Abstract

In this paper we draw on the theory of dynamic capabilities to examine the development of the only surviving family-owned Liverpool shipping company. The Bibby Line was founded in 1807 to take advantage of the growing sea-trade based in Liverpool. The company remained in shipping until the mid-1960s when a series of external crises led the owner, Derek Bibby, to begin a process of diversification. In the last 50 years, the Bibby Line has grown into a £1 billion business with interests in retail, distribution and financial services as well as a continuing commitment to shipping. Our intention is to demonstrate how multi-generational ownership contributes to the creation of dynamic capabilities in family firms. The distinctive nature of Bibby as a long-standing family business is related to unique assets such as patient capital, flexible governance structures as well as the ability to mobilise social and human capital.

Keywords:

Dynamic capabilities; resource-based view; strategic renewal; familiness; entrepreneurship; shipping; diversification

Dynamic capabilities in a sixth generation family firm:

Entrepreneurship and the Bibby Line

Introduction

A key issue that has occupied business historians is identification of factors that contribute to the long-term survival of family businesses (Church, 1993; McGovern, 2007; Scranton, 1992; Wild, 2010). Historical studies are important for clarifying the links between family ownership and business survival (Mackie, 2001; Mahoney, 2003; Roca, 2007). Scholars have used the resource-based view (RBV) to provide a deeper understanding of how family businesses manage generational change (Boyce, 2010; Kininmonth, 2006; Wilson, 1998). Danneels (2011) adopts the concept of dynamic capabilities to examine typewriter firm Smith Corona's failed response to personal computing. It is acknowledged that family firms possess distinctive assets and resources that contribute to their business success (Bammens, Voordeckers, and Van Gils, 2011; Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001; Jones and Rose, 1993; Kellermanns and Eddleston, 2006; Tokarczyk et al., 2007). We combine recent conceptualisations of dynamic capabilities (DC) (Eisenhardt and Martin, 2000; Teece, 2007) with entrepreneurial cognition (Grégoire, Corbett and McMullen, 2011) to examine a sixth generation family business. Entrepreneurial cognition concerns the ability to take 'judgemental decisions about the coordination of scarce resources' particularly in complex situations where objectives are ambiguous (Casson, 1993, p. 30).

Our research question is as follows: how does multi-generational ownership contribute to the creation of dynamic capabilities in family firms? The extent to which family firms survive beyond the third generation is contested (Stamm and Lubinski, 2011). However, a range of studies provide insight into factors that influence multi-generational survival (Lubinski, 2011; Kininmonth, 2006; Berghoff, 2006; Mackie, 2001; Smith, 1993; Sluyterman and Winkelman 1993; Emmanuel, 1993). Chandler (1980) argues that UK family firms lacked the financial and human capital to pursue long-term growth. Colli and Rose (2008, p. 199) claim that there is considerable research evidence from the last 20 years to demonstrate that Chandler undervalued 'the resilience and capabilities of the family company'. According to Handler (1994, p. 133) effective management of the succession process 'is the most important issue that most family firms face'. While Rose (1993, p. 135) points out that succession includes an 'entrepreneurial legacy' that incorporates the firm's assets such as technology, goodwill, contacts and reputation. 'Familiness' has been used to explain this transfer of tacit knowledge from generation to generation (Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001). Habbershon and Williams (1999) also indicate that familiness resides in the unique bundle of idiosyncratic resources resulting from the interaction between family and business. Others argue that family-owned businesses have distinct cultural values that distinguish them from non-family firms (Denison, Lief, and Ward, 2004). One key source of competitive advantage is the stability that stems from the ability of family firms to pursue long-term strategies in comparison to the short-termism of public companies constrained by stock market pressures (Colli and Rose, 2008).

A family firm established in Liverpool at the beginning of the nineteenth century is studied to analyse links between multi-generational ownership, entrepreneurial cognition and dynamic capabilities. The Bibby Line survived the economic turmoil associated with post-war Liverpool to become a successful diversified company in the twenty-first century. Derek Bibby began the diversification process in response to changing market conditions in the early 1960s. The oil crises of the 1970s prompted a more radical shift into financial services and eventually distribution. Diversification continued under the leadership of Simon Sherrard who was managing director between 1985 and 2000 and Michael Bibby (Derek's son). We begin with a summary of the strategy literature and an overview of the Liverpool shipping industry. Following an outline of our research approach we present data on the Bibby Line. We then discuss the implications of 'dynamic capabilities' for the renewal of family firms and, finally, we draw our conclusions for theory and practice.

Dynamic capabilities in family firms and beyond

According to Wild (2010) research on radical change is rare in business history (Chapman, 1990; Killick, 1981; Sogner, 2007). Our search of the literature did not identify any additional publications beyond the three studies cited by Wild (2010). This lack of focus on radical change is particularly puzzling in the case of family businesses, which account for large proportions of firms in most major European economies: France, 69%; Germany, 79%; Sweden, 73%; Spain, 85%; UK, 61% (Family Business Network, 2008). Family firms possess distinctive assets and resources based on commitment, loyalty, agency costs, personal incentives, flexibility and the ability to innovate (Bammens, Voordeckers, and Van Gils, 2011; Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001; Casson, 1999; Jones and Rose, 1993; Kellermanns and Eddleston, 2006; Tokarczyk et al., 2007). Hence, the ability of family firms to establish and maintain competitive advantage through succeeding generations continues to attract attention (Habbershon and Williams, 1999; Habbershon and Pistrui, 2002; Mazzola, Marchisio, and Astrachan, 2008; Miller, Steier, and Le Breton-Miller, 2003).

