every communication being by way of memo through intermediaries. Similar family dissension affected Wates. Norman Wates died in 1969 but his son, Neil, appeared equally capable of driving the firm forward. However, there were several other third-generation Wates in the firm and Neil Wates resigned as Chairman and Managing Director in 1975 after a celebrated boardroom row: 'Neil Wates had been managing director since 1964 and the strong and intensely felt opinions and ambitions he held about and for the group made it increasingly difficult to accept the chairmanship of his uncle Ronald. The graceful charade of 1973 masked the determination of Neil Wates that Ronald Wates should go and in February of that year Neil Wates became chairman as well as managing director. Now Ronald's son Michael is to become chairman and there is to be no new chief executive.'[8] There were dominant individuals that managed to pass on control to another generation but rarely with the success that they had enjoyed. The second generation of Comben and Wakeling had taken the company public in 1964 but the profit performance was poor and after a loss in 1970, the firm succumbed to a takeover bid from Carlton Industries.

Despite their initial post-war successes, the four large contractor-housebuilders still had considerable difficulty with succession. For two of them, it was almost the longevity of the founders that caused the problems. Wimpey is synonymous with Godfrey Mitchell whose regular presence in the office until he died in 1982, 63 years after he had bought the Company, prevented the establishment of strong successor leadership. Less well known at Wimpey, however, was FW McLeod, a bricklayer who concentrated on driving forward the private housing volumes. His death in 1969 marked the end of a focused housebuilding operation and it was probably not until the mid 1990s that housing momentum was again resumed. Taylor Woodrow, too, was to suffer from a founder who stayed overlong, inhibiting the task of his successors. However, Taylor Woodrow's decline as a UK housebuilder has to be put in context: it was a decline in one part of the business, not in the business as a whole

[6] Companies House records are subject to selective retention.
[7] Interview with RT Warren (Junior), November 2001.
[8] *Building*, 11th April 1975, p.51.

which enjoyed consistent success through the 1960s and 1970s. Taylor Woodrow had resumed housebuilding as enthusiastically as any firm and by 1955 its target was up to 1,500 but by 1958 its sales had almost halved to 658; the 1956 level of output was not seen again for 40 years. The management team lost its focus; Frank Taylor 'visited' the housing board but he was running an international construction company. Whereas Wimpey had McLeod, Frank Taylor still had Tommy Fairclough, a man who had only been an operational manager and who was facing ill health.

For Costain and Laing, succession presented challenges much earlier in the post-war period. Richard Costain had suffered increasingly from illness and after his death in 1966 his brother opted to concentrate on his career as an MP. After a second attempt at bringing in management from outside, leadership passed to one of Costain's civil engineers. The remarkable success achieved by Costain in its Middle East contracting meant that housing had become almost irrelevant and when eventually Costain did try to rebuild its housing it was without clear control or understanding from the parent board. John Laing had been succeeded by his two sons after the war but they had wider interests and the administration of the company was in the hands of Ernest Uren; when ill health forced his retirement in 1971, the family went outside; Fred Catherwood turned out to be no more successful than he had been at Costain and the subsequent management story at Laing was one of regular boardroom struggles for ascendancy with an eventual loss of control that forced the sale first of construction and then (in 2002) of housing.

Straightforward financial failure accounted for only two of the companies, Morrell and Crouch, a smaller proportion than will be seen in later lists in this Chapter. Morrell Estates was distinguished by being the first quoted housebuilder to fail, when it placed its only trading subsidiary into liquidation in 1937, just two years after flotation. Its involvement in the celebrated Borders case[9] came too late for that to be blamed for its financial difficulties which will probably remain forever unexplained. The Crouch failure had its origins in the sudden death in 1973 of John Crouch, aged 41. In 1978, a private company controlled by Ronald Clempson acquired a substantial shareholding in Crouch Group and Clempson was elected Chairman. Injudicious investments in property, particularly in the USA, led to losses in the early 1980s and Crouch failed in 1984; Clempson was later jailed for false accounting in a subsequent business venture, an explanation which may well have been appropriate to Morrell. Financial failure was not, of course, always absolute. Dares was subject to a rescue bid in 1971 following large construction losses, and further rescues followed that before it eventually withdrew from housing..

The early 1970s

Table 12.2 shows the 31 housebuilders that had completed 1,000 units in at least one year of the post-war boom. It contains more companies than table 12.1; the passage of years had given time for larger firms to develop and make acquisitions There is an overlap with the pre-war section in that the larger pre-war housebuilders have already been discussed but these are included in Table 12.2 for the sake of completeness. As with the pre-war corpus of companies, what stands out is how few survived as independent entities to year 2000, only seven, and of those, Bovis had been taken over only to re-emerge 20 years later, while Bryant was actually taken over in 2001. The companies in Table 12.2 exhibit recognisable differences from the pre-war housebuilders in Table 12.1.One of the more quantifiable is that the majority of the companies in Table 12.2 were quoted, some 25,[10] which facilitated acquisitions, driven by the buyer's desire to expand and not just the seller's inability to continue.

The causes of departure are not always simple or singular but it is possible to identify three

[9] For background, see Cleary, *The Building Society Movement*, pp.218-23.

[10] Ignoring housebuilders that represented a small part of larger unrelated quoted entities.

groups of housebuilders with common characteristics: those that departed before the recession struck, predominantly at attractive prices; those that failed, directly or indirectly, as a result of the 1974 recession; and those for whom succession issues predominated. Financial failure, principally the 1974 recession, is a significant cause of departure. Whereas decline in the pre-war list had been attributed to inability to provide a comparable successor to the dominant individual, it can now be seen that the mistakes are just as easily committed by the dominant individual himself as by his successor. Succession problems may take years to unravel but the overconfidence of the dominant individual can produce more precipitate departure from the industry's ranks.

Table 12.2: The Pre-1974 Housebuilders; Corporate Outcome

Housebuilder	Peak Units+	Fate by year 2000	2000 Rank
Wimpey	12500		1
Northern Develop.	4000	Failed 1975	
Whelmar	3200	Sold in parts 1986/87	
Bovis	c.3000	Taken over* 1974	13
Ideal	2-3000	Taken over 1967	
Barratt	2500		2
Broseley	2200	Taken over 1986	
Leech	1888	Taken over 1985	
Bryant	1600		9
Bardolin	1500	Taken over 1973/87	
Bellway	1500		5
Francis Parker	1400	Withdrew from housing mid-1970s	
Orme	1357	Taken over 1978	
Comben	1269	Taken over 1984	
Page-Johnson	1200-1500	Taken over 1971	
David Charles	1200	Failed 1977	
Greaves	1200	Failed 1976	
Wates	1000-1250?		100+
Hallmark	1250	Taken over 1970 and sold	
Gough Cooper	1050	Taken over 1980 and run down	
Bacal [Fell]	1300	Failed 1975	
E Fletcher	c.1200 [1965]	Taken over 1969	
Janes	1000-1200	Taken over 1976	
Galliford Estates	1000-1200	Taken over 1974/94	
McLean	1000+	Taken over 1973/1996	
Federated	1000+	Failed 1990	
Costain	c.1000?	Housing sold 1993	
Davis Estates	c.1000?	Taken over 1957 and withdrew in 1980s	
John Lawrence	800-1200	Housing sold 1986 and run down	
Whittingham	1000-	Taken over 1983	
Taylor Woodrow	1250 [1956]		16

*Remained an identifiable entity + Early 1970s unless otherwise stated

Six companies from Table 12.2 departed before the 1974 recession, and they left for entirely different reasons than most of the post-recession departures: Ideal, Page-Johnson, Hallmark, E Fletcher, Bardolin and McLean. Ideal has already been discussed and its problems were attributed to succession. Page-Johnson and Fletcher, both run by dominant individuals with controlling shareholdings, were interesting in that they are the first examples of large housebuilders selling out, not because they had been unsuccessful, but because, to coin a phrase, they were made an offer they couldn't refuse; other acquisitive housebuilders were prepared to use their quoted shares to accelerate their growth.

Johnny Johnson had no sons in the business (it could be argued that he anticipated a succession problem but there is no evidence either way): 'He wasn't that old - he liked the finer things in life, he'd got to the fun stage, he'd got a boat, property in Australia, farms, an estate in Northumberland. And he got a hell of a price.'[11] The acquisition of Page-Johnson, made at the same time as the land-rich Warren, immediately propelled Bovis into the ranks of the leading housebuilders. Bardolin's acquisition of Fletcher was the archetypal stock exchange driven transaction: Jock Mackenzie, a colourful barrister and financier, became chairman of the small quoted housebuilder, Bardolin, in 1968 with the specific objective of creating a national housebuilding group. Edward Fletcher had formed his company in 1935 and second generation Geoffrey Fletcher had become managing director in 1960. Fletcher was by far the largest of Bardolin's acquisitions and the Fletchers were, in effect, running the enlarged company. (Bardolin, in turn was acquired in early 1973 by Jock Mackenzie's London & Northern Securities as a piece of corporate reorganisation.)

Geoffrey McLean, a second generation owner, floated the family company in 1963 but subsequent growth was disappointing. In March, McLean acquired Midland and General Developments, founded and run by Eric Pountain. Later that year McLean incurred substantial losses on local authority housing contracts and, after a boardroom coup, Pountain became managing director. In 1973, McLean was taken over by Tarmac who wanted Eric Pountain's management team to revitalise its own housing operation and in the fullness of time it was to become the largest housebuilder in the country. Asked why he sold it: 'I don't know, I must have been mad, but it was an opportunity at the time. It seemed a lot of money'[12]

Lower down the size range, more quoted housebuilders received good offers from larger companies. In addition to the ones mentioned above, there were another eleven between 1967 and 1973 - nine of them going in 1972 and 1973 as the housing cycle was coming to its peak. In total, 15 quoted companies succumbed to attractive offers before the recession.[13] Only Hallmark and Ideal (mentioned earlier) departed for other reasons. Hallmark, was a financially driven holding company, a 'shell' that had been used to acquire Alan Draycott's housing business in 1957. Further housing acquisitions were made, particularly of AJ Wait in 1963, but Hallmark was also diversifying into commercial property, banking and manufacturing and by 1965 housing accounted for less than a quarter of profits. In 1970, Hallmark was acquired for its property interests and the housebuilding division was considered not relevant to the mainstream business and sold.

Nine companies from Table 12.2 failed financially, either completely in that receivers were appointed, or they were so severely weakened that housebuilding operations came to an end anyway; all bar Federated Land were victims of the 1974 recession. Reference has already been made to the failures in Chapter 5, which discussed the changes in market share. Northern Developments, David Charles, Greaves, and Bacal (previously Fell) all went into receivership; all were being run by a dominant individual and, whatever the cause of failure, it was not succession. Northern Developments' Derek Barnes continued buying land through the early 1970s using bank debt: 'At the end, he was buying land without even seeing it half the time. Someone would ring him up with the offer of land on the telephone and he would ask 'who are you, where are you, what's your land, are there any roads near, any sewers near, is it flat, how much do you want for it, send me the details.'.[14] At David Charles, Robin

[11] Interview with Bill Gair, November 1998.
[12] Interview with Sir Eric Pountain, November 2000.
[13] See Appendix A.
[14] Unattributable interview.

Buckingham refused to consider the possibility of a cyclical downturn: 'Mr Buckingham does not subscribe to the current pessimism surrounding the housing sector. He believes that this side will continue to expand for a good few years and, as a mark of confidence, he is raising output from 1200 to 1500 houses this year'.[15] Greaves too had entered the recession with a high level of borrowings and other housebuilders remember Greaves buying land 'at astronomical prices'. Fell had bought Adkins and Shaw shortly after its 1962 flotation and changed its name to Building and Contracting Associates (later Bacal) in 1965 when Eric Adkins assumed control. The firm expanded into civil engineering and the losses reported in the first half of 1974 were attributed to the impact of inflation on fixed-price contracts; a subsequent accountants' report indicated that the losses had been substantially understated and the group was heavily in debt. Federated was the one company from the list that went on to fail in the 1990 recession, again through overambitious expenditure on land at the wrong time in the housing cycle. However, succession issues could be cited here. Federated was run successively by Leo Meyer's two sons, Jimmy and Peter; the latter managed to combine the roles of Chairman and Managing Director while being non-resident. Of the remaining bankruptcies, Budge Brothers, Lawdon and Joviel were all run by business founders, whereas Greensquare Properties and Lewston found themselves part of financial conglomerates.

Those for whom the financial impact of the 1974 recession also meant the end of an independent housebuilding existence, although falling just short of receivership, were Bovis, Francis Parker, Galliford Estates and Orme. Once again, the dominant individuals responsible for creating the housing business were at the helm at the moment of crisis; succession was not the cause. Frank Sanderson's business had been bought so that he could expand Bovis's embryonic housing division; he became group managing director in 1970, instituted a string of housing acquisitions and attempted an audacious bid for P&O. In between, he had bought a Section 123 banking company, Twentieth Century Banking, which fell victim to the secondary banking crisis; it was supported by the Bank of England 'lifeboat' only long enough for Bovis to be rescued - by P&O.[16] Galliford, too, had to agree a sale for modest consideration to a stronger partner, as borrowings on a £40m. European property development programme forced a rescue bid from Sears. The newly amalgamated Francis Parker group, building 600 houses in 1972, was planning 2500 for 1975; it had also diversified into construction, aggregates and other building materials. Losses on fixed-price contracting and the collapse in land values led to the cessation of dividends and the housing business was gradually phased out - failure due to over-rapid expansion, diversification and fixed-price contracting. Orme's case is a little less clear cut. It had been specifically formed in 1970 by two financiers to be a vehicle for assembling a national housebuilding business and sales approached 1400 units. The increase in the land bank strained finances, profits fell for five years in succession and Messrs Whtifield and Tanner finally sought a purchaser in 1978.

The remaining names in the list of departures in Table 12.2 include housebuilders covered under the pre-war grouping, Costain, Davis Estates, Leech and Janes, whose decline was attributed to succession problems. That leaves Broseley, Comben (in its new form), Gough Cooper, John Lawrence, Whelmar and Whittingham and the same conclusion is predominately true for this second group, that the main reason for their departure was succession, although manifesting itself in different ways.

Broseley and Whelmar, run by close friends from the same part of Lancashire, are excellent examples of two large housebuilders (both top five companies in their heyday) with corporate owners that recognised that their housing business was only as good as its founder. Whelmar had been moved out of Metropolitan Railway Country Estates and into Christian Salvesen, all the time being run by Tom Baron. When Salvesen floated as a public company in 1985, Tom Baron retired and Salvesen offered Whelmar for sale in five separate tranches. Broseley had gradually moved into the ownership of Royal, later Guardian Royal Exchange. In the

15 *Building*, 3rd Nov.1972, p.112.

16 For a detailed review of the secondary banking crisis see Reid, *The Secondary Banking Crisis*.

mid-1980s its founder, Danny Horrocks, suffered heart attacks; by then just past 60 he asked GRE what it wanted to do with the business. The association between GRE and Danny Horrocks had lasted over 25 years; without him the directors felt that there was little sense in owning a business that they did not understand, which they had never managed and which no longer had any common link with the insurance industry. A buyer was to be sought and, in 1986, the housing side of Broseley was sold to Trafalgar House where it was incorporated into Ideal Homes.

In contrast to Broseley and Whelmar, whose owners made a clean break with the business on the departure of the founder, Gough Cooper provides another example of the slow deterioration that can occur after the departure of the founder. Harry Gough-Cooper, a qualified civil engineer, first started building houses in the early 1930s, expanded rapidly in the late 1950s and by 1962 was building around 800 units a year. However, Gough-Cooper emigrated to South Africa in 1967, appointing John Boardman, who had joined in 1939 as a buyer, as chief executive. 'No member of the family was involved with running the building company or had any aspirations to manage it.'[17] By 1972, Harry was terminally ill (he died three years later). A public flotation was seen as the answer to the succession issue but housing volumes were later reduced to conserve debt; the company diversified into contracting to compensate for the decline in private housing but this pushed the group as a whole into loss in 1979/80 and Allied London Properties made a successful bid.

Whereas most succession can be anticipated, Whittingham had to contend with two sudden deaths. The dominant individual was the second generation William David Whittingham who had created a solid west midlands housebuilder by the early 1960s. However, in 1965, only one year after flotation, William became seriously ill and third generation Tom, aged 26, became managing director. He expanded output to around 1,000 units a year by the early 1970s, moved into commercial property and bought a photographic processing company (Colortrend). The group entered the recession highly geared but survived; profits were gradually recovering when Tom died in 1977 aged 38. Joint managing directors were appointed (one from outside) but Colortrend moved into losses in the early 1980s, housing volumes were down to 400 and in 1983 the Chairman arranged an agreed bid from Comben. Here, succession, diversification and the impact of recession were all contributory factors.

John Lawrence, which became Scotland's largest private housebuilder in the 1960s, skipped a generation after his death in 1977.[18] His grandson diversified into the leisure trade, purchased Rangers Football Club and property in Nevada. Housing was run down and volumes were only 150 a year when it was sold in 1986. The group went into receivership in 1997. The final company in the list is Comben, really Carlton Homes having reversed into the quoted company. For reasons too convoluted to explore here, Comben became a partially owned, and still quoted, part of Max Rayne's industrial empire and then, in 1982, of Hawker Siddeley.[19] Hawker supported the Comben expansion strategy but commercial logic inevitably ruled and Hawker was a willing seller when Trafalgar House approached in 1984.

The Late-1980s

For the final time period, a cut-off of around 1,000 units has again been chosen to examine the fate of the industry leaders; for nearly all the companies, the peak volume was achieved in 1988 except for Wates (1987) and Fairview (1984). Table 12.3 contains 30 companies above the 1,000 level, almost exactly the same as in Table 12.2; it excludes Broseley, Comben and Leech all taken over between 1983 and 1984. There is a shorter time interval between the late-1980s grouping and the year 2000; therefore there is a higher proportion of survivors. Nevertheless, of the 30 companies producing 1,000 units or more before the recession started

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17 Correspondence with Jennifer Gough-Cooper, Harry's daughter.
18 Despite numerous enquiries, it has not been possible to find the reason.
19 See company history on accompanying disc.

in 1989, twelve of them, or 40 per cent, did not survive year 2000 as continuing entities[20]. Furthermore, some of those that did survive experienced substantial declines in volumes - Laing and McCarthy & Stone, for instance, out of the top ten and Croudace, Abbey and Wates from those building around 1,000 a year. Since the cut-off date of 2000, another five housebuilders have been sold (including Beazer for the second time), making 17 out of 30, or 57 per cent.

Financial difficulties is a recurrent cause of withdrawal or decline in this period. However, a new theme emerges: a realisation that focus is critical to the success of a housebuilding operation and the consequent retreat from the industry by non-housebuilding groups, particularly the contractors.

Table 12.3: The Pre-1990 Housebuilders; Corporate Outcome

Housebuilder	Focus	Units 1988	Fate by year 2000[21]	Units 2000	2000 Rank
McLean	G	12165	Housing sold 1996		
Wimpey	G	9087		11437	1
Barratt	F	7000		10636	2
Beazer	G	6276	Taken over 1991[22]	8223	3
Ideal	G	5150	Housing sold 1996		
Laing	G	3436		1300c	26
Lovell	G	3060	Housing sold 1999	1800c	18
Bovis	G	3000	Housing floated 1997	2360	13
McCarthy & Stone	F	2596		1539	22
Wilcon	F	2160		4215	8
Westbury	F	2415		4435	6
Bryant	F	2150		3961	9
Persimmon	F	2043		7035	4
Fairclough	G	1942	Housing sold 1999	1707	17
Costain Homes	G	1872	Housing sold 1993		
Bellway	F	1640		5714	5
Clarke Homes	G	1610	Housing sold 1995		
David Wilson	F	1592		3600	10
Raine	G	1502	Taken over 1997		
Crest	G	1429		1850	15
Alfred McAlpine	G	1350		4007	6
English China Clays	G	1289	Housing run down 1991-95		
Mowlem Homes	G	1200	Housing sold 1994		
Galliford Sears	G	1109	Housing sold 1993		
Redrow	F	1104		3330	11
Croudace	F	1100		535	c.30
Abbey Homesteads	F	1027		428	c.35
Taylor Woodrow	G	998		1919	16
Fairview [1984]	F	1113		1459	23
Wates [1987]	G	1100		93	>100

F = focused housebuilder G = general group see text below

[20] 4 of the 12 could still be clearly identified as the same businesses in year 2000 but they were under different ownership – Beazer, Lovell, Bovis and Fairclough Homes; textual references follow.
[21] Subsequent to this cut-off date, Beazer (for the second time), Bryant, Laing Homes, Alfred McAlpine Homes and Wilson Connolly have all been sold.
[22] The Homes division of Beazer was subsequently refloated.

In comparing the departures from the pre-1974 and the pre-war lists, there were noticeable differences in explanation between the two periods; so it is again with the pre-1990 companies. The first difference is that none of the 1990s departures were the direct result of financial failure (i.e. receivership), compared with nine in the previous period. While many small housebuilders did have to face receivership, the financial system was more supportive of the larger firms in the housebuilding sector than it had been in the previous recession. In part that was due to the absence of extensive reliance on the secondary banks that had themselves collapsed in the early 1970s, thereby compounding the problems facing housebuilders;[23] and also because the bankers realised that their best hope of realising their loans was through a controlled exit rather than distressed sale. Lovell needed two debt reconstructions and Beazer, Mowlem, McCarthy & Stone and Raine Industries all needed assistance when they breached banking covenants. Excellent examples of bank support can be found also among housebuilders just outside the list above; Charles Church (700 units), Fairbriar (300) and Trencherwood (500) were all given continuing bank support in the early 1990s despite having net asset deficits of around £50m. apiece.

If financial difficulties were not the direct cause of change of control or departure from the industry, then they were undoubtedly a substantial indirect cause. Eight companies were sold, sooner or later, by their parent companies as a result of losses made during the early 1990s: Ideal (again), Beazer, Lovell, Fairclough, Costain, Clarke, Raine and Mowlem. Each of these was sold by a group that, at the minimum, ranged across construction and commercial property development as well as housebuilding. In Costain's case there was also extensive coal mining in Australia and the USA, Beazer had US roadstone while Trafalgar House (Ideal's parent since 1967) included shipping and hotels. The losses which created a weakened group balance sheet were not necessarily confined to the housebuilding subsidiaries but also occurred in other parts of the group, particularly commercial property and construction. That it was the housebuilding part of the group that was sold reflected a combination of factors. The capital requirements of rebuilding the land bank meant housebuilding represented the greatest future drain on scarce capital resources (compared with, say, construction); it was often the simplest part of the group to sell (again, a contrast with construction where there was a much greater problem in identifying ongoing liabilities); and, as the housing market recovered, there was a body of competing firms (nearly all quoted) that were keen to expand. In the case of Raine Industries (which included Hassall Homes and Hall & Tawse), it was the whole group that was bought by Alfred McAlpine.

With the possible exception of BICC's Clarke Homes (whose losses were not disclosed) the size of the losses made by these groups was a significant contributor to the eventual sale of their housing subsidiaries. Trafalgar House lost £347m. in 1993, largely due to provisions that were actually greater in commercial property than housing. YJ Lovell, relative to its size, was the most severely affected by both commercial property and housebuilding and by 1997 it had a £32m. deficit on shareholders' funds and its second debt restructuring. Fairclough Homes, part of the Amec construction and process engineering group, lost £155m. between 1990 and 1992, with further losses on commercial property. Costain Group lost over £200m. in 1992 with construction, mining, property and housing all contributing; its housing land provisions through the recession totalled £113m. Mowlem followed up £58m. losses in 1991-92 with a £124m. loss in 1993, primarily in construction and its SGB scaffolding subsidiary rather than in housing. Beazer was the only group that actually contained a successful UK housebuilding subsidiary, but the parent company had bought a US aggregates and wood treatment business for $1.8 billion cash just before the recession and faced colossal environmental liabilities. The group was rescued by Hanson and the housebuilding business was subsequently floated as an independent entity. That leaves only four other departures to consider - McLean, Galliford Sears[24] and English China Clays; Bovis was sold by P&O but

23 A parallel point is made in Scott, *Property Masters*, p.230.
24 Previously Galliford Estates.

continued as an independent entity. These four are considered in more detail below.

