



WHAT MAKES ENTREPRENEURS TICK? ASK **SIR TOM FARMER**. IN ALL, HE'S BOUGHT AND SOLD MORE THAN 100 BUSINESSES. IN 1971 HE OPENED HIS FIRST **KWIK-FIT**. IN 1999 HE SOLD THE CHAIN TO FORD FOR £1BN. (IT SOLD UP THREE YEARS LATER FOR JUST £330M.)

**1** What do you look for in an FD? **AL, West Midlands** The good ones have experience. You can have good financial people who know how to order your books and put processes in place. But a great FD is one with common sense. He knows that running a business – and his job – is not just about making the figures add up. It's about how you get them in the first place. Sometimes people can get too distant from that.

The danger for the FD in the past was that finance was in the back office. They were firmly behind the scenes. Now we want to bring the FD out to the sharp end. You need to understand what's going on at the coal face.

**2** What makes a successful CEO/FD relationship? **GE, Manchester** Trust. That's all. I had a great relationship with my FD, and still do. He became a very close personal friend. I had complete confidence that what he put to me, the scenarios he came up with and explained, weren't just out of thin air. They were based on facts. What he also had was great trust in what I was telling

him in terms of the marketplace. He knew that was based on my knowledge of the business.

He would always have the "what ifs" to hand. We didn't always agree, mind you! He would never hesitate to say "I know what you're saying, but let's sit down and live in the real world – let's look at what could happen, how we could handle this." I feel I did help him develop as a person and as an FD. And he taught me to stop and think a bit. That was important.

**3** When you were building Kwik-Fit, what did you give most attention to: sales, profit or cash? **MJ, London** None of those. I looked at people. How do you make money? Number one, you look after your people. If you don't get people right, you haven't got a business. You can spend all the money in the world on advertising and so on, but if the people aren't motivated you're in trouble. Second, you look after the suppliers. If you don't get the product, you'll have nothing to sell. Third, you're on to your customers. If they're all in place, you've got a business, which in turn brings profit which then

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leads to a surplus of cash, which can then be returned to the shareholders. It's a horizontal model, not up and down. It's a sequence of events that help the cash flow.

But people are the key thing. The whole principle of life is love thy neighbour. Look after your mates and your family and the people around you – it's that simple.

**4** When you were asked how often you turned your stock over, you replied that other than to put an exhaust in or take one out you tended leave them alone! But what information do you use to run a business? Do you use KPIs, management accounts, cash flow – what sort of metrics? **MS, Dorset** That story's true! That was along time ago, mind you. You've got to do all those things. If you're a small business, those kind of metrics don't come into it. But you have got to watch your cashflow. Cash is king, after all. You need to make sure you've got enough cash to pay your bills. And if that means at the end of the day you don't have enough cash there to pay yourself a salary, then so be it. In a bigger business, with KPIs and so on, it's still about giving yourself enough knowledge to run the business. It's as simple as that.

**5** Presumably you also need to be born with entrepreneurial spirit to create and run a business? **Real Finance** Actually, you can teach people that. We're all born with different qualities. Some might have intellect, or energy, or common sense. I wasn't given intellect. I'm not stupid – but I'm not an intellectual. However, I was given a lot of energy – I couldn't create that. You're either born with it or you're not. But common sense is something you can learn. So I believe you can train people to make them entrepreneurial. And we should.

We need to be careful when we talk about entrepreneurs. We shouldn't think that just because you don't go out and start your own business, you're not an entrepreneur. That's not true. We wanted everybody in Kwik-Fit to be entrepreneurial, to be looking at opportunities to grow the business. People should reach out and grasp the opportunities whenever they can.

**6** What deal do you regret and why? **ID, Hampshire** I'm in the very fortunate position that I don't regret anything. There are deals that I think of as containing lessons for me, though. The biggest one was when Kwik-Fit was in France. We were sitting on the Champs Elysées, a beautiful

spring evening, and my friend said, "We should open up in Paris." I asked him why and he said, "Look at all these cars." It seemed sensible.

So we opened ten places. And two years later we closed up having lost £4.5m. What we learned is that we didn't have enough experience to know what to do when in a new country. You really need to do your homework. You have to identify what the differences are. Cars are all the same, so the real difference is people. It's culture. We didn't spend enough time understanding it, so we lost money.

**7** In all of your acquisitions and disposals, how do you rate your advisers? And how do you control their fees? **AL, West Midlands** On every deal where advisers didn't really work out, the reason was that they didn't have enough information on what we wanted. Does that mean we'd never use them again? Of course not. But it means we'll make sure they know exactly what we want in the future.

As for fees, we've never had a problem because we agree the fee beforehand. No negotiation. We'll agree 100 and the advisers will give you 100 in value so it pays for itself. You go outside that, you've got to pay extra. And almost always, when that happens, it's because you haven't clarified the deal up front. It's like builders. If you've ever built a house, you'll know a builder loves you to change the plans half-way through. They love it because it allows them to put the costs up.

**8** Ford resold Kwik-Fit in 2002 to CVC for less than half of what it paid. Do you think they bought poorly or they sold poorly? **JW, London** Ford paid just over a £1bn for the company and did very well with the purchase. They bought a very, very good business – the market leader, in fact. When Ford got into a few problems, they decided to concentrate on their core business, which is car manufacture. So they decided to sell. Markets change and sentiments change. They'd owned Kwik-Fit for the best part of four years. And then they sold it – but retained a 20 per cent stake. So it was no reflection on Kwik-Fit. It's like shares. A share worth £3 last year can be worth 60p today. It's the way of the world. It doesn't mean the company is any worse. And that's what happened with Kwik-Fit.

**9** You've invested heavily in Hibernian FC. Why pour money down the bottomless pit of football club ownership? **AB, Flintshire** In my case, the club I support financially is the club I support. Hibs is my local club. I came from there. Things got difficult for them and someone approached me. I was in the

position of being able to help. Since I've been involved, I've realised just how important it is for someone to help out because of what it means to the community. There's a great opportunity more generally to develop clubs for the benefit of their communities. I really do believe that.

But it's a business that's full of emotions. You've got to appreciate that. I certainly didn't think that I was going to get a great return on my investment. There isn't a queue of people looking to buy my stake off me. But that isn't why I did it. What's good about being in the position I'm lucky enough to be in is that you're able to do things like that, and not always for financial return.

**10** What in business has given you the greatest kick and why? **LB, London** The biggest kick of the lot was April 1, 1964. I opened my first shop. My mate gave me some spare paint – he only had blue and yellow. So they became the Farmer colours [and are still Kwik-Fit's colours today]. I was 23 years of age. Making that first sale – it was magic. The satisfaction when the first customer walked through the door was just amazing.

## AND THE REST...

- 11** FD you've most admired? John Houston, the ex-financial director of Kwik-Fit.
- 12** Colleague you've most admired? Too many to highlight one.
- 13** Fantasy job? President of Scotland or Ambassador to the Vatican.
- 14** One regulation you'd scrap? Rather than scrap regulations, I would work to cut down bureaucracy in general.
- 15** Should the UK join the euro? No answer.
- 16** What's your biggest regret? Not taking enough time to smell the flowers.
- 17** Favourite way to relax? People watching.
- 18** Favourite book? Mr. Anonymous – it's the story of Robert Woodruff of Coca Cola.
- 19** Biggest extravagance? That one changes according to the flavour of the month.
- 20** What would your motto be? "Try your best".

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