A number of scholars suggest that the capabilities developed by family firms enable them to convert existing resources into competitive advantage (Habbershon, Williams and Macmillan, 2003; Shepherd and Haynie, 2009; Wild, 2010). Effective corporate entrepreneurship is also proposed as a contributor to the long-term success of family firms (Kellermanns and Eddleston, 2006). Another important distinguishing feature of family business is the concept of 'patient financial capital' (Sirmon and Hitt, 2003). Family firms can adopt more creative and longer-term investment strategies because they are not under pressure from financial markets (Dreux, 1990). A range of theories underpin studies of family firms

(Siebels and zu Knyphausen-Aufseß, 2012) including principal–agent theory (Ehrhardt and Nowak, 2011; Bhattacharya and Ravikumar, 2001), governance (Lubinski, 2011), learning (Berghoff, 2006), institutional theory (Mackie, 2001), organisational ecology (Ehrhardt and Nowak, 2011) and international business (Moya, 2010). A recent paper by Chirico and Nordqvist (2010) appears to be the only study in which the concept of dynamic capabilities is applied to family firms. This is surprising because historical studies offer a robust way to validate theoretical models associated with management (Moya, 2010).

Dynamic capabilities are the tools employed to manipulate existing configurations in order to create new resources (Eisenhardt and Martin, 2000). This view finds broad support in the literature (Ambrosini and Bowman, 2009; Ambrosini, Bowman, and Collier, 2009; Drnevich and Kriauciunas, 2011; Rindova and Kotha, 2001; Teece, Pisano, and Shuen, 1997; Winter, 2003; Zahra, Sapienza, and Davidsson, 2006; Zollo and Winter, 2002). Eisenhardt and Martin (2000) identified four core DCs: leveraging existing resources; creating new resources internally; accessing external resources; and releasing resources. In response to claims that the concept is tautological, Eisenhardt and Martin (2000) point out that DCs are defined in terms of their functional relationship to resource manipulation and are independent of firm performance. Finally, they propose that DCs in moderately dynamic markets rely on detailed and analytic routines, learning before doing, and that execution is linear. In high-velocity markets, effective DCs are based on simple experiential routines relying on newly created knowledge and iterative execution. Teece (2007) takes a broader view, identifying three categories of DCs: capacity to sense and shape opportunities; capacity to seize opportunities; and orchestrating resource manipulation. There are strong similarities between Eisenhardt and Martin's (2000) operationalisation of DCs and the idea of 'resource manipulation' (Teece, 2007; Makadok, 2001).

Penrose (1959) recognised that tacit knowledge and managerial cognition were key factors in the successful realignment of resource. The importance of cognitive representation and its influence on the timing, selection and execution of DCs is acknowledged in the general literature as well as the extant family business literature (Capron and Mitchell, 2009; Chirico and Nordqvist 2010; Helfat et al., 2007; Teece, 2007; Tripsas and Gavetti, 2000). Collective cognition shapes a firm's 'dominant logic', which in turn determines the collective response to environmental cues (Prahalad and Bettis, 1986). Finally, founders also play a significant role in establishing organizational norms by leaving their imprint long after departure (Baron, Hannan, and Burton, 1999). In this paper we contribute to theory by demonstrating how multi-generational ownership and entrepreneurial cognition are linked to dynamic capabilities in a family business.

Liverpool shipping families

Liverpool in the early nineteenth century 'with its complexity of merchanting, banking, insurance and ship-broking services, had become a magnet for the aspirations of many a young man seeking his fortune in the rapidly expanding commercial and shipping enterprises on the Mersey' (Marriner and Hyde, 1967, p. 10). The most important of these multi-generational family firms, which were established in the nineteenth century and survived into the late twentieth century, are summarised in Table 1.

INSERT TABLE 1 HERE

Despite the demise of most family-owned shipping companies during the course of the twentieth century, Liverpool was still the UK's second most important port in the mid-1960s. However, decolonisation had a negative impact on the city because it was the base for major 'imperial shipping lines' such as Blue Funnel and Elder Dempsey (White, 2011;. 2008). There were three other factors that contributed to the demise of Liverpool shipping: the rise of air travel, containerisation (Laing, 1975) and the growing importance of trade with the European Economic Community, which favoured UK ports on the south and east coasts (Kinsey, 1981; Lane, 1987). Marriner (1982, p. 126) points out that Liverpool also suffered from a poor public image associated with 'strikes, vandalism, dereliction, pollution and high crime rates'. What we demonstrate in this paper is that the Bibby Line was unique amongst Liverpool-based shipping family firms established in the nineteenth century. Firms founded by the Harrisons (Hyde, 1967) and the Holts (Hyde, 1956; Chandler, 1960) did survive into the late twentieth century (not as family firms) and diversified their businesses. Shipping companies established by John Swire (Marriner and Hyde, 1967) and the Elder Dempsey Line (Davies, 2000) ceased to be family-owned businesses early in the twentieth century. In contrast, Bibby successfully diversified into financial services, distribution and retail while remaining in family ownership.

Research approach

According to Godelier (2009, p. 803) the 'field of history sought objectivity by using a positivist epistemology' to eliminate subjectivity and emotion. Business historians have, however, increasingly engaged with the fields of strategy and organisation studies (Clark and Rowlinson, 2004). Harvey and Wilson (2007) also stress the importance of historians engaging with other social sciences. Such engagement represents a deliberate attempt by business historians to inform managerial decision-making while rejecting claims of being 'inveterate empiricists' who eschew 'general theories' (Hannah, 1984, p. 219). In this study we adopt a research approach based on the construction of a historical narrative as a form of sense-making (Popp, 2009). As Gartner (2007, p. 615) argues, narrative approaches are concerned with 'relational realities, socially constructed, not individual subjective realities'.