If there is one other feature that stands out from Table 12.3, it is the contrast between the focused [F]and the general companies [G]. Focus or concentration is a useful shorthand expression to indicate that, whatever other activities may be carried on within the group, housebuilding is the dominant activity, the managing director would regard himself as a housebuilder, and the majority of the main board are housebuilding related rather than representing other interests. Whereas the pre-1974 list largely comprised companies that were focused housebuilders, the pre-1990 list contains 18 mixed groups against only 12 focused housebuilders. All 12 of the departures from the industry between 1989 and 2000, including the eight attributed to financial failure, were parts of general businesses; not one of the focused companies left the industry in that period. Those that were forced to sell their housing divisions, or where the whole company was sold, as result of overwhelming financial pressures, were discussed above. Four other general companies also disposed of their housing businesses. Sears, a retailing business, sold its Galliford subsidiary to the management whereupon it was almost immediately sold on to Prowting; Tarmac, also an aggregates and construction business, swapped its McLean Homes for Wimpey's construction and quarrying assets; English China Clays decided to withdraw from housing, building out much of the land and then selling the rump; and P&O floated Bovis on the stock exchange.

There was an acceptance, rightly or wrongly, of the argument that businesses are more efficient, and more in tune with stock exchange fashions, when they focus on their core activity. Weaknesses in business strategy are more likely to be exposed when trading is difficult, rather than easy, and it is no surprise therefore that the recession of the early 1990s acted as a catalyst for many companies. Change in the ownership of the business, or a change in the chief executive (often themselves products of the recession) were additional causal factors.

The change in corporate control is exemplified by Beazer and Ideal Homes. Beazer fell to the Hanson Group in 1991; Hanson disposed of the construction business almost immediately and then waited for the housing market to recover before floating Beazer as an independent company on the stock exchange. Hongkong Land took indirect control of Trafalgar House in the mid 1990s and, with no commitment to housing, sold Ideal Homes to reduce debt. Sears, having experienced its first major housing recession, presumably decided there was no overwhelming reason for a retailer to own a housebuilder. English China Clays recruited a new chief executive from Rugby Cement in 1990 and decided to focus on its core clay interests. Tarmac's chief executive, Eric Pountain, a housebuilder who had made McLean Homes the largest in the country, was replaced by Neville Simms, a contractor with little historical interest in housebuilding. He was more than pleased to swap Tarmac's housing for Wimpey's construction. Amec (Fairclough Homes) and BICC (Clarke Homes) both had management changes at the top and decided to concentrate on what they knew best – or, to be realistic, on where they lost least money.

There is a circularity in some of these explanations. Extreme financial pressure forced or encouraged the sale of housebuilding subsidiaries; but so did takeovers and so did management changes. However, all three were often, although not always, the interconnected result of below average financial performance. The close control needed over any form of speculative development has been discussed earlier and the evidence suggest that this is harder to achieve in a group setting or following periods of management change.

If 12 of the 18 unfocused housebuilders were departures, did the remaining six display any characteristics that detract from the simplistic observation that unfocused becomes unsuccessful? The answer is that, with the exception of Wates, they all adopted a focused strategy. Crest gradually sold its industrial and construction interests and became a successful focused housebuilder. Wimpey also turned itself into a focused housebuilder by its asset swap with Tarmac in 1996: its volume sales in 2000 were only half that achieved by the two components in 1988 and it was only after several management changes that Wimpey's profit margins began to approach those of the industry average in 2001. Laing moved from number six in the industry to number 26; its construction losses at the end of the 1990s crippled Laing financially and in 2002 it sold Laing Homes to focus on its PFI business. McAlpine put increasing emphasis on its housing rather than construction, substantially increased its volumes through the acquisition of Raine, and reached number six in the industry by 2000. It looked a successful mixed business until in 2001 it too decided it needed to focus and its new construction-oriented group managing director sold the housing company to Wimpey. Taylor Woodrow's group leadership oscillated between the construction and the development-oriented subsidiaries and it had difficulty in deciding what type of business it wanted to be. By the end of the 1990s Taylor Woodrow was describing itself as an international housing and property company and (again just after the period under review) it acquired Bryant in 2001. Finally, Wates' numbers tell their own story, with volumes down below 100 by the end of the 1990s, and the housing subsidiary suffering several changes in leadership under the overall control of Christopher Wates.

To suggest that lack of focus in a speculative development business is a poor recipe for success does not automatically prove the opposite, that focus inevitably produces success; it only suggests less chance of failure. Earlier periods have shown that dominant individuals, capable of dynamically expanding their business, can also preside over failure. It is now appropriate to make a distinction within the ranks of the focused housebuilders. Of the focused housebuilders, six had the same dominant individual throughout the period – from before the recession to the year 2000: Bellway (Howard Dawe), Fairview (Denis Cope), McCarthy & Stone (John McCarthy), Persimmon (Duncan Davidson), Redrow (Steve Morgan) and the eponymous David Wilson; all but the first were the founders of their business.[25] Of the 12 focused housebuilders identified in Table 12.3, it is this group that has shown the superior financial performance compared with their pre-recession levels. The exception is McCarthy & Stone, a special case as it was entirely dependent on the sheltered housing market and it was only the tenacity of its founder that enabled it to survive. This comparison is discussed below.

Performance comparisons between individual companies are easier to make than to interpret. To test the assertion that the continuous presence of a dominant individual produced superior results compared with those companies where managements had been changed, a comparison was made of growth in trading profits between 1989, the last year before the recession, and year 2000 (Figure 12.1). Acquisitions have some impact on the absolute level of growth but have not materially affected the comparison. The 'continuous companies' were taken to be Bellway, Fairview, Persimmon, Redrow and Wilson Bowden; their profits index stood at 375 in year 2000 versus 190 for those companies where managements had changed. Four of the five continuous companies were being run by their founder in 1989 (Bellway was the exception), who had been there for at least a decade so there was no suggestion that these more successful companies had assumed control at a propitious moment (i.e. when returns were below average); they achieved growth upon growth.

Did the companies that changed managements underperform because they had lacked continuity, or was it poor performance that caused the management change; the reality was a little of both. The new management generally came in during the recession but even when they had been embedded, and the recession ended, there was still a superior performance by the continuous companies; based on 1995, an index of 353 versus 296. Furthermore, Figure 12.2 shows a continued superiority in profit margins, a full three points higher in 2000.

The focused housebuilders where managements changed were Abbey, Barratt, Bryant, Crest, Westbury and Wilson Connolly. Their unit volume figures tell a mixed story. Barratt, Crest,

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25 Towards the end of this period, the dominant individuals were appointing chief executives or managing directors under themselves as chairmen, as they prepared for their own retirement.

Bryant, Wilson Connolly and Westbury, all achieved sufficient growth in unit sales over the period to look successes on that measure. However, in one way or another, all experienced the departure of chief executives at or near the beginning of the period and all took the best part of a decade to regain the profit levels enjoyed in 1988. None of these five companies could be regarded as companies in decline over the 1988-2000 period but they took longer to begin their recovery and Bryant and Wilson Connolly so lost their direction at the end of the period that they were later taken over.

Figure 12.1: Trading profit growth, 1989-2000

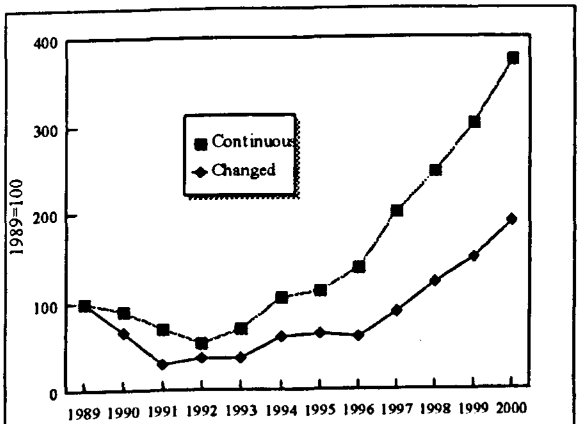
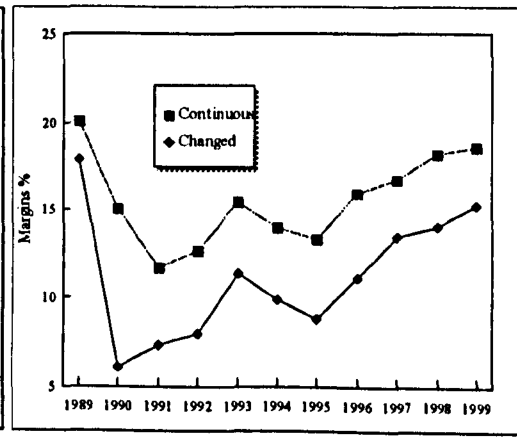


Figure 12.2: Profit Margins, 1989-2000, per cent



Source: *PHAs* and author's analysis

Summary

Chapter 12 has been divided into broad time periods, partly to replicate Part I, but also because the balance of the reasons for corporate decline and failure has differed. The main cause of decline in the cohort of pre-war firms was unique to the period - 15 years of war and building controls which destroyed the continuity of the original housebuilding businesses. In some cases, firms switched their emphasis to more productive areas, particularly construction; in others, founders retired or scaled down their activities. Of those firms that did continue, the inability to manage succession contributed to decline - one factor that was common to later periods.

The next cohort of firms to be examined was that from the pre-1974 recession. Acquisitions at favourable prices, as proprietors took advantage of competitors' desire to expand, had removed many companies before recession struck. Financial failure then accounted for others, either quickly in the form of bankruptcy or slow decline in the face of weakened balance sheets. This contrasted with the pre-war period when there was only one quoted company failure and no acquisitions. Succession, however, continued as a contributory cause and its impact may have been greater than it first appears for it could have been an explanation for vendors' willingness to sell.

For those companies that were the industry leaders in the late 1980s, it is too early to assess the influence of succession. However, there were extensive departures from the industry and they were the direct and indirect result of the second major recession to afflict the industry. Although there were fewer immediate bankruptcies than in post-1974, as the banks were more supportive, the financial walking wounded were gradually sold to stronger competitors. At the same time, the recession prompted a realisation that the focused housebuilders had tended to be more successful and the non-housebuilding groups, particularly the contractors, retreated from the industry.

13. Decline: An Overview

Introduction

Chapter 13 draws together the three common themes that underlie the decline and failure of housebuilders: succession, lack of focus, and housing recessions. It will be argued that succession to a dominant individual plays an important role in decline, easily identifiable in 20 of the 115 quoted company departures but present in a much wider number of companies that have quietly agreed a sale. Paradoxically, decline has sometimes occurred because the dominant character has stayed too long, or where the family has not been sufficiently ruthless in arranging succession. To the extent that succession is a contributory factor, it appears to be a second generation, not the proverbial third generation, problem; and it applies whether succession be family or managerial. The underlying reasons for succession failure are explored: the entrepreneurial and single-minded characteristics which are necessary to create a successful, and expanding, housebuilder do not appear to create the conditions where a 'number two' can easily follow.

One of the strongest themes to emerge from Chapter 12 is the near universal failure to marry a successful housebuilding business with other forms of activity and this Chapter examines housebuilding when married with construction, commercial property, conglomerates and then with overseas diversification. The pairing of speculative development and construction has been an almost unmitigated failure, primarily because it was based on the similarity of physical process and not intellectual and temperamental complementarity. There would appear greater synergy between the development of speculative housing and commercial property sites but, again, there have been numerous failures of this business model: in particular, the retention of property assets by housebuilders has not found favour in the quoted arena and such combinations have been invariably dismantled. Housebuilders' attempts to diversify into unrelated activities have universally failed: in contrast, there have been a few conglomerates that have run successful housebuilding subsidiaries for periods of time but, even where operationally successful, they tend not to be supported in recession and rarely survived changes in management in the holding company. Finally, housebuilders diversification overseas, particularly in France and the USA, is considered and it is noted that few have been able to sustain such ventures. By the end of the 1990s, the pitfalls of diversification appear to be generally recognised and the top ten housebuilders were all focused firms with little in the way of non-housing interests.

The third important explanatory role in decline is the two deep housing recessions centred around 1974 and 1990, which have played an overwhelming part in the downfall of individual housebuilders. Around 40 quoted housebuilders left the industry as a result of those recessions, and over half of those were run by a dominant individual at the time. However, despite their high absolute failure rate, the focused housebuilders, particularly those with a lengthy control by a dominant individual, were the least likely to fail and provided most of the long-term successes in the housebuilding industry.

Succession

This thesis contends that succession issues have been an important cause of the decline or departure of firms; however, its extent is not easy to quantify as the causes of corporate decline are rarely singular, and external judgement on management is frequently highly subjective. Appendix A lists 115 quoted company departures from the industry up to the end of 2000 and succession has been an easily identifiable contributory factor in some 20 of these. However, this will not represent the full measure of the problems caused by succession: there are housebuilders where the reason for departure has been given as an 'attractive offer' that might not have been agreed as a takeover if there been an obvious family succession, e.g. Page-Johnson. Moreover, amongst those quoted firms that survived, succession problems have contributed to long periods of decline, sometimes where the founder has stayed too long, e.g. Wimpey, and sometimes where succession was handled smoothly but to a less effective leader, e.g. at the firm of Henry Boot after the death of Charles Boot in 1945.[26] There are also many unquoted companies that sold out or closed down because of perceived problems in organising succession, and this was particularly true of some of the successful inter-war housebuilders like Moss and Nash, while the housing operations of Mactaggart & Mickel and Wates went into substantial decline.

Casson observed that just because many firms are run by families this 'does not imply that family firms require a special theory of their own'.[27] Family and managerial succession are both subsets of a common problem - the transition of power from a dominant (and successful) character.[28] As the family or personally-owned firm has played a pivotal role in the development of the housebuilding industry it should be asked first, how extensive was family succession in the housebuilding industry? The quantitative data must be treated with caution as there are a number of borderline attributions, for example, family succession before housebuilding was acquired (Bovis) or succession from a nominal business only (David Wilson); neither of these has been counted as family succession. Looking at the industry leaders, there have been 37 companies that, at one point or other in their history, have been in the industry top ten;[29] of these, 15 involved family succession. Family succession is slightly understated because two or three of the 22 housebuilders not deemed to have had family succession are still controlled by their founder. The table of pre-war housebuilders[30] has a greater weighting towards family succession, with 12 out of 20 in that category. No post-war league table matched that percentage, probably because the 1974 and 1990 recessions ended the life of so many housebuilders before their founders had time to pass them on to successors, family or otherwise. Using the 1973 industry leaders,[31] there were nine firms out of 26 that achieved a family succession; for 1988 the proportion of firms with family succession rose to 13 out of 29.[32]

One of the commonest management aphorisms centres around businesses built up in the first generation being lost in the third although, as Roy Church put it, 'The view that...the third generation of a founding business family typically experienced failure or extinction is not now widely shared'.[33] Providing that first generation is not taken literally but refers to the first dominant individual, then a few examples of significant third generation decline can be found in the housebuilding industry, namely in the histories of John Lawrence, Wates and Laing.[34] However, the reality is that substantial decline has occurred more often under the control of the second generation while founders themselves have frequently been the instrument of their firms' failure, an observation supported by David Jeremy's response to the question, 'Why do small firms die?'. His conclusion was that 'Contrary to those who blame the second and third generation in the family firm for its collapse, the evidence shows that founders, not successors, have been the most widespread instruments of firm failure.'[35] The extent to which founders become the instrument of their firms' subsequent failure is explored later in the chapter under 'Demand and the Housing Cycle'.

There is no shortage of explanations of the problems inherent in passing on a business to the

[26] See accompanying disc.
[27] Casson, *Enterprise and Leadership*, p.220.
[28] The expression 'managerial' is frequently used to distinguish it from family control, but it inappropriately implies that family firms lack management.
[29] Part I, Table 8.2.
[30] Part I, Table 3.2.
[31] Part I, Table 5.3.
[32] Part I, Table 6.2.
[33] Church, 'The Family Firm in Industrial Capitalism', p.25.
[34] See accompanying disc.
[35] Jeremy, *Business History of Britain*', p. 338.

second generation, nor are they difficult to perceive.[36] It is hard to better Jonathan Boswell's observations on the father-son relationship: 'Who is to disentangle the subtle web of heredity or environment, of subordination or affection, of obedience crudely enforced or, more probably, cumulatively ingrained?' He went on to say that when the forcefulness and strong character of founders are added, the conclusion that inheritors have less chance to develop along fresh and distinctive lines is inescapable.[37] Similar views were expressed in a *Financial Times* article on family businesses which argued that few founding entrepreneurs were easy to get on with: their children can find them a fearsome act to follow - 'if, that is, they ever retire.'[38] The housebuilding histories do contain excellent examples of failure to achieve father-son succession: Peter Prowting joined his father's firm in 1948 but their working partnership was not a great success: 'Because I couldn't get on with my father, I persuaded him to buy a business over in Windsor called Burfoot and Son, a similar type of business to ours.'[39] Peter Prowting ran Burfoot until 1952, only moving back to the family firm as his father was due to retire. Another short, and more recent, experiment in family succession was at the Berkeley Group, founded in 1976 by AW 'Tony' Pidgley, which in 1998 bought Thirlstone Homes, owned and run by Tony K Pidgley, the founder's son. Three years later, TK Pidgley resigned from the group: the father's on the record comment was 'If I ever made one mistake, it was buying my son's business: nepotism doesn't work'.[40] It was an experiment this author was able to observe at close quarters and the off the record comments are far stronger.

Family conflict may involve more than just father and son, as Janes, Wates and Abbey illustrate. In 1976, Janes accepted a bid from Barratt as the relationship between Herbert Janes's son and his son-in-law had deteriorated to such an extent that communication was by way of memo, The family dissension could be both public and protracted. Neil Wates was forced out as managing director of Wates in 1975 after a public row with the rest of the family. The dissension could be seen even more starkly at Abbey, an Irish registered company operating predominantly in the UK, where the family conflict was worthy of a long running soap opera. Charles Gallagher, one of four brothers, failed to gain control of the company and left in 1975 to start his own housing company, Matthew Homes. In 1983, brother James died suddenly and Patrick Gallagher became acting chairman. 'All eyes are now on Charles Gallagher, who James thwarted for years when the former attempted to gain control of Abbey.'[41] At the next AGM, Charles, supported by the James Gallagher family shareholding, stood against Patrick and replaced him as Chairman. Two years later, French Kier launched a takeover bid for Abbey, having already received acceptances of 36 per cent of the shares, being the family stakes of the late James Gallagher and the company President, Patrick Gallagher.

The damage that can be done by family conflict stands out from the examples above, but it could rightly be pointed out that such public airing is kept to a minimum. Many instances of sons leaving their fathers' businesses may pass unnoticed by the wider public and, at the least, untroubled by any analysis of the underlying reasons. John McCarthy (managing director of McCarthy & Stone) had his three sons in the business, who left aged 19, 22 and 28, respectively; Spencer and Clinton McCarthy went on to form a rival sheltered housing company. John Maunders had one son working for him for a short time. John and Russell Bell, the founding brothers of Bellway both had their sons on the Board briefly in the 1970s.[42] Other second generation sons never entered the business at all with little to indicate whether

[36] Even as a 20-year old, this author did not need economic theory to put 200 miles between himself and his father's business.
[37] Boswell, *The Rise and Decline of Small Firms*, p.127.
[38] *Financial Times*, 'Inside Track', 14th August 2001.
[39] Interview with Peter Prowting, December 2000.
[40] Interview with Tony Pidgley, May 2001.
[41] *Irish Business*, July 1983, p.6.
[42] The inclusion of these names is not meant to imply that conflict was the cause of their departure.

the reason was a genuine lack of interest, perceived lack of ability, or an assumption that there would be conflict. Ideal Homes founder Leo Meyer financed his son Jimmie to start Federated Homes in 1959; John Lawrence of Glasgow passed the business on to his grandson when he died in 1977; Stan Clarke's son preferred to go into agriculture; Johnny Johnson of Page-Johnson had two sons who 'had no interest in the business'.[43] It is not possible to know the extent to which the 'official' reasons reflect the underlying reasons, which represents a major limitation in the ability of outsiders to analyse the family firm. At the beginning of this section, it was stated that around 20 of the 115 departures from the quoted sector could be easily attributed to succession issues. Appendix A also shows, for instance, that in the late 1960s and early 1970s there were another ten or so companies that left the industry due to 'attractive offers' and these, too, could have had potential succession as a causal factor. The paragraphs below also touch on companies that might, paradoxically, have prospered from a little more succession confrontation, and those where succession led, not necessarily to departure from the industry but to periods of prolonged underperformance.

It should not always be assumed that family conflict has adverse effects; it sometimes allows a more dynamic second generation to assert itself to the longer-term benefit of the firm. Peter Prowting was mentioned above and Geoffrey McLean was instanced in Chapter 5, as having demanded control of the firm at the end of World War Two. It could even be argued that a little more conflict, from whatever source, would have prevented other companies from quietly going to sleep. Charles Boot had taken the small firm of Henry Boot and created one of the largest of the inter-war housebuilders. He died in 1945 and was succeeded as chairman by his brother ('not a very strong leader'),[44] then his son, then his nephew. It was not until 1986, when his great-nephew Jamie Boot became managing director, following substantial group losses, that the firm began to grow its housing business again - contrary to the three generations aphorism. Laing suffered when John Laing's sons, Kirby and Maurice, began to take more interest in public affairs during the 1960s; similarly, when Richard Costain died in 1966, his brother Albert, previously joint managing director, stood down in favour of his parliamentary career.[45]

Successful entrepreneurs do not always find it easy to plan for their replacement, particularly if there is no obvious male succession. Two of the best known construction entrepreneurs had no sons - Frank Taylor (Taylor Woodrow) and Godfrey Mitchell. Both created businesses which were among the most successful of their type in the twentieth century, yet both stayed too long, thereby causing difficulties for their successors. Frank Taylor resigned as Chairman in 1974 telling the *Financial Times* 'It is really sad to see older men hanging on at the head of companies after they should have retired'.[46] However, he remained as managing director and appointed Brian Trafford, his son-in-law, as deputy managing director with a clear indication that he would soon succeed as managing director. In the event family changes ended that presumption and in 1978 three more assistant managing directors were appointed. In 1979, aged 74, Taylor finally stood down as managing director but remained on the board as a director until late 1990, having seen in his third successor as Chairman. 'After he retired as managing director he continued to have a strong influence on the business...This was not always to the advantage of the company as it sought to reorganise...The self-possession and charisma ...were difficult to resist even after he had relinquished an executive role.'[47] At Wimpey, Godfrey Mitchell had retired as Chairman in 1973 but he too continued as a director and, by all accounts, remained a dominant figure within the group. His successors RH Gane and, in 1976, RB Smith had worked all their lives under the shadow of Mitchell and ruled under his influence; operational control was shared amongst four joint managing directors. Godfrey Mitchell finally retired in November 1981, following his 90th birthday

[43] Interview with John Swift, November 1998.
[44] Unattributable interview.
[45] He had been elected M.P. for Folkestone and Hythe in 1959.
[46] *Financial Times*, 5th Jan. 1974.
[47] Ibid., 16th February 1995.

although he remained as President and continued to come into the office until his death in December 1982, some 63 years after he had bought the company.