Data for this study are drawn from a combination of interviews, public data, the company archive and an archive associated with Liverpool Maritime Museum. We systematically analysed annual financial reports[1] relating to Bibby and its subsidiary companies between 1971 and 2010. The summary of various activities provides robust data on changes in capabilities (Appendices 3, 4 and 5). Financial data enabled us to build a picture of the problems facing Derek Bibby during the 1970s and 1980s. As Lee (1978) points out, financial reports provide an important source of historical data related to 'company behaviour'.

The company archive was central to the creation of a narrative related to Bibby's dynamic capabilities over the last 50 years. For example, the archive helped demonstrate how factoring activities were established using existing resources. In turn factoring contributed to the creation of new resources by diversifying products and acquiring related businesses. Published accounts of Bibby history, by independent historians, proved useful in developing our understanding of how the company developed over 200 years (Watson, 1990; McIntyre-Brown, 2007). Moreover, interrogation of the Maritime Museum archive confirmed the veracity of data from the company archive. The *Financial Times* historical archive 1882–2006 was searched for related articles and the Lexis Library archive was searched for reports in the *Daily Post* and *Liverpool Echo*. We extracted factual information from press articles rather than journalistic opinion (Fuentelsaz, Gomez, and Polo, 2002; Henderson and Mitchell, 1997; Nobeoka and Cusumano, 1997). All online archives were accessed *via* the University of Liverpool library portal.

While it was possible to develop a clear understanding of how DCs were operationalised and, to a lesser extent, the rationale for adopting a particular DC it was not possible to establish a view of entrepreneurial cognition (sensing, shaping, seizing and implementing) from archival sources. Therefore, we utilised primary research data from interviews with the current MD, Sir Michael Bibby (three interviews), his predecessor Simon Sherrard who was in post from 1985 to 2000, the MD of Bibby Distribution (Iain Speak), the MD of Bibby Financial Services (David Robertson) and Nick Bacon, head of Bibby Factoring's marketing company (Appendix 3). The interviews provided crucial insights into the way in which Derek Bibby began to diversify the business. Hence, the three sources of data, archival analysis, in-depth interviews and newspaper reports, offer an excellent means of supporting our narrative about the development of DC in the Bibby Line.

Beginnings of the Bibby Line

John Bibby (1775–1840) became involved in shipping in 1801, and formed a merchanting business with John Highfield in 1807. Bibby concentrated on regular sailings to Dublin, then to the Mediterranean and ultimately Trinidad and Brazil. The partnership with Highfield was dissolved in 1821 and the company continued as John Bibby & Co. By 1823 Bibby was operating sailings to Lisbon, Bombay and Canton. Bibby also established an iron merchant's, a copper works and two copper smelting works. At the time of his 'mysterious' death, apparently murdered during a robbery, his estate was valued at £25,000, a considerable sum at the time (Watson, 1990). Subsequent generations of the Bibby family are summarised in Table 2 and Appendix 1.

INSERT TABLE 2 HERE

John was succeeded by his son James who by 1865 had 23 modern steam ships concentrated in the Mediterranean. In 1859 Bibby began a long association with Harland and Wolff Shipyard in Belfast. Bibby also took on James Leyland as a partner in 1859 and in 1873 at the age of 60 was persuaded to retire by Leyland who was given power of attorney and quickly acquired a majority shareholding. Tiring of his life as a 'country gentleman' James Bibby ordered two steamers, costing £120,000, from Harland and Wolff, to trade with Burma (Boyce, 2003). James provided the finance while his nephews Arthur and Herbert managed the business (Appendix 1). McIntyre-Brown (2007, p. 26) points out that though this arrangement was not unique in shipping, 'it would be almost 90 years before owners and managers came together again.'

Between 1901 and 1910 trade was depressed with the end of the Boer War and the termination of associated lucrative government contracts. During the First World War Arthur appointed his accountant G.W. Robins as manager and eventually a partner in 1920 (Watson, 1990). In 1927 a second non-family member was appointed general manager, Leslie O'Brien Harding, an expert on Burma trade. When Arthur died in 1935, his son Harold took over a well-managed firm. Bibby's entire fleet was requisitioned for the Second World War and Government troop-ship contracts continued until they were terminated in 1962. Post-war political instability in Burma, Ceylon (Sri Lanka) and the Suez Canal created major problems for UK shipping (Watson, 1990). Increasing foreign competition in shipbuilding, the emergence of containerisation (Laing, 1975) and the growth of air travel led to 30 years of economic, social and political upheaval in Bibby's home port of Liverpool (Lane, 1987; Marriner, 1982). Harold's son Derek had joined the company after the war and succeeded his father in 1969. In 1965 orders were placed with Japanese shipbuilders for two bulk carriers; the first time Bibby ships had been built outside the UK.[2] This investment was important as it demonstrates Derek's increasing influence:

> On my first day it was made very clear to me that it was the age-old policy of the company never to borrow and only to order a ship when it already had the cash in the bank to pay for it. In that way, it was thought that it could not go bust, though later events showed that it could easily have gone out of business with galloping inflation (McIntyre-Brown, 2007, p. 34).

Adopting newer business practices enabled Derek to build up the fleet between 1965 and 1977 (Herbane, 2010). A favourable tax regime and high inflation meant that ships increased in value between order and delivery. To protect the company from world trade uncertainties Bibby joined the Seabridge Shipping Ltd consortium operating bulk carriers. In 1968 Bibby bought the Britain Steamship Company Ltd, a consortium member, from cash reserves.[3] Bibby made further acquisitions in 1971, first buying the loss-making Bristol Line, which owned a one-third stake in Dart Containerline, a transatlantic freight operation.[4] The oil shocks of 1973 precipitated a crisis in shipping and Derek Bibby left the Seabridge consortium in 1977 selling two bulk carriers for £5.9 million.[5] Bibby moved from a profit of £5.3 million in 1976 to a loss of £4.9 million in 1977 with loan repayments of £10.8 million.[6] As the company had over-invested in ships it was compelled to sell to repay banks. Subsequently, Bibby's stake in Dart Containerline was sold to the other two shareholders.[7]

On retiring in 1985, Derek Bibby appointed Simon Sherrard, a non-family member, as managing director. Sherrard accelerated diversification by moving into financial services and distribution. Derek's most significant legacy was regaining financial control of the business. While Arthur Bibby, his son and grandson managed the business, 45% of the shares were owned by their cousins who were descendants of James Bibby (Appendix 1). In 1986, Sir Derek increased his share of the business to 84% after buying out Robin Bibby Thompson, his sister Jane Paton-Smith and two directors. Michael Bibby, Derek's son, joined the Bibby Line as finance director in 1992 and became MD of the Bibby Group in 2000. Michael continued diversification by investing in shallow water accommodation, offshore oil field services, contract logistics, financial services, burial parks, employment law and health and safety advisory services, and retail (Appendix 2). Bibby's historical links with the sea were maintained through the Bibby Line as well as Bibby Maritime and Bibby Ship Management, which included a 'state-of-the art' training facility in Mumbai. Michael stresses the importance of Bibby's heritage while emphasising the need for a strong commercial focus:

> We have been brought up not to look to the business for our lifestyle – profits are ploughed back into the company for future generations; my father left the bulk of the family shareholdings in family trusts, with equal treatment for all the family. My priority is to make sure there is a sound and still growing business for the seventh generation to take over (McIntyre-Brown, 2007, p. 37).

Until the mid-1970s Bibby was essentially a shipping business. In response to a number of major changes in the business environment, the company undertook a rapid diversification strategy focusing on distribution and financial services. Bibby Holdings manages a wide portfolio of businesses: Bibby Maritime, Bibby Ship Management, Bibby Consulting and Support, Garic (storage tanks and site services) and Woodland Burial Parks. From a turnover of £6.7 million in 1970 Bibby expanded to well over £1 billion turnover in 2010 (Appendices 4 and 5). In the following sections we draw on the theory of dynamic capabilities to illustrate how the Bibby Line's successful transformation was managed.

Dynamic capabilities in the Bibby Line

Bibby faced periods of relative equilibrium punctuated by sudden and significant change such as the loss of government troop-carrying contracts in the early 1960s, the growth of air freight and oil shocks in the 1970s, and a series of recessions since 1980. We draw on the four 'modes' of DC proposed by Eisenhardt and Martin (2000) to show how Bibby used a combination of leveraging existing resources, creating new resources, accessing external resources and releasing resources to successfully reinvent the company's business activities (Danneels, 2011) (Appendices 3, 4 and 5).

Leveraging existing resources: marine-related activities

Extremely low freight rates meant that six ships were laid-up in 1977 and five sold in 1978 to reduce interest charges. The company recorded a pre-tax loss of £13 million in 1978 when turnover was £19 million (Appendix 5). The early 1980s marked a turning point for the Bibby Line; the fleet had been reduced to nine vessels and Derek obtained a 20% share in a North Sea oil accommodation platform owned by a Swedish consortium, Consafe. A year after the outbreak of the Falklands War in 1983, Consafe won a Ministry of Defence contract to supply two accommodation barges to house troops in the South Atlantic. Bibby acquired a substantial stake in one barge and Consafe owned the second. In 1985, Consafe went into liquidation and, following a dispute with the Swedish National Debt Office (to whom the debt was ultimately owed), Bibby repaid around $5m (McIntyre-Brown, 2007). However they were able to buy the second barge at a competitive price from the receiver and renamed the two accommodation barges *Bibby Venture* and *Bibby Resolution*. At the end of the Falklands War, the New York Department of Correction hired two accommodation barges on a five year contract for $17 million (McIntyre-Brown, 2007), marking the beginning of Bibby's controversial association with floating prisons. In 1993, the UK Government gave approval for the first floating prison in the UK since the nineteenth century.[8] Meanwhile, self-elevating jack-up platforms were used to provide accommodation and maintenance support for oil platforms in the Middle East and Asia. Bibby also supplied floating storage units and production facilities to the oil industry, winning contracts with Chevron Texaco and Maersk Oil (McIntyre-Brown, 2007).