If family succession has proved hard to achieve, it does not imply that non-family or managerial succession has been any more successful. When the Laing family's right-hand man, Ernest Uren, retired through ill health in 1969, the firm formally appointed an outsider as managing director; Fred Catherwood had previously been chief executive of Costain, managing director of British Aluminium and Director General of NEDC, but he only lasted three years at Laing. Wilson (Connolly) provided an example of failed succession from a dominant managerial chief executive when Mike Robinson died unexpectedly in 1990; a succession of replacements in the 1990s turned one of the most successful housebuilders into one of the industry's least successful larger companies (see below). Costain had both success and failure as it tried to marry professional management with family control; Fred Catherwood was no more successful there than at Laing. Other names have been mentioned in earlier chapters. Ideal, following the death of Leo Meyer, became totally separated from the founding family and slowly declined before being taken over. Gough Cooper did not survive the illness and then death of its founder even though John Boardman had appeared a successful managing director under Harry Gough-Cooper's chairmanship.

One of the most high profile transitions was the retirement of Lawrie Barratt and the succession of John Swanson as chairman and chief executive in 1989, after a year as managing director. The author has the advantage of contemporary observation and of interviews, often sharply contradictory, several years after the event, but providing a definitive analysis still remains difficult. In July 1991, in the depth of the recession, the company announced that losses would approach £100m.; John Swanson resigned and Lawrie Barratt came out of retirement to 'rescue' his company. How easy was it to succeed the most well known figure in the industry and one who had ruled the company for 30 years – especially at such a critical time? There is no question that Lawrie Barratt's return was portrayed as a rescue. The author himself was able to ask Sir Lawrie at the time, how much of the land bank[48] dated back from his own tenure and was left in no doubt that, in his view, he had left the company in perfect health. It was perhaps a harsh judgement on his successor. Looking back, John Swanson did not think the task of following a dominant personality was impossible, but neither was it easy. 'Perhaps if Lawrie had stayed on as chairman and I had become Chief Executive for a longer period through that transition, that would have helped. There is no doubt at all that I missed Lawrie's counsel when he left the Company. I think in that turmoil and the problems the company had at that time, and they weren't all market driven, it would have helped to have had someone there'.[49] The new managing director, Frank Eaton, who succeeded Lawrie Barratt as Chairman five years later, did have a much more successful tenure as chief executive, albeit without having to face an industry downturn.[50]

Another succession following a strong leader was at Wilson Connolly when Mike Robinson died in swimming accident in 1990 after 20 years as chief executive; his successor was the finance director, Ian Black. The comment on missing the advice of the elder statesman made by Black was remarkably similar to Swanson's: 'Mike had been a guiding light and in some ways the guru of the industry, so it would have been nice to have had him round to advise during the recession but, as it was, we faced situations that we had never faced before.'[51] Black was not helped by the succession coming without any transition period (and the problems faced by both men in succeeding dominant leaders were exacerbated by the sudden onset of recession); however, even if there had been a period of transition, it is questionable whether a 'hands on' builder, with an exceptionally strong personality and ties of loyalty and

[48] The cause of the provisions.
[49] Interview with John Swanson, Oct.1999.
[50] Frank Eaton was killed in a car accident in 2002.
[51] *Building Homes*, Nov. 1996, p.19.

respect from the principal operatives, could easily have been succeeded by a reflective Scottish accountant with no operational housebuilding experience.

Housebuilding entrepreneurs themselves were not unaware of succession problems. Smaller firms wishing to retain family ownership may adopt a more cautious approach to expansion: Hubert Leach, founded in 1933 and building around 100 units a year, specifically attributes the management of family succession to their willingness to contain the size of the business.[52] Alan Cherry, founder of Countryside, also accepted that housebuilding was a difficult business to pass on. 'I did not want my sons to come into this business...I've seen too many problems with fathers and sons. In the early days of Bairstow Eves I had also specialised in receivership work and most of the businesses that I dealt with were builders and I saw a lot of this father-son problem.' [53] (Notwithstanding those generalised reservations, he did bring both sons into the business and Graham Cherry became chief executive in 1996, although still under his father's chairmanship.) There are owners of the business that have so strongly believed that succession poses potentially insurmountable problems that they have sold the business rather than seek a successor; Broseley's Danny Horrocks and Whelmar's Tom Baron are examples of founders who continued to run their companies when absorbed by larger organisations, Guardian Royal Exchange and Christian Salvesen respectively. Both men had been in control of their firms since the 1950s and both retired in the mid-1980s. Neither GRE nor Christian Salvesen contemplated appointing successor managements and the two housebuilding companies were sold. These sales were well-publicised but there were probably other sales, particularly those before the 1974 recession, where the unpublicised reason for accepting a takeover bid was concern over succession.

Why is it so difficult for long standing dominant individuals to pass on the reins of control to the, presumably competent, lieutenants that help them run the business? There is, of course, the obvious reluctance of entrepreneurs to hand over the custody of the fortune they have created to anybody else, however talented they may appear. That apart, there are other reasons. There may be a substantive difference between a leader, with whom the proverbial buck stops, and a number two, a difference admirably expressed by one of the twentieth century's great business leaders, and one with particular knowledge of the construction process, Weetman Pearson, later Lord Cowdray, who took the family firm of S Pearson[54] and created what was probably Britain's largest international construction firm before and after the First War. 'A great many men are invaluable assistants who could never run a great firm. Men who can achieve success by ability and character are rare. Most of the successful men of the day have seized success as it was passing.'[55] Even in those instances where it is possible for the successor to replicate the founder's ability, what is indubitably difficult to achieve is the same inter-personal relationship with the key team members that was enjoyed by the founder. One of the frequent anecdotes in the interviews for this thesis is where the interviewee relates with amusement, and almost a degree of pride, how he was given an almighty telling off (usually put more strongly) from the founder, but how well they still got on. The successor may have been no more than primus inter pares or perhaps even recruited after some of his boardroom colleagues; his ability to control powerful subordinates may have to depend more on persuasion than the natural authority of his predecessor.[56]

The succession problems at Taylor Woodrow and Wimpey related above illustrated the

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[52] Interview with Paul Leach, July 1998.

[53] Interview with Alan Cherry, January 1999.

[54] Now best known for its media and publishing interests.

[55] J.A. Spender, *Weetman Pearson First Viscount Cowdray* (London, 1930), pp. 278-9.

[56] A football analogy makes the point: 'The last time United tried to replace a long-serving and hugely successful manager – Sir Matt Busby – it went into such a tail-spin that it was relegated into the old second division in 1974... Gary Neville...recently pointed out that players who have known Sir Alex since they were little more than children will not feel the same bond with a new manager.'; *The Economist*, 10th Feb. 2001, p.34.

particular problems of a founder staying too long, but they also illustrated the general difficulty in organising the succession from any dominant individual that had been in control of the business for decades; it is this that underlies both family and non-family succession. Corley has commented that only recently (i.e. the early 1990s) have business historians properly addressed the question of how a firm is likely to be affected when its leader hands over to a successor; in particular, he draws attention to Mary Rose's contention that a firm's capacity to survive may derive from the failure of the first generation to prepare, as well as any faults of the successors.[57] Those who have served under a dominant individual for long periods of time may not possess the necessary leadership or decision-making qualities; equally, the organisational structure that is bequeathed may be inappropriate for the personal qualities of the successor management. Unfortunately, when case studies are examined, it can be difficult, sometimes impossible, to properly identify cause and effect. Any reader will be aware that even within one's own organisation, it can be difficult to form a consensus on the leadership qualities and decisions of individuals: how much more difficult when analysing companies using only the limited self-censored public material and interviews with participants who have their own particular viewpoints to stress.

This section has argued that, in varying ways, succession within the housebuilding industry has been hard to achieve. There is no intent to be dogmatic for it is a relative and not an absolute contention, and it is instructive to look at the few instances where succession worked, sometimes to great effect. Examples include Leech's John Adamson (1936); Laing's Ernest Uren (1950s); Bryant's Roy Davies (1958); Wilson Connolly's Mike Robinson (1970); Bovis's Philip Warner (1973); and Bellway's Howard Dawe (1985).[58] However, what was distinctive about these examples is that none was a simple case of the dominant family man retiring and then handing over a thriving business to an employee successor. Uren, Davies and Robinson were all managing directors within a continuing family environment - in each case there was a family chairman for the whole of their tenure. Who knows how these three would have succeeded with complete independence, but there is a hint that a family presence was needed in the background. '[Laing] wouldn't be what it was today without Uren's contribution – he was a brilliant organiser but couldn't carry people along with him.'[59] In Bryant, there was almost a love-hate relationship but it worked for 25 years 'There was a tremendous partnership between Roy and Chris [Bryant], both of whom knew their place in the scheme of things. Chris used Roy and let him have his head to run the homes division. Roy would do a lot of things behind Chris' back but Chris tended to be aware of them. The only problem was that if you tried to get them together they would have a discussion about something then they would tend to have a go at each other. But in practice it was a very good working relationship.'[60] The most successful partnership of all was between Lynn Wilson and Mike Robinson, but even here there was a suggestion that the family chairman played a moderating role. 'At the time we interviewed him there was almost electricity between us, within five minutes, but I know other people found him odd and peculiar. He knew exactly what he wanted; he had a very analytic mind although there were times that one had to pour oil on troubled waters. He was a fantastic operator and ahead of his time by miles.'[61] In each of these examples, the key to success lay in the relationship between the family and the managing director

The other three large company examples were Leech, Bovis and Bellway, and in each case, the new managing director took over not from a successful predecessor but when the business was in difficulty. William Leech hit financial difficulties before the war with a substantial stock of unsold houses; the banks insisted that John Adamson, the firm's accountant, be put in charge and he was responsible for developing the company into a sizeable post-war

[57] Corley, 'The Entrepreneur', pp.22-3.
[58] The detail can be found on the accompanying disc.
[59] Interview with Sir Maurice Laing, April 2000.
[60] Interview with Michael Chapman, April 2001.
[61] Interview with Lynn Wilson, September 2000.

housebuilder. In 1972, Philip Warner took control of Bovis Homes under P&O's ownership after Frank Sanderson had led the former to virtual bankruptcy and Warner ran it successfully for 25 years, although always within the strict financial disciplines laid down by the parent. Howard Dawe, Bellway's technical director, became managing director in 1985, under family chairmanship, having previously run the housing division. 'In many ways I don't know how we survived. We had to get rid of all the peripheral businesses. There were losses in the north west, Yorkshire and Scotland.'[62] He went on to become executive chairman with no family representation on the board and under his leadership Bellway became one of the most successful housebuilders of the 1990s.[63]

There are many ways in which succession problems have manifested themselves and they are not unique to the speculative housing industry, although it is doubtful whether the information available to us could be standardised in such a way as to facilitate an intra-industry comparison. However, the characteristics of the industry which have been stressed throughout the thesis make the entrepreneurial function especially important, and it is this attribute that does not appear to have been readily transmitted to successor managements. To date, the speculative housebuilding industry has not been producing a succession of firms wherein one dominant (and successful) character has been followed by another.[64] Nevertheless, it may be that there is now a greater recognition of the problems associated with succession. Earlier in the section, there were references to Barratt's Swanson and Wilson Connolly's Black missing the support of their predecessors. In a recent article on 'relay succession', or the controlled handover of executive authority to an internal successor, Zhang and Rajagopalan commented that there had been few empirical studies on the benefits of relay succession, but their research on US chief executives indicated that there were compelling arguments in its favour.[65]

By the end of the 1990s, there was some evidence of UK housebuilders adopting a more formalised and public process for managing internal succession: the approach of three of the most successful housebuilders, Bellway, Persimmon and David Wilson, involved long periods of successor grooming. At Persimmon, founder Duncan Davidson appointed John White as Chief Executive in 1993; White, managing director of the midlands region, had joined the Company in 1979. Davidson moved to the post of Executive Chairman, becoming non-executive in 2002. Another founder, David Wilson of Wilson Bowden, appointed Ian Robertson, the finance director from 1994, as deputy chief executive at the beginning of 2001 and chief executive in 2003. And at Bellway, John Watson was appointed chief executive in 1999, 21 years after he joined the firm, and Howard Dawe moved to executive chairman. All three of the 'predecessors' were still on their respective boards in 2003, exercising a watchful eye as chairman: :it is not yet possible to judge the performance of their successors when in sole control but such controlled handover periods must offer the best prospect of avoiding the succession problems that have characterised the second half of the twentieth century.

Focus versus Diversification

Neither the firms that diversify into speculative housebuilding nor those housebuilders that diversify extensively out of their core business appear to have been as successful as were the focused housebuilders and this thesis identifies lack of focus as another important cause of decline in housebuilding firms; sometimes a direct cause of failure, at others a drag on the

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62 Interview with Howard Dawe, November 2001.

63 See accompanying disc.

64 For the avoidance of ambiguity, the criteria applied in that comment have been that each dominant individual should have enjoyed at least ten years of success and that the firm should have been handed on without obvious sign of problems.

65 Yan Zhang, and Nandini Rajagopalan, 'When the Known Devil is Better than an Unknown God: an Empirical Study of the Antecedents and Consequences of Relay CEO Successions', *The Academy of Management Journal*, Vol. 47, No. 4, 2004, p.483.

business. John Kay argued that corporate success is based on 'the distinctive capabilities of the firm - those things, often the product of its particular history, which competitors cannot reproduce even after others realise the benefits these capabilities bring to the company that enjoys them';[66] it is a comment which could be applied to the whole of the speculative housebuilding industry. Diversification has fallen into two broad categories: investment, usually organic, into (or from) what appear to be the related areas of contracting, commercial property and overseas housebuilding; and unrelated diversification, usually through acquisition, into businesses that have no particular operational synergy with housebuilding. The inter-war period saw little more than some construction companies moving into housebuilding and vice-versa; the merger wave in the 1920s passed by the housebuilding industry, and there was virtually no overseas housebuilding. The immediate post-war period of building controls encouraged some limited expansion of housebuilding in winter climes and a further development of wartime construction skills but the unrelated or conglomerate diversification, as elsewhere in the economy, came later, the mid-1960s in the housebuilding industry's case, and is discussed in the latter part of this section. There were also two waves of overseas expansion, in continental Europe prior to Britain's entry into the EEC in 1973, and North America in the late-1970s and 1980s; little was profitable and only Taylor Woodrow and Wimpey now have substantive overseas housing.

Housebuilding and Construction

Because of the physical similarity between speculative and contract building, this is a common area of overlap; housebuilders diversify into contracting and, more frequently, construction companies diversify into housebuilding. This mix of housebuilding and construction has now ended for all the large housebuilders and can only be found in a few medium-sized firms; although the latter's synergy arguments (discussed below) have some validity, the profitability of the contractors' housebuilding operations remains below average. The economic differences between speculative housing and construction were addressed in the Introduction ('What is the Speculative Housing Industry'). The contractor builds in accordance with the contract terms, usually at a pre-determined price, and his primary risk is on the cost side; he is paid as the contract progresses, requires little capital and operates on low profit margins. In contrast, the private housebuilder is a developer, buying his land and executing much, or all, of the building work without the benefit of a contract with the purchaser; his primary risk is on the sales side. The capital requirement is high and, therefore, profit margins also need to be high. Chapter 3 outlined the reasons for the biggest shift from housing into construction (war and controls) and the adverse effects that it had on those companies' housebuilding businesses. Albeit on a smaller scale, housebuilders continued to be attracted to construction as a means of diversification.

Some firms that were predominantly housebuilders at the start of the 1960s either entered or substantially increased their commitment to local authority contracting. Local authority housebuilding was once again a rapidly expanding market for, having fallen to 114,000 units in 1961, it rose to a short-term peak of 192,000 in 1967. Many of the owners had started as builders and the firms frequently had their own building departments. In the post-war boom, local authority building had been a profitable occupation; however, in the late 1960s and early 1970s, losses on local authority contracts became commonplace. The rapid rise in construction costs in the early 1970s inevitably impacted on fixed-price contracts but losses were also being made before the rate of inflation accelerated suggesting poor estimating or cost control. Looking back, it was easy to be wise after the event: 'I made the foolish mistake, as we all did'.[67] Six examples can be provided of firms that suffered so severely from construction losses that, sooner or later, they lost their independence: Five Oaks, Comben, Dares, Drury, Fell (Bacal) and Jackson. The impact was most noticeable in the period between 1967 and 1971 when construction contract losses exceeded housing profits for Five

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[66] John Kay, *Foundations of Corporate Success,* (London, 1993), Foreword.
[67] Interview with Eric Grove, May 2001.

Oaks (1967-68), Comben (1969),[68] Dares (1969-70),[69] and Drury (1971). Jackson 'merely' halved its group profits in 1971,[70] and although Bacal's construction losses were first disclosed in 1971, it was 1974 before group losses were reported.

The 1974 housing recession also encouraged some companies to diversify into construction, although rarely with advantage. One example was Gough Cooper, but once again fixed-price contracts made insufficient allowance for inflation and the construction division proved a substantial loss-maker from 1978, pushing the whole group into loss in 1980, when it succumbed to a takeover. The temptations offered by contracting also appealed to those housebuilders that had previous experience or perhaps even started as builders, such as Ben Bailey, a north-east housebuilder. Ben Bailey, a bricklayer by trade, started building houses in 1933, diversifying into contracting during the war and continuing with contracting until building controls were removed. When it found itself with spare capacity in the early 1960s as a result of planning delays, Bailey had returned to contracting, with a negative impact on group profits. Again, when spare capacity was created by the 1974 recession, Ben Bailey formed a public works division, which was followed three years later by losses on fixed-price contracts.

Whereas the housebuilders that moved into construction in the 1960s and early 1970s tended to be drawn from the ranks of the smaller- and medium-sized firms, when the reverse movement took place and construction companies (including those that had originally been predominantly housebuilders) moved into speculative housebuilding, they included more of the larger companies. Contractors were attracted by the high returns on speculative housing,[71] but just as the housebuilders had experienced difficulties with the disciplines of fixed-price contracting, so in turn the contracting-dominated firms struggled to come to terms with the different management approaches required by the two disciplines. At first, some contractors even appeared ashamed to be associated with their old market. Laing, for instance, did not use its own name but restarted private housing in 1953 as John and David Martin Ltd.[72] According to Sir Maurice Laing, 'Everybody looked down on housebuilders as the bottom end of the market. We were trying to get major civil contracts and the potential clients were saying "you are just housebuilders."'[73] The expression 'cottage bashers' was used to belittle those who wanted to build houses rather than enjoy the more glamorous world of large civil engineering contracts.

The parent company appointment of directors to the main board was particularly revealing of the attitudes held by contractors to speculative housebuilding: the pre-war housebuilders that became the international contractors of the post-war period had little housebuilding representation on their parent company boards. For instance, Costain never had its housing managing director on the parent board throughout the post-war period. At Laing, David Holliday was the first housebuilding managing director to be appointed to the main board in 1984. Taylor Woodrow had to wait until 1998 before it had a full time housing director on its main board. It took Taylor Woodrow 40 years to regain the housing volumes it had achieved in 1956. Asked what mistakes he had made, Frank Taylor said 'he concentrated so intensely on construction that he feels he may have missed opportunities; he should perhaps have invested more in land much earlier.'[74] Wimpey only put its housing into a separate subsidiary in 1978, although even then there was a requirement that the construction companies did most of the building. Speculative housing did not prosper when it was not given unconditional

[68] A large loss on just one contract left the group vulnerable to takeover.
[69] Dares was forced to suspend dividends in 1971.
[70] In particular, there were large losses on a GLC contract.
[71] See Introduction, 'What is the Speculative Housebuilding Industry' for explanation of the difference between construction and housebuilding profit margins.
[72] Family Christian names.
[73] Interview with Sir Maurice Laing, April 2000.
[74] Jenkins, *On Site*, p.112.

support. Gleeson had been a housebuilder before the war but its post-war success was in public works: 'We certainly thought of ourselves as above all else contractors and in those days people would view the housebuilding arm as a regulator or safety valve, something we turn on and off depending on how the contracting is going.'[75] This was a not unreasonable corporate strategy, but it did mean that Gleeson's housing volumes never rose much above 100 until the late 1980s.

A widespread problem was the organisational conflict within a mixed construction and housing group both in the way that contractors thought that the building process should be organised on a housebuilding site, and the insistence that the construction subsidiary should be responsible for that building process. Housebuilders that were forced to use fellow subsidiaries for their construction rarely found it satisfactory. Wood Hall Trust, which had bought Davis Estates in 1957, also owned the Fairweather construction company and amalgamated the two businesses under a common board in the early 1970s. However, when Davis was forced to use Fairweather, 'It was a disaster. You don't apply the same disciplines when you are both part of the same group.'[76] David Holiday had been moved from the construction division to be managing director of Laing Homes in 1980: 'The construction company did the work for housebuilding and charged them what they felt like and made a profit, and housing tried to make a profit from development. I said this was not the right way to do it. At that time my appointment was still a construction appointment rather than a developer appointment. I dropped my contractor hat very early on.' [77] Mowlem, one of the oldest established contractors in the country, started building flats for sale in Glasgow and Edinburgh in the early 1970s. However, it was conducted on a very low key basis and was not overly successful: 'The contracting people were always interfering and although the houses were good quality, we were unable to make money.'[78] Many will have observed from their own experience that human relationships within organisations are not perfect. Sadtler et al put it colourfully: 'If you ask a room full of managers how many prefer doing business with sister units rather than external businesses, they will vote one and all in favor of external relationships'.[79]

Gray's history of Alfred McAlpine is revealing in its description of a contractor coming to terms with the different management skills required for speculative housing: 'Bobby McAlpine believes that because they were contractors they made a big error in believing that the important element in private housing development was the building of the houses. What they didn't realise, then, was that the real factors are the site and its architectural planning on the one hand, and the marketing of the houses on the other: the least important element is the actual construction of the houses.' There was a frank admission that none of the top management had any professional experience in housing: 'They had not, for example, been able to acquire the flair, the ability to size up a site and know instantly the difference between a good and a bad one.'[80] A legitimate question would be, why were the contractors so slow to realise that their housing activities required a different managerial approach? What is obvious with hindsight is less obvious at the time and there is validity in Jeremy's comment that 'existing organisations are governed by a specific set of codes which may prove extremely difficult to change, even when new personalities are installed'.[81]

Another cultural difference between construction and speculative development was the disparity of financial reward that accrued to the individuals, which became acute when the

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[75] Interview with Dermot Gleeson, January 2002.
[76] Interview with Brian Hewitt, October 1998.
[77] Interview with David Holliday, December 1998.
[78] Interview with Brian Watkins, October 2001.
[79] David Sadtler, Andrew Campbell, and Richard Koch, *Break up! when Large Companies are Worth more Dead than Alive*, (Oxford, 1997), pp.14-15.
[80] Gray, *The Road to Success*, p.141.
[81] Jeremy, *Business History of Britain*', p.188.

housing market boomed. At Laing, 'One of the internal difficulties was that you had a contractor who employed 11,000 people and a housebuilder who employed 600 people - what is the salary rise going to be? You get all this looking across the fence and the jealousies and what have you - not particularly at the top level but lower down. It is very difficult to weld it into the same culture.'[82] This clash of temperament between the traditional contractor, employing a small group of entrepreneurial developers, higher paid and more profitable, found an almost exact parallel in the 1980s when the clearing banks bought specialist merchant banks and stockbrokers.[83] Because the pairings of construction and housebuilding, and banking and broking, appear so similar the larger business assumes that it understands the smaller; the lesson from both industries is that they rarely do.

Some of the construction firms that had never had a history of speculative housing recognised the need for specialist skills and purchased dedicated housebuilders. Tarmac, a quarrying and construction group, had tried speculative housing without success and there appeared little understanding of the development process: ' We were always doing quite a lot of public housing and the message came back "yes you can go into private housing, providing you don't buy any land."'[84] Tom McMillan, another Tarmac director, frankly admitted that when they started 'they hadn't a clue' and Osborne, Tarmac's construction managing director, also concedes that 'when we first were in private housing it was true that we had a more construction-led method of building'. Ron King, later to become managing director of the enlarged McLean, remembers Tarmac's Bill Francis telling him during the negotiations: 'The way you market and present your houses leaves us standing. That's what we are buying you for.' The McLean team had a poor view of what they found: 'They were just building box type houses, poor quality construction, no design appeal, no selling appeal and nearly a thousand houses built and not sold. Our philosophy was we sell them and then we build them. Whereas they were just totally construction oriented, building houses.'[85]

Despite all the problems enumerated above, many of which where plain to see, there were significant contractor-led housing acquisitions in the 1980s, particularly towards the end of the decade as the housing cycle was reaching its peak.[86] Alfred McAlpine bought Finlas in 1982 and Canberra in 1988; Mowlem bought Unit Construction in 1985; there were three acquisitions in 1986 when Amec formed a joint venture with Hammerfine,[87] Higgs and Hill bought Southend Estates and Tilbury Contracting bought Whelmar's Scottish subsidiary; and in 1987 Balfour Beatty bought Clarke Homes. In a period of only two or three years, Balfour Beatty increased its volume from 100 to 1600; Fairclough from 600 to 1,500; Mowlem from nominal levels to 1,200; Higgs and Hill from 150 to 550; and Tilbury from around 200 to 750; McAlpine's sales rose from 360 in 1982 to 1,350 in 1988. In general, the management teams were left to run the day-to-day business, but the constructor-dominated top management rarely felt it necessary to accord the housebuilders representation on the parent company board; the housebuilders would, therefore, have had less influence than before on strategic issues. At the same time, other contractors-housebuilders were significantly increasing the scale of their private housing divisions: between 1982 and the peak pre-recession year, Costain's volumes rose from 400 to 2,200, Laing's from 1,000 to 3,400 and Lovell's from 1,200 to 3,100. In 1989, six out of the top ten housebuilders and 12 out of the top 20 were part of groups which also contained large contracting businesses and by the late 1980s private housebuilding was accounting for a significant part of their group profits - as much as 60 per cent for Higgs and Hill and Alfred McAlpine and 70 per cent for Laing. Few contractors totally resisted the pressure to diversify into housing. From a list of 19 UK-owned

[82] Interview with David Holliday, December 1998.
[83] Littlewood, *The Stock Market*, pp.317-37; e.g. Midland Bank and Greenwell, Barclays and De Zoete & Bevan.
[84] Interview with Alan Osborne, February 2000.
[85] Interview with Ron King, November 1999.
[86] See accompanying disk for further background on these acquisitions.
[87] The rest of the company was bought in 1988.

contractors with a turnover over £200m. in 1991,[88] only three, Kier, Wiltshier and Sir Robert McAlpine, did not have a private housebuilding division.[89] Sir Robert McAlpine , for example, had been the largest speculative housebuilder on the west coast of Scotland in the late nineteenth century, but he went bankrupt and the firm never went back into housebuilding. Sir Robert's grandson said that it had been looked at from time to time but they had always turned it down: 'if you build houses, you get people complaining that the drains don't work and it is very cyclical.'[90]

The examples given in the text so far, supported by the histories on the accompanying disc, indicate a much greater degree of underperformance by the contractor-led housebuilders than the focused housebuilders. In an attempt to quantify this, an analysis of those pre-1990 recession firms that had built over 1,000 units in any one year (Table 6.2) was undertaken. The Introduction has already warned about the problems of inter-company comparison and the first step was to exclude those housebuilders that clearly did not fit into one category or the other, e.g. were owned by conglomerates or those where the decision on whether to describe them as contractor-led was too subjective (e.g. Lovell); McCarthy & Stone was also excluded as its total concentration on sheltered housing made it a special case. This left 18 companies which, fortuitously, divided into nine focused and nine contractor-led housebuilders.

The first comparison was of the change in housing volumes from the pre-1990 peak to 1995, the point where the industry had begun to emerge from recession. The unit volumes were shown in each period (or in the year of sale for Costain and Mowlem) and the percentage change calculated. As a class, the contractor-led housebuilders experienced a 41% fall in unit volumes whereas the focused housebuilders increased volumes by a third. Of the contractor-led housebuilders, only McAlpine achieved a volume increase; in contrast, of the focused housebuilders, only Barratt and the Dublin-quoted Abbey suffered falls in volume.

The next test was to see whether, regardless of the movements in their volumes, the profit performance of the contractor-led housebuilders compared unfavourably with those of the focused housebuilders. Using the figures from the *PHAs*, the profit margins of the two groups were compared.[91] In 1988, the focused housebuilders averaged margins of 24 per cent, higher than the contractor-led housebuilders but not substantially so (figures for Clarke were not published). However, it is times of difficulty that most test management, and in 1995 the focused housebuilders achieved margins of 11.5 per cent whereas the contractor-led housebuilders did no more than break-even. Only two of the contractor-led housebuilders achieved margins of over ten per cent: only two of the focused housebuilders failed to achieve ten per cent margins.

Trading profits are before financing costs, which are not easy to ascertain in diversified groups. They are also before exceptional charges, and the early 1990s saw substantial write-offs against the pre-recession land banks. The final columns in Table 13.1 show the size of the land provisions; because, other things being equal, the larger companies will have the larger absolute provisions, the provision per land plot is also shown. (The provisions for Clarke were never disclosed, neither was the pre-1990 land bank for Wates.) The absolute provisions for the contractor-led housebuilders was higher, but they were building more houses at the peak. However, in relation to their land holdings, the write-off per plot was some four times that of the focused housebuilders. Thus, it would appear that on the three criteria of volume growth, trading margins and land write-offs, the focused housebuilders fared substantially better than the contractor-led housebuilders.

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88 Taken from Wellings, *Construction Equities*, p. 172.

89 Kier, which demerged from Beazer after the latter's purchase by Hanson, went on to acquire housebuilding businesses.

90 Interview with Sir William McAlpine, March 2001.

91 Profits before interest and tax as a percentage of turnover.

Table 13.1: The Relative Performance of Contractor-led Housebuilders

Company	Units			Trading Margins %		Provisions 1989-93	
	Pre-1990 Peak	1995	% change	1988	1995	£m.	per plot £
Contractor-led							
Tarmac/McLean	12165	6140	-50	26.6	7.8	132.1	5081
Wimpey	9581	7609	-21	23.1	6.2	71.3	2910
Laing	3436	1675	-51	20.9	13.0	66.7	9529
Costain	2212	410 ['92]	-81	14.0	-5.5	113.3	37767
Amec/Fairclough	1942	1811	-7	22.5	0.5	107	21400
BICC/Clarke	1610	405	-75	n/a	-34.9	n/a	n/a
McAlpine	1350	1645	22	16.6	7.0	11.6	2578
Mowlem	1200	560 ['93]	-53	20.0	-7.1	16.3	7409
Wates	1100	227	-79	24.5	12.0	23.5	
Total	**34596**	**20482**	**-41**	**21.0**	**-0.1**	**67.7**	**12382**
Housebuilder-led							
Barratt	7000	6601	-6	17.5	10.9	65.1	3829
Westbury	2415	2678	11	25.4	8.5	36.7	4893
Wilcon	2600	3870	49	35.4	8.7	10.4	680
Bryant	2150	3733	74	21.5	11.5	23	3194
Persimmon	2043	3593	76	28.6	10.3	5.5	567
Bellway	1720	3813	122	17.9	13.5	9.3	2325
David Wilson	1592	1916	20	29.0	12.6	0	0
Redrow	1208	2258	87	18.6	14.3	0	0
Abbey	1027	444	-57	23.1	13.5	15.3	9563
Total	**21755**	**28906**	**33**	**24.1**	**11.5**	**18.4**	**2783**

Most of the companies operating a construction/housing business eventually chose to concentrate on one or the other. As mentioned above, the housebuilders that had diversified into, or increased the scale of, contracting in the 1960s and 1970s not infrequently lost their independence. The construction companies, often those who had bought their way into housing in the 1980s, divested one business or the other. Amec (1999), BICC (1995), Birse (1995), Mowlem (1994), and Tilbury Douglas (2000) all sold their housing as did longer established companies like Costain (1993), Lovell (1999) and Tarmac (swapping its housing for Wimpey's construction and quarrying in 1996). In the opposite direction were Higgs and Hill selling its construction in 1996 (renaming itself Swan Hill) and Wimpey's sale of its construction was the corollary of the Tarmac deal.[92] The divestment of housebuilding was often (though not always) caused by the scale of group losses during the recession (instanced in Chapter 12); housebuilding may or may not have been the major contributor to the group loss, but the housing land bank usually represented the most realisable asset. Even if financial necessity did not require a sale, the realisation that housing did not represent the easy way of making money that had been assumed in the 1980s, and a reluctance to countenance the capital commitment that would be required to grow the business, produced the same result. The attitude of investors had also changed in that they wanted managements to be focused on the businesses they knew best; moreover, they were not prepared to accept the risks of what they perceive as a volatile construction business.[93]

92 See accompanying disk for further background on the disposals.

93 This comment based on the author's own experience but is supported by Toms and Wright who

Amidst the widespread jettisoning of the contractor-housebuilder model during the 1990s, a few (predominantly medium-sized) firms continued to argue for the retention of both construction and private housebuilding. Six companies actively promoted both their construction and their speculative housing, namely Henry Boot, Galliford Try, Gleeson, Kier, Miller and Morrison; with the exception of Miller, all had housing volumes of under 1,000 units a year. Other than Kier, which diversified into housebuilding following its management buyout from Hanson in 1992, these firms were following inherited strategies, dating as far back as the 1930s for Boot and Gleeson.[94] Nevertheless, those strategies did clearly recognise the problems that have existed in the construction-housing hybrids and they sought to minimise the disadvantages and exploit the skills common to both through the 1990s. At the very least, there had to be a strict separation of functions, as Fraser Morrison of Morrison Construction recognised: 'In relation to running an integrated housing and construction business the key in my view was to ensure that the housebuilding division was a separate entity run by housebuilding professionals because it rarely worked to have construction people involved in the selling of houses. We tried on various occasions to have our construction division involved in building the houses...but that did not work well in my view.'[95] In effect these companies were adopting a balanced portfolio strategy with Kier in particular being successful in investing its positive construction cash flow into a succession of small housebuilding acquisitions. There were occasional arguments drawing on the synergy of overlapping skills, particularly by the Scottish Miller Group whose privately-owned status undoubtedly helped it pursue a different strategy to its quoted peers. Keith Miller argued that there was a wider synergy between construction, housing and commercial development: ' There are big local authority land holdings and you can't unlock it just through housing because it does not make enough money - except for down south We have the ability to unlock commercial value from sites which will then in turn unlock residential value is a skill which gives us a slight edge.' [96]

Justifications can be found for combining construction and housing under the one corporate ownership, but they do sound defensive on occasions. Gleeson accepted that it might entail an acceptance of lower returns: 'Whether it is the case that Gleeson Homes will always be somewhat less efficient than a pure housebuilder, I don't know. I can't see why it should be so but supposing you persuaded me that up to a point that it must be so, I would still for strategic reasons want to keep Gleeson Homes. I don't think that the return on Gleeson Homes compared to its peers is the only consideration.'[97] Keith Miller also agreed that the companies that had been most successful in the housing sector were the focused ones: 'I guess our housebuilding company, whilst it's been successful, is by no means an upper quartile performer - I accept that'.[98] Indeed, the evidence suggests that the operating margins of the housebuilding subsidiaries of the six companies above are some four to five percentage points below the average of the 20 largest housebuilders, as shown in Table 13.2. Subsequently, Morrison Construction became part of AWG, a water utility, in 2000 and there have been abortive attempts to sell the housing business; in 2003, Henry Boot sold its Homes subsidiary and Galliford Try rebutted a takeover approach by a construction company that was partly predicated on the sale of its housing division.

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discussed the pressures for, and rewards to, corporate divestment; see Steve Toms and Mike Wright, 'Corporate Governance, Strategy and Structure in British Business History, 1950-2000', *Business History*, Vol. 44, Jul 2002, pp91-124.

[94] See accompanying disc.

[95] Fraser Morrison correspondence.

[96] Interview with Keith Miller, February 1999.

[97] Interview with Dermot Gleeson, January 2002.

[98] Interview with Keith Miller, February 1999.

Table 13.2: A comparison of housebuilding profit margins of hybrid construction-housebuilding companies, 1998-2000[99]

	1998	1999	2000
6 contractors	8.5 %	9.0 %	10.6 %
Largest 20 housebuilder	12.8 %	13.4 %	14.4 %

Source: *PHAs* and underlying data

This thesis has continually stressed the difference in the business models of construction and speculative development, and it is this that underlies the difficulty that the two physically similar businesses have in co-existing under the same management. Although contemporary views are not unanimous, most housebuilders and contractors now accept that the two businesses do not sit easily together. Peter Mason was responsible as chief executive for the disposal of Clarke Homes from Balfour Beatty (1995) and then Fairclough Homes from Amec (1999). He argued that the only synergy between housebuilding and contracting was cash as the contractor normally generated cash and the housebuilder required funding. 'You can't hand it back to the shareholders because it weakens the overall balance sheet. Historically, contractors have invested it in housebuilding - it seemed a good idea. But if the contractor invests in housebuilding, it needs a continual increase in capital to grow the business or it becomes moribund and the best people go elsewhere'.[100] Peter Costain looked back at the place of a housebuilding operation within a publicly quoted contractor and argued that one of the problems was that the contractor was not investing at the right point in the cycle - at the bottom there were usually other commitments for the funds and at the top of the cycle they were short of land and therefore had to buy it at the wrong price.[101] Lynn Wilson took a broader view: 'I think construction is an entirely different business – a very low-margin high-risk business run by people who are only in it because they like constructing interesting buildings. Developers are a different breed'.[102] The Costain/Mason contractor-attitude is valid but it is Wilson representing the housebuilders who points to the real temperamental difference between the two industries.

Housebuilding and Commercial Property

Commercial property development has probably been as common a stable-mate for speculative housebuilding as construction. As so often in this thesis, the classification of companies into one category or another can become arbitrary at the margin, but of the 69 companies that appear in the league tables of leading housebuilders, almost exactly half have had a property development or investment business for a period of time, although not always as a separately constituted entity. From that have been excluded firms that did have an occasional commercial property development and the pre-war developers that put arcades of shops or a cinema on to their large estates. Indeed, if the four companies that had only a limited post-war existence are excluded, then the proportion of housebuilders that have involved themselves with commercial property, or been in larger groups that have included commercial property, rises to 54 per cent.

The assumed synergy with construction failed because it was based on the similarity of physical process and not intellectual and temperamental complementarity. However, if development skills lie at the core of a successful housebuilder, so do they also for the commercial property company. The pre-war estate developers mentioned above provided commercial property, usually retail and leisure, as a part of the whole estate; the more recent

99 *PHAs* and underlying data.
100 Interview with Sir Peter Mason, April 2002.
101 Interview with Peter Costain, September 1991
102 Interview with Lynn Wilson, September 2000.

trend towards urban redevelopment has led once again to mixed use development, typically shops and restaurants at the bottom of apartment blocks. The entrepreneur who considered himself an opportunistic developer may be equally predisposed towards housing or small commercial schemes; firms like Broseley and Fairview, whose founders came from an estate agency background, did both with equanimity. The site opportunity that was unsuitable for housing would not be turned down if it would make money as a retail development. The temperament and business inclination of those at the top was important and some developers had a preference for one part of the market or other; Fairview, for instance, increased its commitment to commercial property when Ken Oliver joined the Board in 1969. Other housebuilders may have moved into commercial property simply because they saw it as a related way of making additional profit: Beazer admitted that in the early 1970s 'We perceived that money was to be made in property and had seen other companies making good money'.[103] Sometimes, like English & Continental in the early 1970s, there were specific financing reasons for running commercial property with housebuilding: 'The investment property did not generate revenue while it was being refurbished and let; there was, however, an interest charge which would have produced an unutilised tax loss but this could be covered by the profits of the housing company'.[104]

Although, in general, completed property developments were sold to create trading revenue, in much the same way as houses were sold, some companies retained completed properties as investment assets, considering that their rental income gave stability to an otherwise fluctuating trading business and the assets supported a sound balance sheet. This was a post-war phenomenon, but it repeatedly gave rise to problems at publicly-quoted companies as investors tended to value trading companies at a multiple of profits but value property companies in relation to their asset value. As the *Investors Chronicle* pointed out in 1978, 'at a time when the earnings yield on the construction index is nearly 20 per cent and that on the property share index under 3 per cent, it looks as if the market is ignoring the property assets of the builders.'[105] An entity combining both was rarely worth the sum of the component parts leading to pressure from shareholders to split the businesses to realise full value. Laing demerged its property company in 1978, and its shares rose by 70 per cent in the six months following its announcement.[106] Bellway and Fairview followed in 1979 and1982; Clarke Homes separated out St Modwen Property in the 1980s prior to the former's possible flotation, and more recently Banner Homes demerged its property business in 1997.

If housebuilders wished to disengage from property investment, the alternative to the formal separation discussed above was to run down one part of the business or the other: those whose property businesses had prospered naturally tended to exit from housing and become property companies. Percy Bilton (1970s through 1980s), Mucklow (late 1970s/early 1980s), Five Oaks (1970s), MP Kent (late 1970s/early 1980s) and Allied London (early 1990s) were all examples of businesses that had become predominantly property-oriented, were less successful at housing, which was duly built out. Federated Land announced a phased withdrawal from housing in 1981 which was accelerated the following year when the British Steel Pension Fund bought the Company for its property assets. Sunley actually got other housebuilders to build out their housing assets for them. In contrast, firms that had been more successful as housebuilders chose to run down the commercial property side, notably Bryant, Wimpey and Wilson Connolly in the 1990s, and Taylor Woodrow is currently doing so. It was also illustrative of attitudes that when company disposals were being made, commercial property was never included with housebuilding; either the buyers did not consider it fitted with their business or the vendors considered that they could realise more by selling the two parts separately. Thus, the sales of Broseley (1986), Costain Homes (1993), Galliford Estates (1993), Ideal Homes (1996), and McLean Homes (1996) all excluded the associated

103 Interview with Alan Chapple, August 2000.

104 Interview with Ramon Greene, April 2001.

105 *Investors Chronicle*, 4th Aug. 1978.

106 *The Times*, 1st Sep. 1978.

property assets, as did the re-flotations of Beazer (1994) and Bovis Homes (1997).[107]

Not only were investors averse to mixing housebuilding profits and property assets, the recession of 1974 and 1990 also made them apprehensive about large-scale commercial property development even when it was for sale, not retention. These recessions had sometimes caused more difficulty for the property than the housing businesses. It was usually possible for houses in the course of construction to be built out and sold; at a price, there would be a purchaser. In contrast, large commercial schemes were unsaleable if a tenant had not been secured. Galliford Estates and Beazer were brought to the brink of collapse in the 1974 recession by their commercial arms and David Charles did fail: 'When the recession came [Charles] was able to cut back [on housing] and more or less kept up the repayments on the bank loans. It was the commercial property side which caused the problem, one couldn't cope with the borrowings on a half built office block; they weren't pre-let.'[108] It was the larger schemes that again proved difficult in the 1990 recession and Roger Lewis, chief executive of Crest, contrasted the difference between large and small developments: 'Property had been one of the driving forces of Crest through to 1989 and I think that one of the things which we did wrong was that we bought a couple of big sites at the wrong moment; until then we had always had a policy of remaining in smaller developments - in market towns which we understood..'[109] Erostin, having correctly anticipated the 1990 housing recession with extensive sales of land in 1989, failed in 1991with ten unsold commercial properties on its books. These decisions reflect the 'judgement' aspect of entrepreneurial decision-making which is explored in the following chapter.

There is a recognisable complementarity between speculative housebuilding and speculative commercial property, not in the construction process but in the development skill sets and attitudes. At first glance, it is not easy to see why the twin operation is not more common. In the quoted arena, the failure of a business model that combined lowly-rated trading profits and highly-rated property assets can be understood, because it was a mixture that investors valued less than the sum of their component parts. However, that should not have been a constraint where both houses and commercial property were developed for onward sale. There is some evidence that the two just are regarded by the participants as inherently different, whether rationally or not. Scott, in *The Property Masters*, specifically excludes residential property 'since the economic, and other, factors determining conditions in these markets are very different from those influencing commercial property', although his book traces many of the themes that are covered in this thesis.[110] Victoria Mitchell, a director of the Savills agency, suggested that until recently, commercial developers did not want to know about residential: 'They thought, quite simply, that it was "beneath" them,'[111] a comment reminiscent of the contractors. There is no doubt that the marriage of housebuilding and commercial property development for sale could be made to work as, for instance, at Wilson Bowden which specialised in industrial parks. However, it is noticeable that these were developed in much the same way as large housing estates. Perhaps the essential difference between the two forms of development arose where the size of the project was larger (for instance, office blocks), when the capital commitment and the time scale required a different management philosophy, and the unevenness of the profit flow again caused concern to investors, who preferred to value a more sustainable stream of income.

Housing and conglomerates

It was argued above that speculative housebuilders tend not to succeed when part of a construction group, despite the apparent similarity of the businesses. The evidence suggests

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107 See accompanying disk for more detail on these transactions.
108 Interview with MJ Deasley, January 2002.
109 Interview with Roger Lewis, July 2001.
110 Scott, *Property Masters*, p.4.
111 Victoria Mitchell, correspondence with the author, Dec. 2002.

that housebuilders achieve little more long-term success when part of an unrelated group or conglomerate; even where the housebuilding subsidiary did perform well, changes in parent company strategy invariably led to it being sold. There was almost no merger activity of any kind in the housebuilding industry in the inter-war period; managerial objectives could be achieved through organic growth. However, housebuilders did feature in what has been termed the third merger wave, between the mid-1950s and 1973, when according to Jeremy conglomerate mergers 'appreciably increased';[112] Channon stated that diversified firms had risen from 24 per cent of the largest 100 firms in 1950 to 60 per cent by 1970;[113] Toms and Wright also refer to 'diversification, conglomeration and the multi-divisional 1950-80.'[114] By the onset of the 1974 recession, conglomerates or non-related owners were well represented in the top ten housebuilders: there were Salvesen's Whelmar (number 3), P&O's Bovis (4), GRE's Broseley (6) and London & Northern's Bardolin (9) totalling over 10,000 units, or about 30 per cent of the top ten output. By 1980, the top ten included Broseley (4), Bovis (5), Hawker's Comben (8), Trafalgar House's Ideal (9) and Whelmar (10) with output approaching 9,000 or 25 per cent of the top ten output. Mention should also be made of English China Clays which began to actively expand its private housebuilding in the early 1970s and the relationship between Hillsdown and Fairview which started in 1987.

When housebuilders diversified into construction and commercial property (or vice versa) an underlying logic could be recognised; in contrast, the unrelated diversification was largely a product of financial engineering and fashion. The contemporary intellectual justification for diversification used by its proponents was 'a belief that the managers of the predator companies had greater ability and expertise than the incumbents',[115] a qualitative claim that goes further than the mere quantitative exploitation of managerial economics of scale as set out by Penrose.[116] Moreover, to the extent that the predator philosophy was accepted by investors, and their shares accorded a high rating, earnings per share could be increased by the simple expedient of buying companies on lower ratings; success bred success and reached its apogee in the Slater Walker era of the late-1960s, and early-1970s.[117]

In assessing the influence of conglomerates on the British housing market, there are definitional problems with the very concept of diversification: Penrose suggests that it is neither possible nor desirable 'to establish any "absolute" measure for such words.'[118] For example, diversified construction and building materials groups such as Tarmac could or could not be defined as a conglomerate according to preference. For the purpose of this section, conglomerates are taken to be unrelated owners, groups with interests that extend well outside the wider construction industry or companies that actually have a focused mainstream business but who own a housebuilder. As in the section on construction, housebuilders differed according to whether they were initiating the diversification, i.e. creating the conglomerate, or whether they where the subject of it, i.e. being acquired. The housebuilder that became part of a conglomerate is considered first as these tend to include the larger housebuilding entities: the chronology of some nine acquisitions is outlined first with the conclusions being presented at the close of the section.[119] Table 13.3 lists these conglomerate acquisitions.