While Bibby entered the 1980s with a much depleted fleet Derek was able to capitalise on the company's most important 'intangible asset', an extensive shipping knowledge. By this time outsourcing ship management was common practice and Bibby secured a contract to manage two ships for the Shipping Corporation of Trinidad and Tobago in 1984 (Watson, 1990). With his mandate to 'broaden the base of the company' and reduce exposure to the cyclical nature of shipping, Sherrard embarked on an extensive programme of diversification. Two years later, Manx Ship Management (MSM) was established in the Isle of Man as a joint venture with two banks. In 1991 Bibby acquired a 50% stake in Botany Bay Shipping Holdings to further its interests in the management of chemical tankers. The same year Bibby acquired 100% of MSM, which was renamed Bibby International Services. Sherrard continued to invest in shipping-related activities with the purchase of seven vessels, 12 accommodation barges and two 'jack-up platforms' between 1985 and 2000. Turnover slowly began to increase and 1987 was described as 'a year of change in our fortunes'.[9] The process of leveraging Bibby's existing shipping knowledge to move into related areas of activities was confirmed by Michael Bibby and Simon Sherrard. Both David Roberson and Iain Speak indicated that BFS and Bibby Distribution also adopted a leveraging approach to expand activities in the major divisions (Appendix 3).

Releasing assets: marine

A defining feature of Bibby's business approach is the mantra 'sell in boom and buy in recession'.[10] However, profit declined as a result of the world depression precipitated by the 1973 oil crisis, culminating in a £13 million loss in 1978 (Appendix 5) attributable to the sale of five ships: *Ocean Bridge*, *Australian Bridge*, *Canadian Bridge*, *Oxfordshire* and the *English Bridge*. By 1982 the Bibby fleet had been reduced to nine ships from the peak of 20 in 1975 (Watson, 1990). Disposal of Marine Division assets from 2004 onwards was much more strategic. The price of oil was high and the cost of ships increasing as a result of higher steel prices. Demand for shipping capacity was also increasing due to the import of raw materials to China and the export of finished goods (Li, Dunford, and Yeung, 2012). Disposal of shipping assets allowed the company to capitalise on high prices before the 2008 recession. In 2005 agreement was reached to sell the LPG (low pressure gas) fleet, two chemical tankers were also sold and the cash used to pay-down debt in other areas of the business.[11] In 2005 the Marine Division was restructured around three business units: Shipping, Off Shore and Marine Services. A number of small coastels were sold and the newly formed division won a contract with the Dutch Government to provide floating detention centres. Off Shore continued to benefit from high oil prices, hence, conversion of an existing construction support vessel into a diving support vessel (DSV). A new DSV was also chartered and these were the first new vessels in the North Sea for 15 years.[12]

By 2007 (the company's bicentenary) the marine business had sold assets worth over £60m as part of Bibby's boom–bust strategy.[13] The accommodation division contracted a

Chinese company to refit a coastel as a four star floating hotel. Off Shore opened offices in Trinidad and in 2009 the new 57,000 dwt *Shropshire* was delivered and immediately chartered. In total, the Bibby Group raised £260m of which £120m was used to pay down debt: £20m invested in 'non-cyclical' businesses including the retail chain Costcutter, Bibby Holdings was allocated a further £20m to invest in small high-growth businesses and £40m was invested in niche shipping assets such as the *Sapphire* and the *Bibby Renaissance* coastels.[14] The quotations in Appendix 3 confirm that while the company adopted a long-term perspective there was a willingness to act decisively when assets under performed.

Creating new resources: finance-related activities

Before retiring in 1985, Derek Bibby successfully established leasing agreements with large companies such as Express Dairies (McIntyre-Brown, 2007). He also created a factoring business which initially operated within Bibby's accounts department (Appendix 3). In 1990 the Berisford Group sold its factoring subsidiary to Bibby for the value of net assets.[15] Berisford Factors was renamed Bibby Factors and John Connell, financial controller at Bibby Line, was appointed MD. Bibby Factors joined the Association of Invoice Factors (AIF), which represented small factoring companies. The larger Association of British Factors and Discounters (ABFD) accounted for 90% of UK turnover in factoring and invoice discounting.[16] ABFD members tended to operate like banks leaving the smaller privately-owned factors to offer a personal service for their clients.[17] Bibby Factors made a number of acquisitions in the early 1990s and became Bibby Financial Services (BFS) Ltd in 1998. By 2000 BFS was the UK's largest private operator in the factoring sector with 8% of the domestic market. Factoring was dominated by the large banks and David Robertson believed Bibby was nearing 'saturation point' for a small private company in the UK market. In response Robertson embarked on an internationalisation strategy to continue the group's growth.[18] BFS acquired Source One Financial, a US factoring company in 2001 and over the next four years opened offices in

Chicago, Dallas and Los Angeles. With UK factoring levelling out, Bibby developed a long-term diversification strategy involving new products, such as asset finance, trade finance and invoice discounting, as well as new markets.[19]

In 2000 Bibby Asset Finance was established as a subsidiary of BFS to provide hire purchase and leasing facilities to UK firms. Bibby Asset Finance then acquired Leeds Leasing, which had lost £61,000 in the previous year but had assets worth £3.8 million.[20] The acquisition represented an expansion into a new sector of the market as Leeds Leasing provided: 'Bibby Financial Services with the skills and presence it requires to further penetrate the fast growing small business finance market.'[21] BFS established offices in Australia, USA, Canada, Ireland, Poland, France and in 2007 acquired Cash Reform, the leading independent factoring company in the Czech and Slovak Republics, for an undisclosed sum.[22] BFS also acquired California-based Account Funding and opened offices in New Delhi, which David Robertson described as a 'brave move' adding, 'India represents an important territory in the sphere of global trading and as such one that we need to be in. Its growing economy and underdeveloped factoring market is exactly the type of market we want to be in.'[23] By early 2007 BFS had achieved a presence in nine countries earning pre-tax profits of £19.7 million, a 58% increase on the previous year.[24] BFS created a Global Board so that each operational region could 'operate as an autonomous business unit, driving growth across the regions, while still contributing to the overall success of the Group.'[25] Asia-Pacific became the focus of expansion, especially India and China via Hong Kong.[26]