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[112] Jeremy, *Business History of Britain*', pp.209-10; see also Wilson, *British Business History*, pp 233-5.
[113] Derek F. Channon, *The Strategy and Structure of British Enterprise*, (London, 1973), pp.237-8.
[114] Toms, 'Corporate Governance', p.93.
[115] Ibid., p.98.
[116] Penrose, *The Theory of the Growth of the Firm*, pp.92-5.
[117] See Raw, *Slater Walker* and Littlewood, *The Stock Market.*
[118] Penrose, *The Theory of the Growth of the Firm*, p.107.
[119] More detailed background is available on the accompanying disc.

Table 13.3: Important Conglomerate Acquisitions of Housebuilders

Year	Housebuilder	Conglomerate	Conglomerate activity
1957	Davis Estates	Wood Hall Trust	Australian pastoral trading, food
1967	Ideal Homes	Trafalgar House	Construction, newspapers, hotels, ships
1968	Whelmar	Christian Salvesen	Food distribution
1960s	Broseley Estates	Guardian Royal Exchange	Insurance
1970	Comben	Carlton Industries	Batteries, whisky, plant hire, housebuilding
1978	Comben/Carlton	Hawker Siddeley	Engineering
1974	Bovis	P & O	Shipping
1984	Edwin H Bradley	English China Clays	China clay, quarrying, housebuilding
1987	Fairview Estates	Hillsdown	Food

The first true unrelated acquisition of a housebuilder came in 1957 with the purchase by Wood Hall Trust of Davis Estates, one of the pre-war top ten, and still on the fringe of that group at the time of acquisition. Although Wood Hall Trust installed its own financial systems at Davis, it left the management in place for a few years. However, Wood Hall was more interested in the cash flow from Davis than growing the business and volumes were allowed to decline. In 1983, Wood Hall was in turn taken over by Elders and the housing was gradually run down. It was another decade after Davis was bought before there were any more unrelated acquisitions when in 1967 Trafalgar House bought Ideal Homes. Ideal's David Calverley had three powerful figures above him – Nigel Broakes (himself a developer), Victor Matthews and Eric Parker and Trafalgar's control was more than just financial monitoring. 'All land purchases had to be cleared by Eric Parker, and if they were above a certain size, then Victor Matthews.'[120] It took time to stabilise the business but Trafalgar encouraged growth in the 1980s, financing the substantial acquisitions of Comben then Broseley; by 1987 annual output was over 5,000 and Ideal was number five in the industry. However, when the 1990 recession came, it hit a number of Trafalgar's divisions at the same time, culminating in a £347m. group loss in 1993, a rundown in Ideal's volumes and its eventual sale.

There were two housebuilders that continued to be run by their respective founders and that were both sold on their retirement. Whelmar, run by Tom Baron, was bought in 1968 by Christian Salvesen. A series of small acquisitions helped take it up to number three in the industry prior to the 1974 recession but after that, volumes were allowed to decline and when Baron retired in 1985, the business was broken into five, and sold piecemeal. Broseley had been founded by Danny Horrocks and control gradually passed to the Royal Exchange during the 1960s. By 1982, volumes had reached 4,500 and it was number four in the industry but on Horrocks' retirement in 1986 the housing business was sold to Trafalgar House. In both cases, the parent company managements recognised the difficulty of replacing the entrepreneurial founders from their own ranks and the incompatibility of a development business within a food distribution or insurance company.

In 1973, Bardolin was acquired by London & Northern, and Bardolin's managing director and founder of the principal operating subsidiary resigned immediately; in 1975, housing losses were incurred in the Midlands and in 1976 in the south as well. By 1982 combined public and private housing sales were down to 400 compared with around 1500 at the time of Bardolin's acquisition. In 1986, London & Northern itself fell to a bid and the housing was eventually sold on to Raine. Comben was a more complicated story and it retained a quoted minority throughout. In 1970, it became part of Carlton Industries (itself run by developers). In 1978, Carlton was sold on to Hawker Siddeley which retained Comben as an autonomous

120 Interview with David Calverley, November 1998.

quoted subsidiary until it was sold to Trafalgar House in 1986.

Bovis had been rescued by P&O in 1974 and was held for over 20 years until it was floated in its entirety in 1997; throughout that period it was run by Philip Warner, one of the industry's longest serving managing directors. Warner brought Bovis Homes back to profitability and it finished the 1970s as one of the most profitable in the industry. However, it was never able to achieve long-term growth in volumes. Although there was little, if any, operational interference by P&O, the constraint from the parent company was financial. 'Our growth aspirations were curbed by what P&O was prepared to invest in the business. We were always bidding for funds in competition with the other divisions... our horizons were always a bit bigger than we were allowed to achieve.'[121] Bovis might not have been allowed to grow but the managerial independence that it was given enabled it to become one of the more profitable housebuilders.[122]

It is arguable whether English China Clays should be regarded as a conglomerate. It had a long-standing involvement with the building industry through the use of waste as a base for building materials and it also moved into local contracting after the war. In the late 1940s it was successful with its Cornish Unit House for local authorities and in the 1960s began private development in its local region. In 1972 it recruited John Reeve from Janes to provide specialist expertise and he was appointed housing managing director in 1980. 'There was a belief by a majority of the main board that land for development represented a suitable investment for cash being generated by the mainstream clay business. It was considered that housebuilding was not so diverse from the mainstream business of extraction since their success were all dependent upon land acquisition and planning permissions.'[123] Reeve was successful in developing the housing business on a semi-national basis and the acquisition of the west country firm of Edwin H Bradley in 1984 took it to over 1,000 units a year. In 1986, ECC narrowly failed in its bid for Bryant but volumes continued to increase reaching almost 1300 in 1989; moreover, margins were the highest of any large housebuilder.[124] However, new management arrived in 1990, and English China Clays decided that more focus was needed on its core clay business and that private housing did not fit into the mainstream activities; in particular, 'it was considered that our involvement in housing was having a depressive effect on the share price'.[125] Volumes were sharply reduced and controlled land sales were made to other builders over a four year period, with the rump of the business acquired in 1995 by Wainhomes.

If there was ever to be an exception, it was Fairview Homes. Fairview, one of the consistently most profitable housebuilders, had taken itself private in 1982 but the death of one of the shareholders led to a search for an exit route in 1987; thus started one of the most unlikely partnerships – between a food conglomerate and a housebuilder. While plans were being made for a quotation on the USM, Victor Blank of Charterhouse suggested a meeting with Harry Solomon, just taking over as managing director of Hillsdown Holdings. 'We met Harry and within 7-10 days we had done a deal. They wanted anything that made money. They were in the business of issuing dear paper for cheap assets but in our case they didn't get cheap assets - they got good management.'[126] Fairview's success can only be a tribute to the relationship between Cope and Solomon. Dennis Cope described it: 'It was all about one man, Harry Solomon. I can remember we completed the deal on the Friday and I rang Harry on the Monday morning and I said 'Harry, I can't tell you how pleased I am this has gone through, what do you want me to do now, do we need a meeting or something' He said, 'it's very simple Dennis, I want you to run it like it's your own.' End of conversation. I don't

[121] Interview with Philip Warner, June 2001.
[122] *PHAs*.
[123] John Reeve correspondence with author.
[124] *PHA*, 1990.
[125] John Reeve, correspondence with author.
[126] Interview with Denis Cope, September 1999.

think we could have done it with anyone else. He left us to run it ourselves...They didn't come down and look at the sites, they didn't have a man on the Board.' Ten years later, Solomon had gone and under a new chairman Fairview was demerged.

Table 13.4: Illustrative Diversification by Housebuilders

Period	Housebuilder	Diversification
1960s	Hallmark	Property, banking and brassware
1960s	Bellway	Kitchens to container ports
late 1960s	Bunting Estates	Engineering and chemicals
late 1960s	Whittingham	Environmental engineering and photographic processing
1971	Bovis	Banking
1970s	Crest Homes	Boat-building, tennis courts, spectacles, engineering

The arguments about mixing housebuilding with unrelated activities are similar when it is the housebuilder that is doing the diversifying. However, it is hard to find housebuilder-led diversification into unrelated activities that did not lead to either failure or the downgrading of the original housing business; Table 13.4 gives some illustrative examples of the diversification. Sometimes the problems were caused by the businesses acquired; sometimes by the indirect impact on housing from neglect and a diversion of capital. Hallmark diversified away from housing in the early 1960s with interests ranging across property, housebuilding, banking[127] and manufacturing – primarily Barking Brassware. Arthur Wait, who had been running housebuilding, left the group four years after his own business was acquired. 'Complete disillusionment; they kept nicking his cash! He was a disillusioned man'. Although there was no direct interference from the main board in the running of housebuilding, financing became a problem. 'The problem was that we were the cash cow of the business; all of the profit, all of it, went out of the window into Hallmark to use for commercial property investment.'[128] When Hallmark was bought in 1970, housebuilding was immediately sold.

Bovis, mentioned above as part of P&O, had previously (1973) been brought to the verge of bankruptcy in 1973 by the secondary banking crisis; in 1971 it had bought Twentieth Century Banking and significantly expanded its activities.[129] Bellway had a diversification strategy in the 1960s, from kitchens to container ports: 'Ken Bell was fascinated by anything that was not central to the housebuilding business...In many ways, I don't know how we survived'.[130] Bunting Estates, shortly after its flotation in 1965, was used as a vehicle for the acquisition of Gas Purification and Chemical from related directors; losses were made in housing and then in engineering, and housing activity had ceased by 1980. At the end of the 1960s, William Whittingham moved into environmental engineering and photographic processing; the latter business was expanded and became one of the top ten in the country; in consequence, the original housebuilding was not expanded and, after a period of high profits, photographic losses were incurred in 1982. A weakened Whittingham fell to a takeover bid the following year.

Crest Homes had what it regarded as a focused attitude to diversification, acquiring Camper & Nicholson, Britain's leading yacht maker (hence the name change to Crest Nicholson) in 1972. 'The logic of the merger lay in Skinner's unconventional view of the role of the housebuilder. He saw housing not as an adjunct of the building industry but of the leisure industry. In that light both houses and boats are places in which leisure time is spent.'[131] Skinner outlined his housing and leisure concept. 'It is our aim to appeal to the rational

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127 In 1958 Hallmark bought Twentieth Century Banking, the finance house that was later to do so much damage to Bovis.
128 Interview with Brian Wait, August 2001.
129 See Reid, *The Secondary Banking Crisis*; RICS, *The Property Boom*.
130 Interview with Howard Dawe, November 2001.
131 *Building*, 1st Feb.1974, p.104.

investor by demonstrating historic growth and good future prospect... we try to observe business structural and sociological changes arising from such items as increasing leisure time, affluence, inflation, speed of innovation and obsolescence, consumer power and social accountability...Our business activities are linked together by certain common themes. They all have strong marketing elements, and we consider ourselves to be the market leaders in terms of quality, reputation and value for money.'[132] However, a later managing director suggested that Crest had been no more than a child of its times: 'The reality was that, at that stage, conglomerates were much more acceptable and Bryan [Skinner] believed that the common theme could be in the approach to business as opposed to the industry in which that business was engaged.'[133]

The acquisitive nature of conglomerates, frequently predatory, never made them universally popular; indeed, at the end of the 1960s a Times editorial stated that there was a danger of the word 'conglomerate' becoming 'a term of criticsim'.[134] The financial pressures of the 1974 recession exposed the fragile structure of many conglomerates and, although successful diversified groups could still attract a following, by the late 1970s, that wave of conglomerate philosophy had largely run its course. A movement took place in the opposite direction and the period 1980-2000 was described by Toms and Wright as one of 'divestment and restructuring',[135] although that did not stop a revival of 'fashionable' conglomerates like Hanson and BTR. Toms and Wright went on to argue that improved corporate governance prevented firms from buying unrelated business to satisfy directors' aspirations and forced them to refocus.[136] However, having practised in the City throughout the period, this author's own judgement is that the conglomerate fashion ended because it failed to produce consistent growth, shares underperformed, and conglomerates were unable to obtain the support for further share issues: Toms and Wright refer to the 'conglomerate discount'[137] and a contemporary view was typified by the *Independent*'s comment that 'In recent years conglomerates have been disappointing investments as they struggle to perform in a market which became more appreciative of the more focused approach.'[138] Those conglomerates that did re-emerge in the 1980s came under pressure following the 1990 recession and their structures have once again been criticised. In their 1997 polemic, Sadtler et al concentrated on exposing 'the value destruction that lurks in many diversified companies'.[139] More recently, a *Financial Times* article reflected on the changing fashion for conglomerate structures arguing, inter alia, 'that the intellectual fashion moved decisively against conglomerates'.[140] It followed that, once investors came to believe that focus was good for corporate performance, share prices could be increased by the disposal of unrelated businesses.

The descriptions of the distinctive and entrepreneurial nature of the development process that have been given throughout this thesis will have anticipated the specific problems faced by housebuilders within diversified structures, but for an independent comment Grebler's discussion of conglomerates in his housing work is apposite. He regarded the foremost difficulty as 'the idiosyncrasy of the businesses compared to the normal operations of manufacturing, financial and most other corporations'. He stressed the continual non-routine decisions of the developer, the irregularity of profit flow, the front-end loading of the investment, and the length of the product cycle compared with manufacturing. He concluded with what this author regards as the most important problem, the integration of management

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132 Crest Nicholson Accounts, 1973.
133 Interview with Roger Lewis, July 2001.
134 *The Times*, 9th Sept. 1969, p.23.
135 Toms, 'Corporate Governance', p.93.
136 *Ibid.* p.106.
137 *Ibid.* p.108.
138 *Independent*, 31st Jan. 1996, p.19.
139 Sadtler, *Break up!* p.xii.
140 *Financial Times* 8th Mar. 2000, p.25.

skills and practices, and the harnessing of the developer's entrepreneurial talent and experience. Grebler pointed out that the acquirer attempted to retain those skills through management contracts but so often the seller became disillusioned and left leaving a gap which could not easily be filled: 'His equivalent usually prefers to be an independent operator. If the replacement was drawn from the executive staff of the parent company or from second rank real estate specialists, the seller's spark and finesse were usually missing.' [141]

By the end of the 1990s, there was no housebuilder over 1,000 units that was owned by an unrelated owner. Indeed, in the *PHA* 2002, only one company of any size can be found that comes into that category - Morrison Homes, owned by utilities company AWG. There was also only one large housebuilder with an unrelated activity, Bloor owning Triumph motor cycles but that is more a private company using its cash flow to fund the owner's personal loss-making interests. This does suggest that, as a business model, unrelated ownership of housebuilding companies has been found wanting, and where the management succession is mishandled, as with Bardolin, then immediate problems follow. But to say that operationally unrelated ownership has never worked is too simplistic. The examples above indicate that where the acquirer has sustained a relationship with the founder, the business can continue to operate successfully - Tom Baron and Danny Horrocks had enjoyed long-standing ties with their purchasers before being bought. Professional management could also be successful when it was given operational independence and enjoyed a strong long-term relationship with the parent managing director; Bovis under Warner, Ideal under Calverley, ECC's housing under John Reeve, and Fairview under the ownership of Hillsdown are good examples.

However, operational independence was not readily granted to housebuilding entrepreneurs and the Cope/Solomons relationship, for instance, was rare. Even then, there were still important constraints in the long-term business model of a housebuilder as a conglomerate subsidiary. Firstly, the parents were generally reluctant to see sustained growth in the housebuilding subsidiary, sometimes because they just wanted it to generate a cash flow, sometimes because, as for Bovis, it was competing for capital within the rest of the group. Secondly, success depended on the original personal relationship: when housing managing directors retired at Broseley and Whelmar, the parents sold the housebuilders; when the parent company managements changed, as at Hillsdown and ECC, they took one quick look at the housebuilding business, wondered what it was doing there, and sold it. Finally, the unrelated parent was not supportive during recession; in theory, the diverse product portfolio should have strengthened the parent's ability to support the housebuilding business but, in practice, recessions catch most businesses at the same time; ECC's decision to run down housing was influenced the fact that it was depressing the share price. Even where there was a will to retain housebuilding, there was not the same will to invest contra-cyclically. Ideal's Calverley recognised that one of the disadvantages of being part of a large group was that it was unable to take advantage of the recession to reinvest at the bottom of the land market: 'The tragedy was that with other parts of Trafalgar also being hit by the recession there weren't the resources to take advantage of the opportunity to replenish the land bank at what by then were historically cheap land prices.'[142] This was a contrast with some of the specialist housebuilders in the early 1990s who were able to persuade investors to provide new capital through rights issues.

Overseas housing

A considerable number of housebuilders diversified overseas but only Taylor Woodrow can claim to have achieved any degree of long-term success (although Wimpey's US subsidiary has recently begun to earn substantial profits); the reality is that most housebuilders eventually closed their overseas operations, either voluntarily or of necessity. The reasons for

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[141] Grebler, *Large Scale Housing and Real Estate Firms*, pp. 140-5.
[142] Interview with David Calverley, November 1998.

expanding overseas in a service industry are limited, some would argue non-existent. Channon suggested that it occurs in response to limitations in the home market: 'Like product diversification, therefore, geographic diversification appears to take place when high quality domestic opportunities in the firm's original business area are no longer available.'[143] However, if the economies of scale and scope are limited in the domestic housing market, they are all the more so internationally. There is no international branding of houses; there are no falling exports to protect through overseas production. Among the requirements of a successful housebuilder are detailed local market knowledge (of land resources and customer preferences) and an ability to keep tight managerial control; if the housebuilder possesses these skills at home, they are virtually impossible to take overseas. (Indeed, many English housebuilders were nervous even going north of the border.) It was rare to find a housebuilder claiming that it was bringing anything to the overseas markets that the local companies were not already doing - and probably better.

There is little evidence of pre-war speculative housing overseas. In 1937, Taylor Woodrow, in partnership with Owen Aisher (Marley), Leo Meyer (Ideal) and Norman Wates, as individuals, began developing in New York State, but with little gain. In the immediate post-war period, a few housebuilders went to South Africa, understandable in the absence of domestic opportunities, a Labour government they feared and, in some cases, a desire for winter warmth on ageing limbs; there were also occasional ventures into Australia and Canada. However, with the growth in the home market, the need for overseas diversification became less pressing. When it did come, the two most popular areas for overseas diversification proved to be France and then the USA, the latter being the more substantial and enduring.

Nearly all the French investments started within the narrow time frame of 1969 to 1972 and it was probably the hopes engendered by the prospect of Britain's entry into the EEC in 1973 that provided the catalyst. Lawdon in 1968 and Page-Johnson and Bovis in 1969 were the first, followed by Bellway, Comben, Higgs & Hill, Ideal, Rush & Tompkins, Taylor Woodrow and Wimpey. These investments had largely been abandoned by the time (1979) that Federated decided to build in central Paris, and the only subsequent French investment was by McCarthy & Stone in the late 1980s when it tried to export its sheltered housing concept. It does not appear that any of the French investments showed a profit and no firms persevered for more than a few years, circumstances that were not conducive to providing much information on the structure of these operations.

The reasons for failure go to the heart of the development process, understanding the local culture and knowledge base, as the following examples illustrate. After initial small profits from building in the Paris region, Bellway incurred 'huge losses...The French decided that we were too big and worked against us';[144] The French subsidiary was closed in 1979 after combined losses in France and Australia of £1.8m. Terry Roydon had also tried building in Paris for Comben and although he was fluent in French and with a bilingual managing director he was still unable to make a success of it: 'It seemed a wonderful opportunity to give English expertise, not English houses, just English estate development skills, which didn't exist very much in Paris at that time. What got us was that we could never get our hands on sufficient land to make a go of it.'[145] Wimpey had French staff running the operation but had no more success while Bovis found the demands of the local communes too expensive.[146] McCarthy & Stone also found the system too difficult: 'We couldn't get the margins up - too many fingers in the pie on land and the employment laws were horrendous.'[147] More recently, the American Centex, which owns the British Fairclough

143 Channon, *The Service Industries*, p.42.
144 Interview with Howard Dawe, November 2001.
145 Interview with Terry Roydon, January 2000.
146 Cooper, *Building Relationships*, p.112.
147 Interview with John McCarthy, September 2001.

Homes, looked at the French market as part of its European strategy but decided not to invest: 'We walked away from one French company as we got three different answers from three different lawyers on a major planning point.'[148] Culture plays an important part and the most common comment the author has heard over the years is to the effect that if you do not get on with the mayor, there is no point in bothering.

The most substantial overseas commitment was made in the USA and that was predominantly, although not exclusively, initiated in the 1980s. Was there a common denominator behind these investments? One pointer was that the period when the housebuilders went to America was after the home market had gone ex-growth (and exporting, obviously, was not an option); from the late 1970s housebuilders had also been studying the US market to learn new ideas, primarily marketing, which then gave them a familiarity with the country and, human nature being what it is, it probably looked like fun. Federated Homes had built a few houses in Ohio in the mid-1960s but the first significant post-war housing investment in the USA was in 1975 when Frank Taylor personally visited Florida and bought a large tract of land. This was followed by more than a dozen other housebuilders in the 1980s with a flurry at the beginning of the decade. Barratt bought two Californian housebuilders in 1980 and 1981; the business survived but was eventually sold in 2004. Charles Church, Comben and Westbury started from scratch in the Houston area but neither venture lasted more than a few years. Wimpey bought an existing Texan company in 1980 and, after two decades, eventually managed to develop a substantial business. In joint venture, Prowting bought an apartment block for refurbishment in Virginia with the intent of building a substantial US business but was soon disenchanted. Bovis formed a joint company in Georgia in 1981 with an ex-Bovis employee, then working locally; Texas was entered in 1983 but both companies were closed in 1986 and Bovis bought a Florida company the following year.

Further into the decade it would become progressively more difficult as the housing recession gave less and less time for a new operation to establish itself. Beazer bought existing housebuilders in 1985 and 1986 in Atlanta and Nashville and its strength was that existing management stayed on to run it; no longer part of Beazer UK it is a successful quoted company in its own right. Laing entered the Californian market in 1984, to build affordable houses in the Los Angeles region; a strategic review in 1995 led to its closure. Alfred McAlpine also bought a couple of housebuilders in 1985, in New England, but these did not survive the recession. In 1987, Costain formed a California subsidiary and in that same year Lovell bought extensive tracts of land in New England in joint venture with local partners, a source of substantial losses a couple of years later. The final purchases were made in 1988 when Tarmac (McLean) established a couple of new companies in Virginia and Maryland; and Walter Lawrence bought a 51 per cent holding in a Californian housebuilders. The Tarmac companies ticked over until the asset swap with Wimpey but Walter Lawrence's company incurred substantial losses and contributed to Raine Industries' (which bought Lawrence) downfall.[149]

Table 13.5 gives an approximate indication of the scale of the UK companies' North American operations at the point just before the market crashed. Capital investment and profits are not generally available; moreover, the table probably understates the commitment as tracts of land were being purchased for future development. For instance, by 1990 Lovell had over $60m. invested in land partnerships over and above the $20m. invested in housebuilding, totalling some £50m. of its group capital employed of £160m. It is not possible to give a comprehensive picture of losses incurred in the recession but to take one of the companies that did survive, in 1991 Barratt made provisions against land values amounting to £24m. in the US compared with £49m. in the much larger UK and it made

[148] Interview with Stewart Baseley, March 2002.

[149] See accompanying disc.

operating losses every year between 1991 and 1998 totalling a further £20m.[150]

Table 13.5: UK Housebuilders' North American Volumes, 1989

Company	1989 units America	c.f. UK unit sales
Wimpey	c.2000 (a)	7100
Taylor Woodrow	1389 (a) (b)	468
Beazer	1120	6066
Barratt	900	6600
Trafalgar House [Ideal]	500-600	3402
Walter Lawrence	500	856
Laing	388	2592
Lovell	270 (c)	2963
Costain	259	696
McAlpine	200 (d)	1100
Bovis	c.200	1500

(a) Includes Canada (b) Includes substantial lot sales (c) excludes substantial lot sales (d) 1988 figures.
Source: Company accounts; author's file notes

While there might have been an element of fashion in going to the USA, companies were keen to stress at the time the extent of their market research in choosing their location; it is interesting in that context to note the almost random nature of their final destination - from Florida to California and from the Texas oil state to the old-economy states of New England. As for explanations used by individual housebuilders, they too varied. The limitations of the home market was a justification open to only a few, and Tarmac and Barratt, the two largest, both used it. Tarmac's chief executive accepted that the investment in the USA was relatively small and not worth the effort: 'but [Tarmac]had got to the stage where we were nearly up to 10 per cent of the UK housing market so we had to do something and we thought America might be OK on the basis that they speak the same language, but it wasn't a howling success.'[151] Barratt's justification was identical: 'We were producing at that time 10,000 house a year and there is a limit to how much market share you can take...we had always had an eye on the States – it was the closest thing you could get to the UK housing market. Perhaps it was wrong for Barratt to do it at that time but the concept is not wrong.'[152] However, when firms the size of Charles Church (around 500 units) use the market share argument it is hardly credible to argue that 'we were blocked in the UK and Houston was a boom town.'[153]

Another argument, incorrect for most of the time,[154] was that the US would offset the UK housing cycle: '[Laing] set up as an American company in California but we saw it mainly as a financial exercise. There was no belief that it was something which they could do better than the Americans.'[155] Personal preference and ambition should not be ignored. Norman Wakefield, who took Lovell into the U.S., had previously enjoyed working in the country. Beazer was expanding on a wide front and bought cement works and aggregate companies in the US as well as housing: 'Brian had a fascination with the US and we had decided that we would go into the US by buying into something we knew best; we wanted to get used in a

150 After a period of profitability, Barratt announced the sale of its US business in August 2004.
151 Interview with Sir Eric Pountain, November 2000.
152 Interview with John Swanson, October 1999. (The Introduction: What is the Speculative Housebuilding Industry, compares the UK and US industries).
153 Interview with Susanna Church, August 2002.
154 U.S. housing starts fell by 43 per cent between 1973 and 1975; and by 44 per cent between 1986 and 1991.
155 Interview with Leslie Holliday, August 2000.

simple way to what it was like working in the States.'[156] Westbury's owners, the Joiner family, controlled the company (before its flotation) through offshore trusts and tax planning was critical to the decision.

It is not as easy as in the French case to generalise about the reasons for failure - not forgetting that Taylor Woodrow and, latterly, Wimpey have been successful. Dealing with a home and a distant recession was more than some could cope with and companies failed in consequence. Despite the common language, the development and marketing process was not the same as in the UK. '[Barratt] tried to repeat their concentration on the first time buyer and the part exchange programme but it didn't work over there.'[157] Looking back, Philip Warner still thought that the US was a reasonable market for a UK firm to enter but the developer had to recognise that 'America is an entirely different type of industry. You either buy the land, and develop it, and sell lots off; or buy the lots and build on them. We were just buying the land in developed lots when we started in Atlanta. The trouble with America is that the supply expands to meet demand enormously quickly and if the market turns then you can be caught with a lot of houses partially built. Our timing was not brilliant with hindsight.'[158] Sometimes the wrong market was chosen, like the booming Houston in the early 1980s. At other times the erstwhile knowledgeable local partners saw the British coming and, to use a colloquialism, took them for a ride.[159] Buying the wrong company is a mistake that can be made on either side of the Atlantic as McAlpine Homes admitted: 'The mistake we made was that you can't buy in small-minded management. We bought companies that were too small. We should actually have looked at spending the $10-15 million that we had allocated on one significant company and grown it. Instead we bought two small companies and ended up having to drive the businesses from the UK.'[160]

As a generalisation, the UK housebuilders' overseas diversification can be regarded as a failure, totally in France and for most companies in the USA (the two most frequent destinations). The case studies above illustrate a lack of underlying commercial logic and a failure to master the indigenous development culture on equal terms with the local competitors. Rather than acting as a counter-cyclical benefit, the overseas investments also impinged on the ability of the UK housebuilder to weather the domestic recession; in some cases the losses played a critical part in the overall failure of the group, Lovell and Raine Industries in particular. However, losses in another continent were also a considerable distraction in management time in the 1990 recession, a point made by the Barratt Company Secretary: 'Do not underestimate the extent to which Barratt was distracted by its US operations particularly in view of the fact that executives were going over there frequently.'[161]

Demand and the Housing Cycle

This thesis is concerned with the supply side of the speculative housebuilding industry; it is not seeking to explain the factors underlying housing demand which are extensively covered elsewhere.[162] Nevertheless, it is legitimate to ask whether demand influences supply. At it simplest, the question is ridiculous for without demand, there would be no supply. The question is more properly, to what extent do fluctuations in demand have a material impact on the supply side of the industry? Sustained boom conditions do encourage new entrants into

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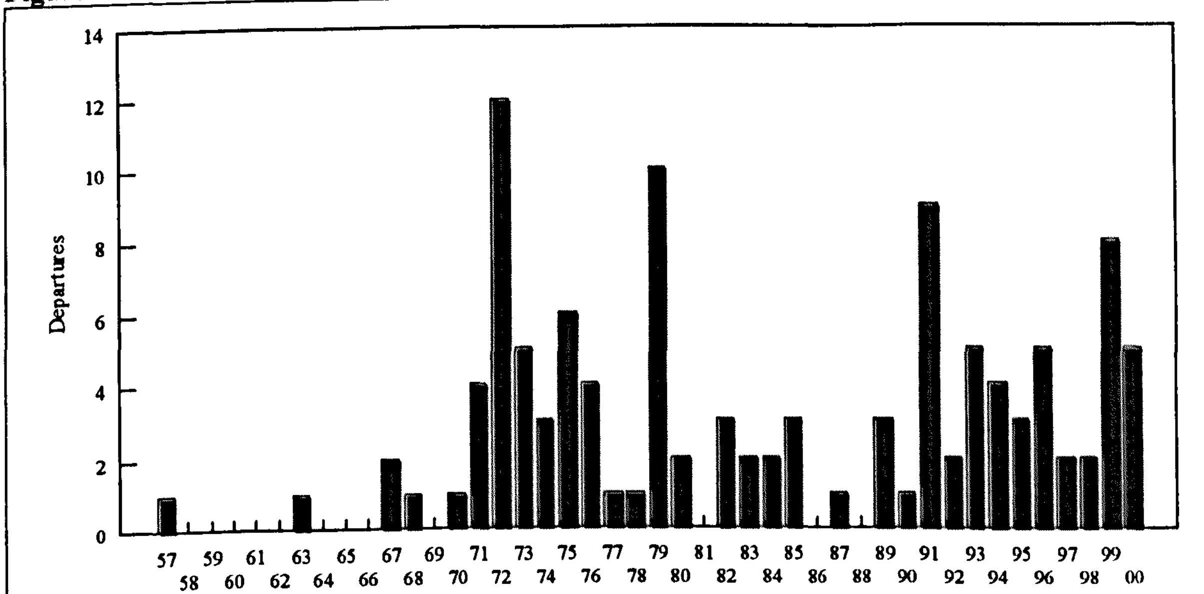
156 Interview with Alan Chapple, August 2000.
157 Interview with Michael Chapman, April 2001.
158 Interview with Philip Warner, June 2001.
159 For obvious reasons this is a difficult topic to document with case studies but this author's file notes contain more than one such reference.
160 Interview with Philip Davies, February 2000.
161 Interview with Michael Chapman, April 2001.
162 E.g. L. Needleman, *The Economics of Housing*, (London,1965); Parry Lewis, *Building Cycles*; Christopher Powell, *The British Building Industry Since 1800 An Economic History*, 2nd ed.,(London,1996).

the industry, easily seen in the inter-war period (see Chapter 3), and the heavy investment in private housebuilding by contractors in the 1980s outlined in the first section of this Chapter. However, it is not the gradual impact of a steadily rising market which stands out as an agent of corporate change but the major collapse in the market place, and it is the latter that is addressed in this section.

Figure 13.1: Post-war Housebuilding Departures; the Quoted Sector, 1957-2000[163]



Source: Author's analysis of the public records of 113 companies.

Although there have been a number of smaller disturbances to the market, e.g. 1966-67, 1980-81, and the false dawn of 1995, it was the two major housebuilding downturns in the post-war period (for convenience called 1974 and 1990) that played an important role in restructuring the corporate face of the housebuilding industry. There were corporate failures outside the 1974 and 1990 recessions but typically for reasons specific to the individual company - Morrell Estates (1937) and Howards of Mitcham (1972) both put their sole trading subsidiary into liquidation; Bradley of York, taken over in 1972, and Crouch Group, which collapsed in 1984, both had questionable leadership, while Milbury, which failed the following year, was the victim of fraud. Those apart, there were some 40 quoted companies that either failed completely or left the industry as a direct result of housebuilding losses incurred in those two recessions (see Appendix A). The numbers are necessarily imprecise as, at the fringe, there could be debate about whether some companies left the industry because they were forced to, or because they made a strategic decision; if anything, 40 probably understates rather than overstates the case. The total number of departures are plotted in Figure 13.1, although not all of these are failures.

The generic explanation for the recessionary failures starts with the preceding booms; in those cases perhaps better described as manias. Kindleberger gives an excellent description of the psychology of manias, disputing that markets act rationally all the time, and referring to 'mob psychology or hysteria.'[164] An essential component of the excessive boom, or mania, is that the irrational expectations (which of course do not seem irrational to those that hold them) are financed by monetary expansion in its widest sense. For the housebuilding industry, the finance had to be forthcoming both to drive up the price of the end product, the houses,

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[163] For a number of companies, departure was spread over a period of years; a date has therefore been allocated arbitrarily. Thus, companies that wound down in the late 1970s have been included under 1979.

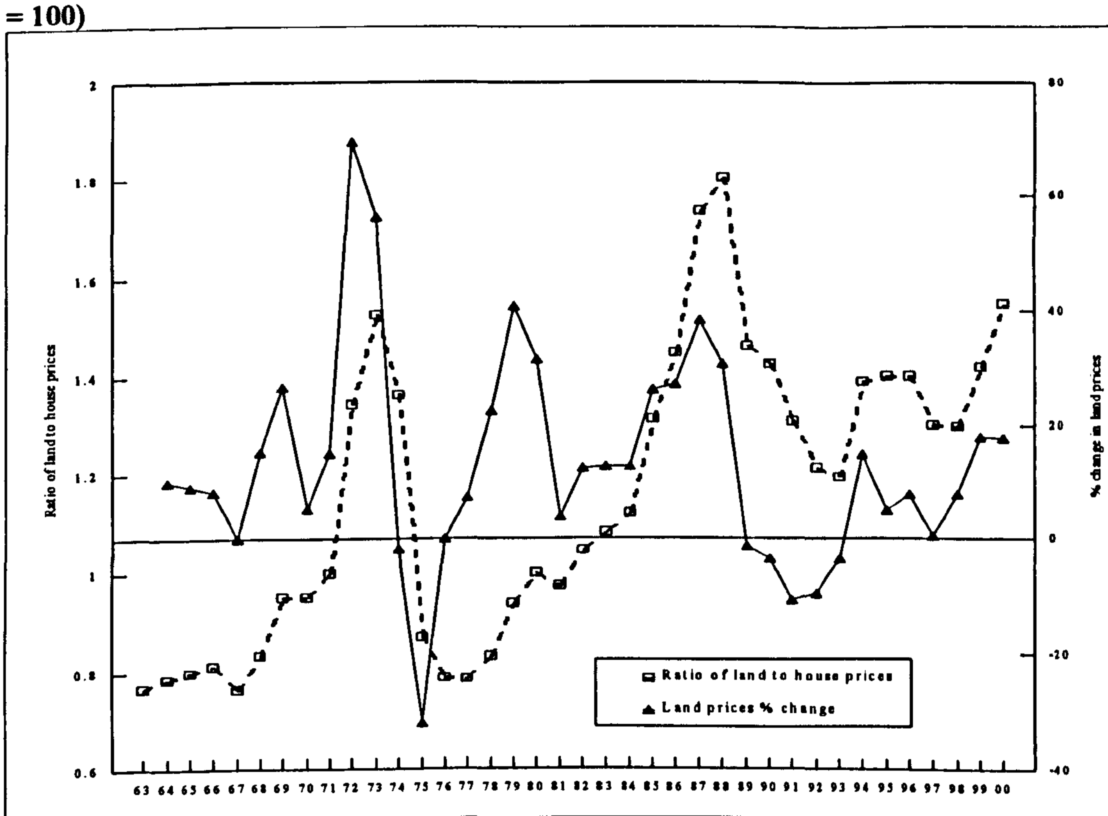
[164] Charles P. Kindleberger, *Manias Panics and Crashes A History of Financial Crises* 4th ed.(New York, 2000), p.26; he uses 'mania' to characterise the irrationality of the boom; and 'bubble' to foreshadow its bursting (p.15).

and for the housebuilders themselves, so that they could bid up land prices. Thus, in the latter case, not only would the banking system be involved in the supply of credit, but also the land vendors who would offer deferred terms in return for higher prices. Eventually, the bubble breaks, as it always does, and house buyers and housebuilders alike are left to face the financial consequences. An inevitable question is why do people not learn from the mistakes of the past but it is only by participating in a boom that one can fully understand the herd pressures that override all attempts to behave rationally. This author attempted to answer the question in his book on forecasting, pointing out the tendency of the present to exercise a greater psychological influence than the future. 'The memories of the past diminish and the lessons are ignored. The siren call, which tempts all forecasters is "this time it is different", but it rarely is.'[165]

The proximate reasons why housebuilders fail in recessions is the same as in any other industry - they misjudge the level of demand and have insufficient financial strength to survive. The particular characteristic of housebuilding failures is that the development process requires high levels of stock and work-in-progress, particularly land (Figure 13.2 shows the change in land prices). The 1974 recession followed a period of almost unremitting growth since the removal of controls and that had encouraged many developers to acquire land (which, of course, always goes up in value) well in excess of their immediate requirements; some of this land would have been bought without planning permission and became almost unsaleable. The 1990 recession, which saw owners facing falling house prices for the first time since the war, also had a similar effect on the value of land holdings and, again, there were extensive provisions, estimated at around £3 billion between 1990 and 1992.[166] The contrast with 1974 is that in the 1990s the banks adopted a more far-sighted attitude to debt recovery and tended not to push the larger housebuilders into immediate receivership. Nevertheless, the losses incurred during the recession of the early 1990s did force many firms out of the industry but the process was more orderly and took longer than in 1974.

165 Wellings, *Forecasting Company Profits*, p.77.
166 *PHA*, 1993.

Figure 13.2: Land prices; % change and ratio of land to house prices, 1963-2000 (1971 = 100)



Source: *Housing and Construction Statistics*

The companies that failed were not necessarily poor housebuilders in an operational sense. There is no suggestion that they failed because they built poor quality houses; indeed, there are instances of housebuilders providing too much quality. For example, M. Howard (Mitcham) was put into liquidation in 1972 while the housing market was still booming. '[Donald Howard] was very much an idealist about housing, how it should be. He wanted to provide the best of everything, provide quality. He thought that commerce would always go hand in hand with providing first class building. As a result, the tower blocks at Wimbledon were superb from the point of view of design and architecture but they weren't necessarily the most commercial thing that one could have put there in terms of the cost of the building. The show flat was opened in 1966...by the time the winding up order was given they had sold 7 out of 106 and 3 or 4 of the 29 town houses.'[167]

In all of the literature on individual firms, in all the interviews and correspondence involved in this thesis, there has been not one suggestion that firms have declined or failed because they have been left behind technologically, that their product has been the cause of failure. The nearest example is Barratt, which suffered a severe setback as a result of two television documentaries criticising first its timber-framed construction and, second, the value of its starter homes. As recently as 1999, Nicol and Hooper argued that it was difficult to draw any firm conclusions between the trend towards increased concentration and the nature of the housebuilding industry's product.[168] Under 'Economies of Scale', it was argued that the benefits of technological change, be they fast or be they slow, came through the suppliers to the industry and were accessible by all firms: within the housebuilding industry, it is management and not technological issues that stand pre-eminent.

It was not a quality or technological issue; housebuilders failed because they misjudged the market, and overtraded. More than half of the 40 companies were run by a dominant

167 Interview with Christopher Blyth, June 2002.

168 Nicol, 'Contemporary Change and the Housebuilding Industry', p.65.

individual. It is tempting to try to put a more precise number than 'over half'. At each end of the spectrum, it is clear whether there had been a dominant individual, for example Northern Development's Derek Barnes (failed in 1975) or Federated's Peter Meyer (failed in 1990); or whether the housebuilder was a subsidiary with a succession of managing directors and a main board with no feel for the industry, for example, Costain, which sold its housing subsidiary in 1993. In the middle are some companies where the classification would be subjective or, in the earlier period, where insufficient is known about the management structure. Nevertheless, the approximation is sufficient to emphasise a point made earlier: although housebuilders rarely succeed if they are not focused, the corollary does not apply; many focused housebuilders driven by dominant individuals are perfectly capable of misjudging the market.

The cyclical misjudgements can been recognised after the event by the performance of the individual companies and have been well documented but, occasionally, executives have the misfortune to be caught on record. David Charles' optimism ahead of the 1974 recession was quoted in the previous chapter, but another to fail in that recession was Lawdon: its chairman reported in the 1972 accounts, 'I see no break in the growth of the Group...we have every confidence that 1972/73 will show a further substantial increase in profits.' Northern Developments was even praised for its high debt strategy: 'What Barnes did see early on was that the real profit in house building lay not in the building but in the land that it stood on....If you wish to expand rapidly you can generate a certain amount of your finance, but not all of it, from your own profits. Barnes figured - and he was not alone in this – that if the money could be borrowed, the rise in the land value would eventually cover the debt and the interest and still leave him a profit.'[169]

Surprisingly, experience of the 1974 recession did not always enable its participants to anticipate the problems of 1990. For example, Beazer and McLean, mentioned below, had the same dominant housebuilder at the helm of their companies in both recessions.[170] They were in good academic company: Ball argued in 1982, some years after the first of the big post-war housing recessions, that 'the major housebuilders are now relatively immune to the housebuilding cycle. A sudden downturn in demand does not threaten the financial existence of these housebuilders as they now have the backing of large corporate enterprises.'[171] However, the passage of time showed that the major housebuilders were far from immune to the housing cycle, and the relevance of the diversification strategy as a means of producing that immunity has been challenged earlier in the chapter. Individual quotations illustrate corporate overconfidence. As the last recession was just starting, Brian Beazer addressed a stockbroker's conference: 'From the cradle you are taught that houses are a good investment in this country. While many things you learn from Mummy and Daddy are untrue, this is not!. House prices will not fall because it would be the kiss of death for Mrs Thatcher. People who are even more addicted to self-preservation than I am will have worked that out before me.'[172] At Tarmac, there also seemed an unwillingness to recognise the reality of the downturn. 'Sam Pickstock's reaction was to carry on regardless. He assumed that the recession would be temporary and encouraged his operating companies to build houses as fast as ever. He also continued to buy land to provide for future building.'[173] And from Hey & Croft at the other end of the size range: 'The increase in mortgage rates has inevitably led many people to talk about gloom and doom' in the housing market. So far as the Group is concerned, activity has continued at a high level. Operating primarily as we do in a part of the country that has seen the largest increase in property values, gives the directors confidence that the improved gross margins secured in 1988 will enable the group to have another good

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169 *Building*, 25th Jan. 1974, p.108.
170 See accompanying disc.
171 Ball, 'The Speculative Housebuilding Industry', p. 39.
172 *Building*, 10th March 1989, p.29.
173 Ritchie, *The Story of Tarmac*, p.110.

year.'[174] The quality of entrepreneurial judgement is discussed further in the next chapter.

Chapter 11 argued that there is no economic necessity for housebuilders to become national, and Chapter 14 offers some alternative explanations for why managements wish to grow. That the successful are able to expand to the extent that they have, in a market that has shown no growth, requires that competitors decline or exit the industry. The reasons for failure vary and are not always possible to identify in a simplistic way but chapter 13 has identified some common themes. Succession was addressed first, and it appears hard to achieve whether through families or professional management; the entrepreneurial nature of the development process is an important factor. Structurally, the housebuilding firms appear to do best when they, and the highest levels of management, are focused on the mainstream business. The evidence clearly suggests that housebuilders do not combine easily with construction, commercial property or unrelated businesses; nor are they successful overseas. It may be hard to manage succession but it should be relatively easy for management to ensure that a housebuilder sticks to its last. The third element in the weeding process has been the effect of the 1974 and 1990 recessions that have removed so many housebuilders from the industry. No firm can avoid recession, but the lesson of history must be that, after ten years of boom and record industry profitability, it makes sense to have a conservative financial policy. By the time this thesis is read, it may be apparent if the excesses of the last ten years are about to prompt another 'weeding process'.

[174] Leonard Hey, Feb. 1989.

14. An Alternative Explanation of Growth

Introduction

Having rejected the argument that the economics of scale and scope necessitated the creation first of regional and then of national housebuilders, and outlined the causes of decline, the final chapter of this thesis proposes an alternative explanation of growth. If the economics of speculative housebuilding do not require ever larger units, then the explanation for growth must lie elsewhere. This chapter argues that the driving force behind growth and towards consolidation is a complex interaction between financial incentives, stock market pressures, personal motivation, and the judgmental qualities of entrepreneurs at critical points in the housing cycle.

The financial incentive for growth is addressed first. To the extent that additional capital (be it retained profits or outside funds) can be profitably invested in the same business, it makes economic sense for the owners of the business to make that investment; as the housebuilders' product cannot be physically delivered to the purchaser, additional investment can only be made by extending geographical coverage. The ability to float on the Stock Exchange has given an added dimension to the financial rationale. The stock market provided an incentive for private companies to grow to a size where they can be floated on a multiple of profits. Once there, the ability to issue shares has allowed companies to finance a faster rate of growth and to make acquisitions. Furthermore, they are not allowed to stop growing: the pressure on quoted company managements is to produce profits growth and the only way that can be done in a static market is by increasing market share.

Rational economic man is no longer assumed to be the standard and within the literature of the firm personal motivation as a driving force is discussed, although invariably without examples. Even the extensive interviewing underlying this thesis has produced only the occasional admission of personal ambition, but the behaviour of some of the business leaders is supportive of the proposition.

Spontaneous drift has also been suggested as an explanation for growth as the dispersion of firm sizes over time increases concentration, but greater weight is given in this section to the intellectually simpler concept of not making mistakes. Success in an entrepreneurial environment can occur by default, if firms grow merely because they are the ones that avoid firm-threatening mistakes. In this context, what is important is the quality of judgement that allows some housebuilders, but not others, to avoid over-expansion ahead of a major downturn in the housing cycle. In doing so, they create a 'pool of survivors' that are able to take full advantage of the next upwards phase of the housing cycle..