The 2008 recession meant that bank lending to small businesses declined and BFS had a considerable increase in UK companies using its services. On 30 September 2008 (days before the Lehman Brothers crash) BFS agreed a finance facility of £340 million of bank funding (Barclays Corporate, Lloyds, RBS and Credit Agricole) for four years to target small firms in the UK and Ireland.[27] The deal was refinanced in January 2011 allowing BFS to secure funding until 2014.[28] The success of financial services was the result of a serendipitous response to the shipping crises faced by Bibby in the early 1980s. Derek Bibby's intention was to use 'factoring' to identify growing firms in which he could make an equity investment. Every single business failed while factoring rapidly grew into a major business (Michael Bibby, Appendix 3).

Accessing new resources: distribution, retail and Bibby Holdings

In 1985 Bibby Distribution was established because it required little capital as vehicles and warehousing were leased (McIntyre-Brown, 2007). It was also a growth industry at the time and Bibby invested in Freeway Distribution, which marked the beginning of a relationship that lasted for more than two decades. The business developed with a series of acquisitions including Transport and Warehousing Facilities, International Storage and, in 1994, Alexandra-Molyneux Haulage. An emphasis on long-term relationships meant that existing customers stayed with Bibby Distribution. A milk collection contract with the Scottish Milk Marketing Board brought additional contracts from the newly privatised Scottish Milk Ltd. Bibby Distribution then acquired the loss-making Inter Forward, a logistics and distribution company. Michael Bibby described the takeover as 'an important strategic development' that allowed Bibby Distribution to increase turnover from £73 million in 1999 to over £180 million in 2007.[29] Bibby Distribution then entered the niche market of high-value, fragile goods in 2000 with the acquisition of two specialist pottery transportation firms, which Bibby merged to form Route One Pallet Network (McIntyre-Brown, 2007).

The early twenty-first century was a period of consolidation as Bibby Distribution invested £3m in First Milk, a company formed by the merger of Scottish Milk Ltd and Axis.[30] A freight-forwarding company Winlen Bay*,* renamed Bibby International Logistics*,* was acquired in 2003 to help Bibby Distribution to expand into mainland Europe. By 2005 Bibby

Distribution was reporting considerable organic growth generated by new contracts and the renewal of existing agreements. However, rising fuel costs and increased competition led to a restructuring of the pallet network. Depots were integrated with the Route One specialist ceramic transportation business and a new centralised distribution centre established.[31] In 2006 Bibby Distribution acquired the entire share capital of Sutton Support Services allowing it to expand into the paper and packaging sector and Archfield Shipping, a freight forwarding company. In 2010 Bibby Distribution signed a deal worth £50 million to deliver products from First Milk's dairies to national customers.

Bibby Distribution was restructured in 2006 with the Chief Operating Officer in charge of operations and the Chief Executive and Chief Financial Officer concentrating on strategy and acquisitions.[32] Bibby Distribution diversified into recruitment and training as it acquired Direct Workforce, a company specialising in the supply of warehouse staff and drivers whose services Bibby Distribution had been using for many years (Iain Speak, Appendix 3). It also bought a 26% stake in System Training, which provided training for drivers in the haulage industry. Following expansion into Europe, Bibby Distribution joined the newly formed Logistics World Alliance (LWA). The LWA consisted of five European companies with a combined fleet of 10,000 vehicles and 500 bases across Europe and Asia. The alliance allowed Bibby Distribution to draw on external knowledge and resources and keep pace with operational and technological innovations in the sector as well as benefiting from 'cross marketing and operational synergies' (McIntyre-Brown 2007, p. 93).

The Bibby Line Group continued to generate cash and in August 2007 bought a 51% share in the Costcutter supermarket group. While apparently an expansion into an unrelated industrial sector, Costcutter was part of Nisa-Today's retail buying group whose distribution was handled by Bibby. The retail business added £600 million to annual group turnover although the goodwill write-off associated with the acquisition of Costcutter reduced recorded profits of the retail operation.[33] In 2009 *Nisa-Today's* announced that it would terminate its contract with Bibby Distribution (worth £40 million per year) from 2011, after putting it out to tender. Bibby Line Group's offer to buy *Nisa-Today's* for around £120 million was rejected because in the view of the *Nisa* board it undervalued the company.[34]

Bibby Line Ltd (the marine subsidiary) underwent a strategic review in 2007 and the three main business streams (ship-owning, offshore and developing businesses) were demerged. The previous year Bibby acquired Colney Woodland Burials and a majority stake in MHL Support, a health and safety advisory company. Two years later they were both brought under control of the newly formed Bibby Holdings Ltd who paid £20 million for Garic, a specialist plant and equipment hire company. By 2010 Bibby Holdings comprised five subsidiaries: Garic, specialising in plant hire to the construction industry; Bibby Ship Management Group, managing third-party and Bibby vessels; Bibby Maritime Ltd, providing floating accommodation; MHL Support; and Woodland Burial Parks (Appendix 2).