The Financial Incentive

Hyde put the profit motive succinctly when asking why men pursue particular lines of business activity: 'The answer is that, for the majority, they do what they do simply in order to make the greatest amount of money.'[1] Although housebuilding is a working capital intensive industry, once on a steady state it generates profits in the same way as any other industry, and, other things being equal, larger firms make larger profits. Profits can either be distributed (as excess salaries or dividends) or retained in the business. If profits are retained, the housebuilder has three choices: he can accumulate cash balances, which only defers the distribution/investment decision; he can invest in something he understands, i.e. more housebuilding; or invest in something he does not understand. Chapters 12 and 13 gave numerous examples of the lack of success in housebuilder diversification and the rational solution is to reinvest within the existing business, which in turn means expansion. Initially,

[1] Hyde, *A Comment on the Theory of Profit Maximisation*, p.1.

such expansion will be around the housebuilder's head office but as the firm becomes larger and begins to exhaust the local opportunities, a new region must be formed. The incentive to reinvest in the business is exaggerated by the nature of the housing cycle, where rising house prices create stock appreciation, and leads to lengthy periods of above average returns. Before long, it is being assumed that these returns are not abnormal but capable of being sustained, which in turn serves to over-encourage investment - until the crash.

Whatever the financial incentives encouraging organic growth, they have been considerably increased by the opportunities offered by the Stock Exchange. The impact of the Stock Exchange on the 'real world' is not a new phenomenon, but it has been a powerful influence on the structure of the housebuilding industry over the last four decades. Prais wrote in the early 1980s that 'Changes in the financial organisation of the economy, such as the growth of the Stock Exchange... have perhaps been the most important of recent influences bearing on the optimum size of businesses',[2] an opinion endorsed by this thesis. The existence of a market place for securities, in which annual profits could be capitalised, and shares traded, placed a premium on size in the housebuilding industry from the early 1960s onwards. Firstly, it encouraged companies to grow to a size where they could be floated on the Stock Exchange, for instance, the merger of David Charles and AH Taylor prior to the former's flotation in 1963. Secondly, the existence of a quotation facilitated fund raising for acquisitions or to finance organic growth, and examples are provided below. Thirdly, the presence of institutional shareholders increased the external pressures on management to continue to grow the business; more recently, the institutional pressure has been to encourage mergers so that the investors have fewer, but more marketable holdings.

The public issue of housebuilding securities did not originate in the post-war period. Henry Boot (then only a contractor) and Metropolitan Railway Country Estates both floated on the Stock Exchange in 1919 and, at the height of the inter-war housing boom, between 1933 and 1935, six housebuilders floated - Costain, Ideal, Wimpey, Davis, Taylor Woodrow and Morrell. The first post-war flotation was of John Laing in 1952 but by then Laing was primarily a contractor. The first flotation of a company that was principally a housebuilder at the time of issue was Arthur Wait in 1956. Between 1956 and 1996 (when Linden was the last full listing) there were some 104 housebuilding flotations; this excludes flotations of construction companies that, at the time, had little or no housebuilding content but which later became more substantial housebuilders.

Figure 14.1 shows the timing of these issues which are, as would be expected, concentrated in periods when the prospects for the housebuilding industry were considered to be favourable. The largest number were in the 1960s and the peak in 1963 -64 probably reflected taxation fears; the Conservative Government had introduced a short-term capital gains tax in 1962 and there was concern, correctly as it transpired, that an incoming Labour Government would extend that to long-term gains.[3] There was a pause in new issue activity around 1970 when the housing market dipped, followed by a flurry between 1971 and 1973 as house prices and profits soared: 20 housebuilders were floated. The industry was in decline for the rest of the 1970s and there were hardly any new issues but as activity began to recover in the 1980s, new issue activity built up with the peak once again being at the tail end of the boom: ten companies were floated in 1987-88 in a testament to investors' hope over experience. The recovery in housebuilders' profitability in the 1990s, in contrast to earlier periods, produced far less in the way of new issue activity; investors were by now reluctant to accord high ratings to housebuilders. By the late 1990s, only one (Bloor) of the top 20 housebuilders was not quoted or part of a quoted group and although this was not dissimilar to the late 1980s or even the early 1970s, the investment institutions were exhibiting an aversion to smaller capitalisation stocks that prevented the flotation of housebuilders from outside the higher reaches of the industry.

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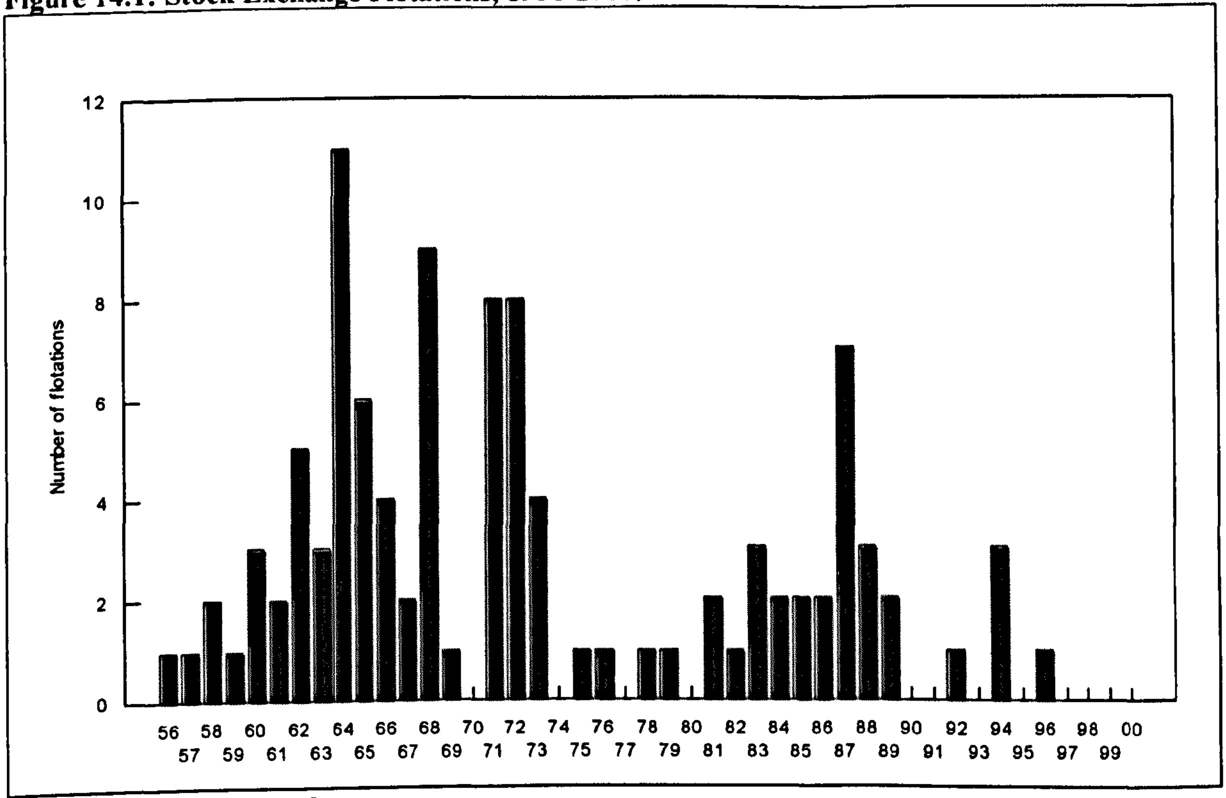
[2] Prais, *The evolution of Giant Firms in Britain*, p. 23.

[3] Littlewood, *The Stock Market*, pp.146-7.

Figure 14.1: Stock Exchange Flotations, 1956-2000.



Source: Author's analysis of prospectuses

Market conditions, by and large, dictated when it was advantageous to float a housebuilding business. The reasons for taking those opportunities were not confined to the needs of the company: they could be personal, as the examples below indicate. Very substantial fortunes have been created by entrepreneurs who have grown a housebuilding business and then sold it on to another organisation or floated it on the stock exchange and realised the proceeds over a period of time. Steve Morgan, who founded Redrow in 1974 and began housebuilding in 1980, was a spectacular example. He floated Redrow in 1994, raising personal capital of £62m and retaining shares worth £179m. Further share sales were made in 1998 and again in 2000 when he left the Company; the most recent estimate of his personal wealth, made as he attempted to increase his investment in Liverpool Football Club, was £500m.[4] However, rarely is the desire to raise personal capital stated as anything more than a secondary reason in a flotation; investors are normally told that the flotation is for the long-term strategic benefit of the company. Years later, the interview process has found family members more forthcoming and raising personal cash now features more prominently as an explanation, going back to the very first post-war housebuilding flotation in 1956, AJ Wait. Arthur Wait's son explained that until the flotation, the family never had any money. '[Father] went public so that he could realise cash on a personal basis. The money didn't go back into the company.'[5] When Iain Bett was asked why Bett Brothers floated in 1967, the answer was 'One, to raise capital for the family; two, the implications of death duties which could have crippled the firm.'[6] The Green family controlled Bunting Estates which floated in 1964: one of the second generation admitted that they should never have gone public. 'The three brothers had different views about the business and it was a way of crystallising cash.'[7] For more recent flotations, particularly if the companies are still quoted, it is harder to disentangle motives, but two examples were provided by Hey & Croft and Charles Church, both from 1987. For the former, 'The float was mainly to realise capital for the family - the company

[4] *Daily Telegraph*, 24th March 2004.
[5] Interview with Brian Wait, August 2001.
[6] Interview with Iain Bett, January 2002.
[7] Interview with David Green, October 2001.

did not get much';[8] and Susie Church admitted that the flotation was' to make some personal money.'[9]

Ascertaining the real reasons behind commercial decisions is not always easy. Official statements are constructed, in part, to say what the audience expects to hear and to exude commercial rationale: 'fashion' or being swept up on the financial tide, was never mentioned. However, the interviews elicited some honest admissions. The wave of flotations in the 1960s provided encouragement to, for instance, Wardle in 1965: ' Ronnie made the decision on his way into the office having read the FT and seen a lot of small housebuilders were going public in anticipation of a Labour victory. Ronnie said "Oh , we'll go as well", made a few phone calls and we were public in about six weeks'.[10] Ben Bailey floated two years later: 'It was the fashion at the time. He had built the business up from nothing and wanted to get some money out.'[11] The early 1970s saw another wave of flotations, including Joviel in 1972: 'Why float? That was what the financial people were suggesting.'[12] And, referring back to the 1987 flotation of Charles Church, Susie Church remembered that 'Friends were saying that if you want to do it, now is the time.'[13]

Once companies became quoted, they were able to use shares for acquisitions in a way which would not have been possible had they remained private. Hallmark was the first example: it obtained its quotation by 'reversing' into the New Bulawayo Syndicate in 1957; it bought Hesketh Homes in 1958, TJ Brabon in 1959 and the quoted AJ Wait in 1963. The rationale for share issues tended to change over time. The late-1960s and early-1970s was a particularly active period and 'doing deals' was fashionable, frequently involving the issue of shares at a high price earnings ratio to buy a company on a lower price earnings ratio. The acquisition mathematics, discussed in the section on conglomerates in the previous chapter, automatically raised earnings per share for the acquirer without either company having to earn a penny more. Perhaps the most blatant use of the stock market was the creation of Orme by Peter Whitfield and Bob Tanner who were looking for new opportunities after the sale of their Clubman's Club to Mecca. Early in 1970 they had decided that 'there was scope for rationalisation and expansion in the construction industry, property development and allied activities'.[14] Accordingly, they set about assembling a national housebuilding business; their interest appeared to be in doing the deals, not with the minutiae of housebuilding: 'they would say "we've found this business in south Wales. We've bought most of it. We've done a deal with the management. Can you go down and see if its OK. I hope it is because we have already bought the shares off the directors." They used to turn up about once a month, maybe not that.'[15]

In contrast to Orme, Barratt was a prime example of a well-managed business using shares to make acquisitions as a means of accelerating its regional expansion. Its rationale was clearly stated: 'Your Board considers that the acquisition of Bracken...constitutes an important step in your Company's planned expansion outside its present area of operations.'[16] Between its 1971 and 1974 financial years it bought seven companies, four of which were for shares; between 1976 and 1979 there were a further five acquisitions, the three largest being for shares. There were also two rights issues during the period to help fund the cash element of the acquisitions and organic growth. During that period, Barratt's share capital almost quadrupled (excluding bonus issues). Other companies preferred to expand organically,

8 Interview with Geoffrey King, January 2002.
9 Interview with Susanna Church, August 2002.
10 Interview with John Cassidy, March 1999.
11 Interview with Richard Bailey, January 2002.
12 Interview with Roy Wright, March 2003.
13 Interview with Susanna Church, August 2002.
14 1971 Prospectus.
15 Interview with Rod Mitchell, January 2000.
16 Greensitt & Barratt offer document for Bracken Construction, Feb. 1972.

issuing shares to provide long-term finance: Berkeley floated in 1985 when its unit sales were 144; by year 2000, output had grown to 3,210. There were eight rights issues during this period to finance the growth, increasing share capital by 470 per cent, plus a further couple of share placings. Other housebuilders to use repeated rights issues in the 1980s and 1990s included Bellway, Countryside, McCarthy & Stone and Persimmon.

It was not until the 1980s that managements began to justify publicly their acquisitions by citing the advantages of being a larger housebuilding entity, for instance, in 1986 Walter Lawrence claimed that its acquisition of Poco would 'accelerate significantly the expansion of our housebuilding activities...After the acquisition, the enlarged group will be a national housebuilder and will be in a strong position to take advantage of the growth potential in the housing market.'[17] By the 1990s, it became almost obligatory to bracket rationalisation benefits with size. Alfred McAlpine's bid for Raine being typical: 'The enlarged group will become one of the top ten United Kingdom housebuilders...The directors believe that the acquisition of Raine provides a significant opportunity to reduce central overheads and operating costs.'[18]

The market for shares not only facilitated growth but the existence of outside investors, increasingly institutions rather than private individuals, positively encouraged companies to adopt a growth strategy. No company management pleased its investors by saying that it thought it was large enough and had no further plans to grow. The popular managements in the City were those who could deliver growth, and the best rewarded City executives were those that could persuade their clients to make acquisitions. By the late 1990s, institutional shareholder pressure was driving the process of consolidation even further. In the frenzy of the bull market, the share prices of small companies in general were underperforming compared with large companies. Fund managers were increasingly busy people and within the housebuilding industry mergers were being encouraged so that fund managers had fewer but larger companies to monitor.[19]

If the prospect of personal financial gain was the unspoken reason for flotation, then city expectations would sometimes provide the unspoken motivation for growth. As with flotations, the interview process brought forth several admissions that had not been made at the time. Alan Chapple, one-time assistant managing director of Beazer, argued the rationale for being a national housebuilder on the grounds that regional markets give a balance to the business, but when pressed he eventually conceded that 'you do it because you want to crank up your profits.'[20] Philip Warner, long-standing Bovis Homes managing director under P&O ownership, was asked whether he thought that there was any genuine economic rationale in being a large housebuilder: 'If you want to keep the shareholders happy then you've got to keep expanding haven't you – keep the analysts happy.'[21] The advantage of being private was mentioned by a number of public company managing directors. David Goldstone referred to the City treadmill: 'you have to go somewhere. You might be able to stand still as private company but not as a public company. We [Regalian] were conscious of the problems; we were more cautious but we had to go ahead.'[22] When Peter Pearce was asked why the first regional expansion (in the late 1960s) was made at Second City his answer was to grow: 'I think it is why running a private company makes much more sense than running a public company. But you are driven by the need to grow.'[23] John Maunders' 1984 accounts contained the positive statement 'I consider it essential to expand geographically.' Asked 16 years later why he had thought it essential: 'It was very much the flavour of the month to

[17] Walter Lawrence offer document for Poco, Sep. 1986.
[18] Alfred McAlpine offer document for Raine Industries, May 1997.
[19] This statement is drawn directly from the author's personal experience.
[20] Interview with Alan Chapple, August 2000.
[21] Interview with Philip Warner, June 2001.
[22] Interview with David Goldstone, May 2002.
[23] Interview with Peter Pearce, November 2000.

have a national or quasi-national operation; it was the fashion of the time - why did we grow our hair long and wear flared trousers?' Asked if he had his time again, would he make the acquisitions: 'No, I would just try to be some kind of player in an area I knew well, and where I had the connections.'[24]

Because it is there

The previous section indicated that, once sufficient time had passed, and the participants have left the companies concerned, entrepreneurs will admit to different motivation than the received business wisdom of the time, particularly admitting the need for personal capital, the dictates of fashion and investor pressures. Such admissions do not flow easily and it is even harder to elicit explanations that have a purely personal rationale, particularly when those people are using someone else's money. Those who wish to grow rarely say 'I am a megalomaniac'; their personal aspirations are cloaked in whatever appears to be the business fashion of the day.

Discussion of the role of personal motivation is more prevalent in the literature on management but is still well documented in standard economic works on the theory of the firm; indeed, *The Economist* told its readers that the 2002 Nobel prize winner, Daniel Kahneman, had 'built a career by reminding economists that their idealised subjects are all too human'.[25] The assumption of perfect rationality has been widely criticised as a description of real human behaviour: Myerson commented that 'Experimental studies of decision making regularly find inconsistent and foolish behaviour that violates the predictions of perfect rationality.'[26] For others, personal motivation was not necessarily a central tenet. Penrose treated it almost as an afterthought, 'We cannot leave this discussion of the functions and nature of the firm without making a few remarks about the 'motivation' of the firm'. She went on to make the important point, albeit one that would be taken as given by anyone brought up in the commercial world: 'Individuals thereby gain prestige, personal satisfaction in the successful growth of the firm with which they are connected, more responsible and better paid positions, and wider scope for their ambitions and abilities.'[27] Business historian Bill Reader developed the same point with a more personal flavour stressing the human element. In looking at the way large corporations develop he regarded the economic landscape as one of power politics with businessmen motivated in ways which were not necessarily commercial. 'They seek power. They engage in rivalry....The plans they make, although presented, for orthodoxy's sake, as being aimed purely at of the maximisation of profits, often have quite other ends in view as well.'[28]

There are, within the literature, other descriptions of personal motivation that could be quoted but what is more interesting is that none are accompanied by any examples. Indeed, out of all the interviews for this thesis came only occasional admissions of personal motivation. Graham Thorpe ran Hassall Homes during its transition from a small regional housebuilder to a national under the ownership of Raine Industries. Asked why he wanted to be a national, he eventually admitted: 'It was there – why do people climb mountains. It was a challenge for me rather than any business logic.'[29] Redrow was one of the most successful housebuilders of the 1980s and 1990s; founder Steve Morgan sold most of his holding and stood down in 2000. As the owner of the business, financial motivation would have been high but he also referred to pressure to grow from the 'city scribblers'. However, at the end of the interview he

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[24] Interview with John Maunders, May 2001.
[25] *The Economist*, 12 Oct 2002, p.102.
[26] Roger B Myerson, 'Nash Equilibrium and the History of Economic Theory', *Journal of Economic Literature*, Vol. XXXVII, Sep. 1999 p.1069.
[27] Penrose, *The Theory of the Growth of the Firm*, pp.26, 28.
[28] W.J. Reader, 'Personality, Strategy and structure: some consequences of strong minds', in Hannah, L [ed.] *Management Strategy and Business Development* (London, 1976), p.108.
[29] Interview with Graham Thorpe, April 2001.

conceded what must be true for so many business leaders: 'You always want to do better - it's human nature. You strive to drive the business.'[30]

With 40 years of stockbroking experience as support, this author can still do little more than offer confirmation that the corporate actions of those companies he has observed and interviewed cannot be fully explained by sole reference to the economic good of the firm. The excitement, the adrenalin rush, the enhanced sense of self-importance that comes from deal-making, rather than churning out yet another estate of houses, has to be seen to be believed. The role of the dominant character in driving for growth has been mentioned frequently in this thesis but, for the most part, judgement has to be based on what he does, rather than what he says. A closing example is provided by Beazer, which in its day was one of the most growth-oriented and deal-driven firms in the industry. Brian Beazer became managing director of the small west country family firm in 1968, when its turnover was under £2m. and unit sales 150. He led it in an unparalleled series of acquisitions, many of them fiercely contested, creating not only a national UK housebuilder but taking the Company into building materials, construction, US housing and, biggest of all, the $1.8 billion bid for Koppers, a US aggregates firm with a net asset value of only $0.5m. With two of the company's merchant bankers on its board, Beazer was the largest building company that appeared to be driven by the deal, rather than the product.[31] The criticism of one of his victims was withering, although of little avail at the time: 'In my judgement, the Board of Beazer, largely composed of people with an accounting or merchant banking background, does not possess the depth or breadth of industrial management experience and technological attainment necessary to adapt to the diverse demands of a major international construction business'.[32]

The Importance of not making mistakes: the Pool of Survivors

The desire to find a theory for everything may militate against consideration of the random but this section opens with a passing mention of what Hannah referred to as the Gibrat effect, a process of natural selection in which some firms do well and some firms do badly, inducing over time a steady increase in the dispersion of firm sizes; the successful firms increase their share at the expense of the unsuccessful ones and concentration increases. 'Thus, even without any systematic tendency for large firms to experience more rapid growth than other firms, output will become increasingly concentrated in the hands of successful firms.'[33] Prais referred to the dispersion as spontaneous drift stating that if a group of firms is subject to varying rates of growth then the concentration of the group inevitably increases as time proceeds. In a numerical example, he postulated a group of equal sized firms; every year half the firms remain unchanged in size, a quarter increase in size and a quarter decrease in size. Over time, firms of ever increasing size emerge, although only small numbers of firms will be in the highest and lowest size-groups. 'The dispersion of the distribution thus grows inexorably as time proceeds as a result of spontaneous drift; and this increase in dispersion is to be seen whether it is measured in familiar statistical terms... or whether it is measured in terms of the share of total activity in the hands of a particular number of largest firms.'[34]

This description, of course, assumes that no new firms are created, a point which Prais later mentions; it also assumes that the firms grow, and continue to grow: the practical evidence is that many firms pass through periods of both growth and decline. It does not seem to present a model for the housebuilding industry but, nevertheless, the dispersion argument is a reminder that concentration can arise without apparent underlying cause. For this thesis, what it does is to lead into the final observations on growth, namely that the successful firms can

[30] Interview with Steve Morgan, April 2003.
[31] See accompanying disc.
[32] John Mott quoted in *Building*, 10th Jan. 1986, p.15.
[33] Hannah, *The Rise of the Corporate Economy*, pp.124-5.
[34] Prais, *The evolution of Giant Firms in Britain*, p.26.

only emerge from the pool of post-recession survivors; and survivors are those that do not make firm-threatening mistakes at the onset of recession.

Having argued in earlier chapters that there was no economic necessity, no operational requirement, for housebuilders to grow into such large units, this final chapter has addressed financial considerations and personal motivation. The third leg of this explanation of growth returns to the recurring theme of the thesis - the entrepreneur and his judgmental qualities. Nothing stands out so markedly as the role of the entrepreneur - the ability of the dominant individual to create a successful growing business. But to say that successful housebuilders are typically the product of the dominant individual is not, of course, the same as saying that dominant individuals typically create successful housebuilders. As has already been stated, many dominant individuals go on to ruin businesses, sometimes ones they have created themselves, sometimes ones that others have created, and they do so by making strategic mistakes: the ones that do not, form the pool of survivors.

The review of the literature in the Introduction referred to the varying approaches to the entrepreneurial or leadership function and most descriptions give full rein to dynamism, hard work and vision; Maude added an interesting variation with a quotation from an unnamed chief executive of a construction company, citing 'the ability to make up your mind on insufficient evidence' as a vital leadership characteristic 'but you have to do it in business, and anybody lacking this ability could scarcely function as a leader.'[35] Indirectly, that leads into perhaps the most important quality for long-term success - judgement. Casson has stressed the role of judgement, defining the entrepreneur as 'someone who specialises in taking judgmental decisions', and he defined these as ones 'for which no obviously correct procedure exists'.[36] In the speculative housebuilding industry, with its long-term vulnerability to the housing cycle, this thesis argues that it has ultimately been judgement rather than personality that has distinguished the successes from the failures (as one industry leader put it, 'this is a business which just wants to go wrong').[37] Dominant individuals can still grow a business when the economic background is favourable: paradoxically, these same individuals may also be responsible for its decline, and more often than might be imagined. In particular, it is the judgmental mistakes made at the peak of the cycle which can ultimately cripple their firms.

Archetypal strategic mistakes within the housebuilding industry have been well aired in previous chapters: lack of focus and succession feature highly. However, there is one particular judgmental decision that is of pre-eminent importance in the housebuilding industry and that is an ability to anticipate, or sense, a major cyclical downturn in the housing cycle, not with absolute foresight, but sufficiently to avoid jeopardising the future of the firm. The previous chapter referred to the large number of firms that had failed because of recession, providing numerous illustrations. The corollary is that entrepreneurs with the judgmental capacity to avoid the strategic mistake of expanding the business into a cyclical downturn, create a pool of survivors; those survivors improve their position in the industry, not necessarily absolutely, but relative to their competitors. This facilitates their corporate growth in the next cyclical upswing: those least affected by the crashes of 1974 and 1990 were able to profit at the expense of those most affected, either by buying their competitors at distressed prices if they were acquisitive (e.g. Persimmon/Ideal, Redrow/Costain, Westbury/Clarke, Wilson Bowden/Trencherwood), or being in the best position to buy land at cyclically depressed prices if they favoured organic growth (e.g. Berkeley, Bellway and the companies above). Readers may remember David Calverley using the term 'tragedy' to describe Trafalgar's financial inability to buy land at the depressed prices of the time; it was this that so weakened the firm relative to its competitors. As Devine et al. put it, 'analysing growth of firms is not a separate activity from analysing their decline and death. Growth and decline are

[35] Maude, *Leadership in Management*, pp.11-12.
[36] Casson, 'Entrepreneurship and Business Culture', p.31.
[37] Tony Pidgley - frequently.

complementary aspects of the competitive process in the economy as a whole; and understanding of one contributes to an understanding of the other.'[38]

It would be a satisfying conclusion to this thesis if it could detail just how this judgement was exercised and, even better, how to identify in advance which entrepreneurs possess it. In practice, few entrepreneurs claim that they lack judgement; it is only after the event that one can identify those that had it and even then it is hard to ascertain how that judgement came to be formed. When successful housebuilders, in the sense that they had 'read the cycle' better than their contemporaries, were asked to rationalise their judgmental skill, it was the answers that they did not give that were illuminating. No interviewee referred to the benefits of his own education, nor the role of his firm's economist or business strategist, nor even to collective board decisions: the responses were always of a personal nature and, despite their underlying growth ambitions, contained a strong cautionary element. David Wilson, one of the most successful post-war housebuilders, was reflective on the subject: 'We have always been fairly cautious and aware of what can happen in this industry. On the one hand you've got to be dynamic and ambitious but on the other hand you've got to be very aware of what can happen. Saying no is hard to do; I don't know why. It takes a lot of courage and intuition - and intuitive management can be very irritating for the people around you who like to have decisions explained clearly.'[39] Redrow's founder specifically credited his instinct: 'Steve denies carrying a crystal ball in his pocket. The decision to pull out of the South-east was based on instinct.'[40]

Those who 'saw the recession coming' may have exaggerated their foresight after the event, but contemporary evidence does exist. Fairview had warned in its 1971 Annual Report (published in Spring of 1972) that 'The vast inflationary tendency in house prices...cannot continue for ever'. Its strategy differed from most other housebuilders but the key to its survival was its judgement of the housing cycle. 'We said that the only way for us to survive is to liquidate our stock and go for cash, as quickly as possible, selling at whatever price you could. I remember at that time I was a great admirer of Jim Slater and I remember him saying 'cash is King'; he was too late but I thought he was right. So we doubled our production...and whatever price we could get for them we would sell them.'[41] He did the same again in the 1990 recession. Private companies were in a position to take even more radical steps and use their judgement to sell the whole business, as the founders of Poco did at the end of 1986: 'We thought, if you pay double what is worth then you can have it'.[42]

There is no doubt that some managements went into the 1990 recession in a more defensive mode. Bellway's Howard Dawe claims to have seen the recession coming a year early: 'We stopped buying land for 12-18 months. We went aggressively for sales via part exchange and sold as hard as we could.'[43] It was in this recession that the foundations were laid for the 1990s, Bellway's most successful decade. The story of Tony Pidgley deciding to 'go liquid' as the market peaked has entered into housebuilding folklore. 'Berkeley recognised the weakness of the market at an early date and by February 1989 had already started to turn for home by aggressively converting completed or nearly completed houses back into cash'.[44] The founders' view ten years on was that the signs were clear: 'The reality is that in 1988 it was not difficult to see what was happening. The money we were making was outrageous. Jim and I sat down and decided we would go liquid; we did give up the profit chase to go for cash.'[45]

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[38] P.J Devine, R.M. Jones, M. Lee and W.J. Tyson, *An introduction to Industrial Economics* 4th ed.,(London, 1985) p.135.
[39] Interview with David Wilson, March 2001.
[40] Burland, *The Redrow Group,* p.67.
[41] Interview with Denis Cope, September 1999.
[42] Interview with Roy Dixon, August 2001.
[43] Interview with Howard Dawe, November 2001.
[44] Berkeley accounts, 1992.
[45] Interview with Tony Pidgley, May 2001.

It is this strategic decision, based on what its proponents would typically refer to as instinct, that critically marks the successful firms and creates the pool of survivors from which the next generation of growth emerges.

There is nothing original in pointing out that business success is intimately related to the quality of a firm's leadership, or that entrepreneurial behaviour did not always lend itself to rational economic analysis. 40 years ago, Hyde drew attention to 'the range of difficulty confronting the business historian in his endeavour to explain behaviour and motives and draw forth conclusions from his observations.'[46] More recently, Casson proposed a theory of the firm centred on the entrepreneur and his description of the entrepreneur fits the people that have been discussed in this thesis: 'the nature of the firm is most naturally explained in terms of the qualities required of the successful entrepreneur...The key to the firm's success lies not in specific business strategies...nor in specific ownership advantages... It is the quality of entrepreneurial judgment, as reflected in the correctness of these decisions, which holds the key to long run success.'[47]

The study of the housebuilding industry is of particular value to the proponents of an entrepreneurial theory of the firm, not because other industries do not possess entrepreneurial characteristics but because, in lacking recognisable economies of size, the growth of speculative housing firms can be ascribed to little more than the talents and ambitions of the man in charge. That one cannot always give rational economic explanations for their business decisions only serves to emphasise the difficulty of drawing too-precise conclusions from any given sample of businesses. John Kay warned against the dangers over over-reliance on theory: 'The world is usually too complicated for classical decision theory to be of much practical value. Often we don't have all the information we need, and there is too much uncertainty for us to attach probabilities to different outcomes.'[48]

A final observation refers to chance. Davies structured an intriguing corporate history around the role of chance, arguing in his opening paragraph that 'as people tend to be unpredictable, the role of chance becomes very significant'.[49] Many of the housebuilding industry's leaders have arrived in random ways. Berkeley's Tony Pidgley was adopted by gypsies thereby gravitating towards earth-moving; Crest's Bryan Skinner had a house built for him and worked out how profitable it was; Leon Roydon (Carlton and Comben) gave up medical studies because he was too squeamish. Denis Cope (Fairview) went to work for the BBC and broke his ankle playing football: 'my sister was at that time working for a surveyor in North London who said, if your brother is sitting at home with his leg in plaster why doesn't he come up here and answer the telephone.' Derek Barnes (Northern Developments) started as an apprentice with Blackburn Rovers; presumably, if his footballing skills had been better, there would have been a different number two in the industry in the early 1970s. There were temporary jobs that became permanent careers: Alan Cherry (Countryside) had secured a job in the Borough architects department but took a temporary job with the local estate agent while waiting to start. Duncan Davidson (Persimmon) took his temporary job on a construction site before his army commission and enjoyed it so much that he later joined Wimpey. The industry might not have looked any different if these men had gone in different directions, but the corporate analysis would surely not have been the same. It is from such raw material that theories are constructed.

This thesis has sought to address a major gap in the understanding of the twentieth-century private housebuilding industry by determining the corporate structure of the industry, from

[46] Hyde, *A Comment on the Theory of Profit Maximisation,* p.2.
[47] Casson, *Information and Organisation,* p.114-5.
[48] John Kay, *Beware the pitfalls of over-reliance on rationality,* Summer School on Decision Making, *Financial Times,* 20th Aug. 2002.
[49] P.N. Davies, 'Business Success and the Role of Chance:: the Extraordinary Phillips Brothers', *Business History,* Vol.23 No.2, July 1981, p.208.

the emergence of localised firms operating on large sites in the inter-war period, through the growth of regional firms from the 1960s, to the creation of the national housebuilders in the closing decades of the century. Thus, Part I established which were the leading firms of their time, what was their size, and (one of the surprising unknowns in the corpus of the literature) how market share increased through the century. Part II examined why the firms grew and why they declined. It rejected the economies of scale, in their broadest sense, as necessitating increased size; physical economies of scale were of little advantage and, anyway, were outside the control of the housebuilder, and economies of scope, while pertinent, appeared to be matched by the diseconomies inherent in the large-scale duplication of local operations and the loss of entrepreneurial flair.

Instead, for an explanation of why housebuilding firms have grown, this thesis has turned to the prosaic explanations of money and ambition, and the simplistic concept of not making mistakes. Under the catch-all heading of money is included the reinvestment of profits into the business, as larger capital tends to mean larger entities. However, the opportunity to obtain a Stock Exchange quotation has provided a much greater money motive. In part, it dictated expansion to the minimum size necessary to float, but thereafter the requirement of the investment community was for growth, and the housebuilders provided it, frequently via acquisitions, even though the anecdotal evidence after the event did not indicate that the business leaders always believed in the underlying economic logic. Interlinked with the institutional encouragement to grow is, of course, personal ambition; business leaders are competitive and larger financial rewards accrue to those running larger companies.

Not making mistakes is as useful a piece of advice as 'buying at the bottom' if one is not told when the bottom is reached; no-one makes mistakes for the fun of it. However, there appear to be strategic mistakes in the speculative housebuilding industry that are firm-threatening and, with the benefit of a historical perspective, potentially avoidable. Focus has been extensively discussed in Chapter 13 and, whereas being a focused housebuilder is no guarantee of success, it would appear that mixing the housebuilding business with any other form of activity invariably ends in failure, relative or absolute. Within the focused firms, what seems to characterise the difference in long-term success is the quality of entrepreneurial judgement that enables the firm to anticipate the major cyclical downturns in the industry, not to avoid them but to position the firm, financially and operationally, so that the impact is minimised. This creates what was earlier described as 'a pool of survivors', best able to benefit from weakness of others: it is these firms that, 'by avoiding mistakes' have been able to grow at the expense of their competitors.

It is hoped that the material contained in this thesis will provide a framework for those engaged in the analysis of specific aspects of the national industry. It should also enable local historians to set their findings in an appropriate context; there is much that could still be done at a local level to improve our knowledge of the smaller firms, particularly those active in the inter-war period. For those whose interest lies more with the theory of the firm, this thesis should assist inter-industry studies, particularly those concerned with entrepreneurship, for the speculative housebuilder surely encapsulates the entrepreneurial spirit at its most raw.

Appendix A: Quoted Company Departures

Table A 1: Quoted Company Departures, 1937-2001

Quoted Company	Type	Outcome	Probable cause
Morrell Estates	F	Failed 1937	Poor financial performance
Davis Estates	F/G	Taken over 1957	Succession
AJ Wait (Holdings)	F	Taken over 1963	Attractive offer
R J Barton	F/G	Taken over 1967	Offer from larger company - possible succession
Ideal Building	F	Taken over 1967	Succession
Fletcher Estates	F	Taken over 1968/69?	Attractive offer
Comben & Wakeling	F	Reverse takeover 1970	Succession & contracting losses
Hallmark reverse	G	Housing sold 1971	Followed acquisition
Eldon R Gorst	F	Taken over 1971	Attractive offer
Chansom	F	Taken over 1971	Followed poor financial performance
Daniel T Jackson	F	Reverse takeover 1971	Weakened by construction losses
Arthur Wardle	F	Taken over 1972	Succession, attractive offer
Norman C Ashton	F	Taken over 1972	Received good offer at retiring age
Tudor Jenkins	F	Taken over 1972	Attractive offer
Bardolin	F	Taken over 1972	Financial amalgamation
Ashworth & Steward	F	Taken over 1972	Attractive offer
W A Hills	F	Taken over 1972	Attractive offer
Page Johnson	F	Taken over 1972	Attractive offer
H Kay (Buildings)	G	Taken over 1972; failed 1975	Attractive offer; recession
Howards of Mitcham	F	Principal subsidiary failed 1972	Losses in early 1970s
Drury Holdings	F	Taken over 1972	Weakened by construction losses
Bradley of York	F	Taken over 1972	Weakened by financial problems late 60s
MRCE	G	Taken over 1972	Rationalisation
Varney Holdings	F	Taken over 1973	Attractive offer
Hart Builders	G	Taken over 1973	Attractive offer
John McLean	F	Taken over 1973	Attractive offer; succession
Dean Smith	F	Taken over 1973	Received attractive offer
Ellsworth Estates	F	Reverse takeover 1973	Poor financial performance
Budge Brothers	F	Failed 1974	Recession
Galliford Estates	F	Taken over 1974	Recession
Bovis	F	Taken over 1974	Recession and banking crisis
James Harrison	F	Taken over 1975	Attractive offer, succession
Greensquare Properties	F	Failed 1975	Recession
Lewston		Failed 1975	Recession, diversification
Fell Holdings	F	Failed 1975	Construction losses and Recession ?
Northern Developments		Failed 1975	Recession
H C Janes	F	Taken over 1976	Succession
Lawdon	F	Failed 1976	Recession
Joviel	F	Failed 1976	Recession
Greaves Organisation	F	Failed 1976	Recession
David Charles	F	Failed 1977	Recession

Quoted Company	Type	Outcome	Probable cause
Orme	F	Taken over 1978	Attractive offer
Algrey		Sold 1979	recession, diversification
Dares Estates	F	Run down in 70s and 90s	Construction losses Succession and repeated financial failures ??
Francis Parker	G	Run down in 1970s	Followed near failure
Bunting Estates	F	Run down in 70s	Diversification problems
Burns Anderson	G	Run down in 70s	Poor financial performance in mid 60s
Five Oaks Investments	F	Run down in 70s	Construction losses and repeated financial difficulties
Davis Estates [2]	G	run down late 70s	Diversificatio
Rush and Tompkins	G	Run down late 1970s	Diversification
Bernard Sunley	G	Run down from 1978	Concentration on property
M P Kent	F	Run down late 70s/early 80s	Concentration on property
Scottish Homes	F	Taken over 1980	Attractive offer
Gough Cooper	F	Taken over 1980	Succession contracting losses
Federated Land	F	Taken over 1982	For its property assets
Finlas/Lowe & Brydone	F	Taken over 1982	Attractive offer
Fairview	F	Housing MBO 1982	To focus on property
Second City Properties	F	Taken over 1983	Attractive offer
William Whittingham	G	Taken over 1983	Succession, diversification
Crouch Group	F	Failed 1984	Followed speculative property development in US
Comben Group	F	Sold 1984	Extraneous to engineering parent
CH Pearce	G	Taken over 1985	Attractive offer
Milbury	G	Failed 1985	Fraud
William Leech	F	Taken over 1985	Succession
London & Northern	G	Taken over 1987 and housing sold 1988	Diversification
Kentish Property	F	Failed 1989	Recession
Rowlinson	F	Run down in early 80s	Concentration on property
Percy Bilton	G	run down in 1980s & 90s	Industrial property development preferred
Federated Housing	F	Failed 1990	Recession
Arncliffe Holdings	F	Sold 1991; virtual collapse	Recession
Beazer	G	Taken over 1991	Diversification and overconfidence
Tern Group	G	Failed 1991	Housing diversification never successful, recession
Colroy	F	Taken over 1991	Succession - controlling shareholder in 80s
James Crosby	F	Taken over 1991	Succession & recession
McInerney Properties	F	Failed 1991	Abandoned by Irish parent
Egerton Trust	F/G	Failed 1991	Recession and diversification
Erostin	G	Failed 1991	Commercial property losses
Fairbriar	F	Bank rescue 1991	Recession; overconfidence
Hey & Croft	F	Failed 1992	Recession - flotation encouraged larger projects

Quoted Company	Type	Outcome	Probable cause
Walter Lawrence	G/F	Rescue bid 1992	Recession
Costain	G	Sold 1993	Succession & diversification
Wiggins [Allison]		Financial reconstruction 1993	Recession
F J C Lilley	G	Failed 1993	Recession, diversification
English China Clays	G	Run down and sold early 1990s	Focus on main activity
Rawlings Bros	G	Sold 1994	Diversification
Anglia Secure Homes	F	Sold 1994; virtual collapse	Recession
Royco	F	Failed 1994	Succession
Mowlem Homes	G	Sold 1994	Recession, concentration on construciton
Birse	G	Sold 1995	recession, diversification
Clarke Homes	G	Sold 1995	Recession, focus on main business
Allied Residential	F	Taken over 1995	No consistent leadership
Trencherwood	F	Taken over 1996	Succession and recession
McLean [2]	G	sold 1996	Diversification
Charles Church	F	Bank rescue; Taken over 1996	Followed financial collapse and death of founder
Ideal [2]	G	Sold 1996	Recession
Britannia Group	1987	Sold 1996	Diversification into housing failed
Raine	G	Rescue bid 1997	Recession
Bovis	G	Sold 1997	Focus on main business
Maunders	F	Taken over 1998	Attractive offer
Bellwinch	F	Taken over 1998	Impact of recession and succession
Banner Homes	F	Sold to MBO 1999	Retiring controlling shareholder
Cussins Property	F	Taken over 1999	Received attractive offer
Y J Lovell	G	Taken over 1999	Delayed effect of recession
Try Group	G	Merged 1999	To enlarge size of company
Fairclough Homes	G	Sold 1999	Impact of recession; concentration on construction
Allied London Properties	F	Run down in 1990s	Possible succession
A& J Mucklow	G	Run down mid 1990s	Concentration on property
Avonside	G	Run down late 1990s	To concentrate on merchanting
Yarm [Regalian]	F	Sold 2000	Succession
Ward Holdings	F	MBO 2000	Succession
Morrison Construction	G	Group taken over 2000	Attractive offer
Allen Homes	G	Sold 2000	overconfidence, group underperformance
Tilbury Homes	G	Run down and sold 2000	Concentration on construction
Beazer	F	Taken over 2001	Lost direction
Bryant	F	Taken over 2001	Lost direction
Wainhomes	F	Taken over 2001	Attractive offer

F = Focused on speculative development G = More general mix of group business

Appendix B: House Price Comparison

The discussion on the 'unit of measurement' in Chapter 2 referred to the problems involved in measuring house prices over time. There is no house price index that extends back to the 1930s (Holmans referred to the inter-war period as 'an important gap in the history of British house prices[1]) but the Nationwide Building Society (then the Co-operative Building Society) does have an index dating from 1952 which is reproduced in Table B 1. To assist in comparing corporate data, the table also shows the theoretical turnover of a company selling 1,000 houses in each year.

Table B 1: House Price Comparison, 1952-2002

4th Q.	Index	Price £	Turnover 1,000 houses, £m.	4th Q.	Index	Price £	Turnover 1,000 houses, £m.
1952	100.0	2,107	2.1	1977	765.5	16,125	16.1
1953	100.5	2,117	2.1	1978	962.8	20,283	20.3
1954	101.0	2,127	2.1	1979	1240.1	26,124	26.1
1955	105.3	2,217	2.2	1980	1398.9	29,468	29.5
1956	110.5	2,328	2.3	1981	1498.0	31,557	31.6
1957	113.9	2,399	2.4	1982	1588.9	33,471	33.5
1958	115.3	2,429	2.4	1983	1760.5	37,085	37.1
1959	121.5	2,560	2.6	1984	1943.7	40,946	40.9
1960	131.1	2,762	2.8	1985	2156.0	45,417	45.4
1961	141.1	2,973	3.0	1986	2392.3	50,395	50.4
1962	149.8	3,155	3.2	1987	2628.7	55,374	55.4
1963	157.9	3,326	3.3	1988	3371.4	71,021	71.0
1964	170.8	3,598	3.6	1989	3394.9	71,515	71.5
1965	183.3	3,860	3.9	1990	3084.2	64,971	65.0
1966	195.2	4,112	4.1	1991	3018.2	63,580	63.6
1967	205.7	4,334	4.3	1992	2899.1	61,071	61.1
1968	221.1	4,657	4.7	1993	2848.6	60,008	60.0
1969	230.1	4,848	4.8	1994	2923.5	61,586	61.6
1970	245.0	5,161	5.2	1995	2979.8	62,772	62.8
1971	296.2	6,239	6.2	1996	3332.9	70,210	70.2
1972	431.6	9,091	9.1	1997	3582.3	75,462	75.5
1973	526.3	11,088	11.1	1998	3740.9	78,804	78.8
1974	551.9	11,626	11.6	1999	4089.2	86,141	86.1
1975	624.0	13,144	13.1	2000	4412.4	92,950	93.0
1976	688.7	14,508	14.5	2001	4958.9	104,462	104.5
				2002	5978.4	125,937	125.9

Source: Nationwide Building Society, Index of New House Prices

There are some statistics relating to the years prior to 1952. Although not on its computer base, nor in its archive, the Nationwide has produced some limited information back to 1946.[2] This indicated a rise in new house prices of 40 per cent between 1946 and 1952 and is summarised in Table B 2..

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[1] Holmans, *House Prices*, p.24.

[2] Nationwide Building Society, *Occasional Bulletin 135,* June 1976.

Table B 2: Index of second-hand house prices, 1946-52

4th Q.	Index	Price £
1946	100	1527
1947	125	1909
1948	120	1832
1949	131	2000
1950	133	2031
1951	145	2214
1952	138	2107

Source: Nationwide Building Society *Occasional Bulletin 135* June 1976; an index figure only was given and the price has been calculated backwards from Table B 1.

For the inter-war period, Holmans work for the Department of Environment went further than any other study.[3] He used building society data for the average size of loan, and adjusted that by the average percentage of the purchase price advanced (based on Halifax data published by Nevin.[4]). The implied average house price is shown in Table B 3. Thus, to continue the theme of Table B 1, a housebuilder with an annual output of 1,000 houses in the 1930s would have had a turnover of around £500-600,000, or the current price of a modest family house in the London suburbs. A practical example can be found in the Laing minute books which, for 1933, listed each house sale: 830 houses were sold for a total of £750,000 giving a mean of £900 a house.

Table B 3: Hypothetical Average House Price 1930-38

Year	Price £
1930	590
1931	600
1932	540
1933	530
1934	515
1935	530
1936	550
1937	540
1938	545

As stated earlier, the house price data need to be used with great care and, for long periods of time, it is suggested that it be used as no more than an indication of broad magnitudes. The Nationwide's own methodology has changed substantially over the period. Between 1952 and 1959 the house price was calculated as a simple average of purchase prices. From 1960, the house price was weighted by floor area. and from 1973 weighted additionally by region and property type. In 1989 (but backdated to 1983) a new methodology was introduced under the guidance of Fleming and Nellis, who similarly assisted the Halifax Building Society; this has been further updated using subsequent Census information.[5]

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[3] Holmans, *House Prices.*

[4] Nevin, *The Mechanism of Cheap Money.*

[5] I am grateful to Kelvin Jackson for providing this background.

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