Discussion: entrepreneurship and strategic renewal in a family business

John Bibby established his Liverpool-based business in 1807 and it is currently managed by a sixth generation member of the family, Sir Michael Bibby. Other ambitious entrepreneurs were attracted by opportunities in Liverpool shipping during the early nineteenth century (Marriner and Hyde, 1967). Many businesses were still operating in the twentieth century but only one survived into the twenty-first century (Chandler, 1960; Collard, 2002; Davies, 2000; Hyde, 1967). It is the premise of this article that the Bibby Line possessed distinctive assets, which enabled the company to survive two world wars and several economic crises to grow into a successful, diversified family-owned business in the twenty-first century (Appendix 4). There are a number of features that distinguish the Bibby Line from other shipping companies founded as Liverpool was becoming established as a major port and eventually the ‘gateway of Empire’ (Lane, 1987). First, and most importantly, family ownership was consolidated in 1986 when Derek Bibby acquired the 45% of shares that had been owned by cousins who were descendants of James Bibby (Appendix 2). Second, there was a considerable amount of cross-ownership between other family shipping firms including the Swires, the Harrisons, the Holts and the Elder Dempsey Line (Chandler, 1960; Davies, 2000; Hyde, 1967; Marriner and Hyde, 1967). The Bibby Line was also distinguished by a strong determination not to incur debt, which would have made the business vulnerable to the influence of non-family. At the same time, succeeding generations of the Bibby family have been willing to employ the skills of professional managers (Church, 1993; Hall and Nordqvist, 2008; Stewart and Hitt, 2012). In particular, Simon Sherrard, who spanned the fifth and sixth generations played a crucial role in mobilising the long-standing assets possessed by the Bibby Line (Appendix 3).

According to Zahra, Sapienza, and Davidsson (2006, p. 918) DCs are the ability ‘to reconfigure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principle decision makers’. The Bibby family mobilised resources accrued over a 200 year period to extend their business activities into finance, distribution and retail. These resources included a conservative financial strategy so that the company was not exposed to the threat of takeover. It was the mid-1960s before Derek Bibby first borrowed to finance the purchase of two bulk carriers. A strong sense of responsibility and ‘familiness’ (Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001) meant that profits were reinvested in the business rather than used for conspicuous consumption. In addition, this familiness helped create loyalty and a strong sense of common purpose amongst succeeding generations of Bibby employees (Habbershon and Williams, 1999). As Michael Bibby recently stated, ‘We are playing a long game. We have a 200-year history and aim to be around for another 200 years.’[35] Bibby are also distinguished from many other family firms by their willingness to bring non-family into the business. The earliest example was John Bibby's partnership with John Highfield to establish a merchanting business. Other 'outsiders' played significant roles in the development of Bibby over succeeding generations. James Leyland (2nd generation), G.W. Robins (3rd generation), Leslie Harding (4th generation), Gerald Harding (5th generation) and Simon Sherrard, who spanned the 5th and 6th generations, all brought external expertise into the company (Mazzola, Marchisio, and Astrachan, 2008; Miller, Steier, and Le Breton-Miller, 2003). Sherrard, in particular, was central to the reconfiguration of Bibby resources in the 1980s and 1990s (Teece, Pisano, and Shuen, 1997; Zahra et al., 2008).

The spirit of entrepreneurship was passed on to succeeding generations and can be seen in the actions of all owners from John Bibby's creation of the business in 1807 to Michael Bibby's continued diversification of the company since 2000 (Habbershon and Pistrui, 2002; Rose, 1993). Entrepreneurship is inextricably linked to risk-taking and Derek Bibby's early attempts at diversification led to a number of failures including a ferry business, a tank container business and a business providing oil-field engineering services (Kellermanns and Eddelston, 2006). Danneels (2011, p. 27) points out that any firm trying to mobilise dynamic capabilities to achieve renewal 'needs to start with an honest assessment of its resource base'. As described above, we suggest that there was indeed a clear understanding of those resources, which enabled the company to survive from 1807. Derek Bibby's first steps in diversification were based on the company's existing resources and capabilities. If a family business is to maintain long-term competitivity then existing resources need to be 'fungible' (Chirico and Nordqvist, 2010; Teece, 1982). According to Danneels (2002), the ability to build new capabilities is regarded as a 'second order competence'. Michael Bibby attributes the company's longevity to three factors:

1. competency to identify and empower the right managers (shaping/reshaping dominant logic);

2. effectively manage risk [sell in boom and buy in bust] (simple routines enabling the seizing of opportunities); and
3. an ability to assess the economic cycle (sensing opportunities).

Bibby appear to have been particularly successful in reconfiguring external resources so that they were complementary to internal resources (Table 3). Many recent acquisitions such as the move into retailing, woodland burials, health and safety and plant hire may appear to lack a coherent strategic approach to diversification. In fact, they build on long-established capabilities within Bibby such as a 'conservative' financial approach, which focuses on businesses that are reliable cash generators and which benefit from a management style that emphasises attention to detail and a long-term perspective. The idea of 'patient capital' is a well-established attribute of family firms that are not exposed to stock market short-termism (Colli and Rose, 2008; Dreux, 1990):

> The dividend is marginal compared to the level of profitability and cash generation. The majority of shareholders have basically said they don't want the cash back but to build the business for the next generation. As long as we keep delivering our returns – which over the last 10 years, well the last 7 years have been about 15-16% growth so as long as we keep delivering those the shareholders don't want the money back so we have to invest, we have to keep investing. If we sell something we have to re-invest that, so acquisitions have got to be a key part of that because otherwise we just build up cash.[36]

Unlike Smith Corona (Danneels, 2011), the Bibby Line has successfully undergone radical change to become a 'different kind of company' (see Appendices 3 and 4). In the mid-1960s it was still reliant on shipping and faced a number of significant threats to its survival. It is now a highly diversified company, which retains a strong sense of its history as a Liverpool-based shipping company. This continuity enabled Derek Bibby, Simon Sherrard and Michael Bibby to reconfigure the company's resources to develop substantial business activities in distribution, financial services and retail as well as integrating a number of smaller businesses into the Bibby 'family'. Appendix 3 provides quotations from our five interviewees, which demonstrate the nature of dynamic capabilities that have developed over the long history of the business. The essence of the Bibby approach is the ability to identify and exploit new opportunities, adopting a long-term perspective, real empowerment of the managerial team, flexible processes and structures, and a clear strategic vision (Appendix 3).

INSERT TABLE 3 HERE

Conclusions

While results from single case studies cannot be generalised there are several major theoretical implications from this analysis of the Bibby Line (Rueschemeyer, 2003). First, the study highlights the importance of 'entrepreneurial cognition' (Casson, 1993) in the context of a failing company. Derek Bibby demonstrated his ability to make judgements about the coordination of scarce resources to extend the firm's marine-related activities and, eventually, create new businesses including financial services and distribution. Second, strategic flexibility based on entrepreneurial cognition and effective decision-making routines enabled Bibby to respond quickly as new opportunities arose. Third, this strategic flexibility was underpinned by a conservative financial approach that has characterised the company for generations. Finance was readily available for new acquisitions without recourse to bank loans in the majority of cases. Fourth, unlike most family firms, resource acquisition also included professional managers with new expertise (Church, 1993; Hall and Nordqvist, 2008; Stewart and Hitt, 2012). Hence, building the distribution business by acquisition and merger was itself part of a strategy to acquire high-calibre managers (Iain Speak, Appendix 3). Finally, retaining ownership within a small family group enabled Bibby to pursue a long-term orientation, which is simply not possible for public companies (Colli and Rose, 2008). As Sir Michael explained:

> Our history has taught us that if you stand still you're dead and we've seen it. If you look at all the shipping companies that are no longer in Liverpool compared to the early 1900s it is because they never adjusted. Our market disappeared in 1960s with the end of troop-ships. The Oxfordshire was our biggest ship and she was only built in 1955 and that business had gone by 1965. Yet if we'd stayed still we wouldn't have survived and most British shipping companies didn't survive the collapse of the Empire when all their trade disappeared.[37]

This study makes a major contribution to business history literature by demonstrating links between multi-generational ownership and DCs (Casson, 1993; Eisenhardt, Furr, and Bingham, 2010; Pandza and Thorpe, 2009). Chirico and Nordqvist (2010: p. 501) confirm that 'the personal characteristics of family owners' are a dynamic component of capabilities. The Bibby succession process has ensured that the firm benefits from a strong 'entrepreneurial legacy', which helped develop a unique bundle of idiosyncratic resources (Handler, 1994; Rose, 1993; Cabrera-Suarez, De Saa-Perez, and Garcia-Almeida, 2001). Second, most existing research on DCs is concerned with public companies in high-velocity environments (Danneels, 2011; Tripsas and Gavetti, 2000). Bibby is a family-owned firm operating in a moderately dynamic environment and our findings contrast with the view that such firms rely on detailed, analytic routines characterised as 'learning-before-doing' (Eisenhardt and Martin, 2000). The way in which Bibby operated was similar to public companies in high-velocity markets because there was much greater emphasis on experiential routines that relied on newly created knowledge and iterative execution. This, as we have suggested above, typifies the importance of entrepreneurial cognition and the ability to respond quickly to environmental change, which has typified Bibby for 50 years.

We acknowledge there are limitations associated with this analysis of the Bibby Line. First, rather than adopting a conventional business history approach, the concept of DCs has informed the interviews with members of the business and the authors' interpretation of the data (Godelier, 2009). Second, although the company has existed since 1807 the focus of this paper has been on Bibby's diversification over the last 50 years. In doing so, we have drawn heavily on interviews with Michael Bibby and Simon Sherrard as well as three other actors closely involved with the company. The supporting data are based on a number of sources: financial reports from Bibby archive, articles from the regional and national press, books on the history of the Bibby Line and archival data from Liverpool Maritime Museum. However, we did not have access to the minutes of board meetings, which could have clarified the decision-making process. Instead, we have built our case for how Bibby responded to various financial crises by examining data from the financial press supported by interviews with Simon Sherrard and Michael Bibby. There is no intention to suggest that Bibby's success can be explained by the family's well-planned strategy. Derek Bibby's use of factoring to identify takeover targets was a dismal failure. Serendipitously, factoring itself began to thrive and provided a basis for the creation of Bibby Financial Services, which contributed 10% to £1 billion turnover in 2010. Bibby's response to this failure illustrates the core of our argument about how and why the company survived when no other family-owned shipping firms in Liverpool still exist. The Bibby family were entrepreneurial and adaptable enough to recognise that the course of action they were pursuing was not working and allocated resources to factoring (Simon Sherrard, Appendix 3).

In summary, the processes associated with leveraging, creating, accessing and releasing resources must be considered in the context of attributes associated with family firms. Such attributes include familiness (Habbershon and Williams, 1999), a distinctive culture (Denison, Lief, and Ward 2004), a long-term strategic orientation (Colli and Rose, 2008) and the inter-generational transfer of family values (Handler, 1994). This paper also contributes to literature which contradicts Chandler's (1980) assertion that family businesses lack the financial and human capital necessary to pursue long-term growth.

[7930 words]

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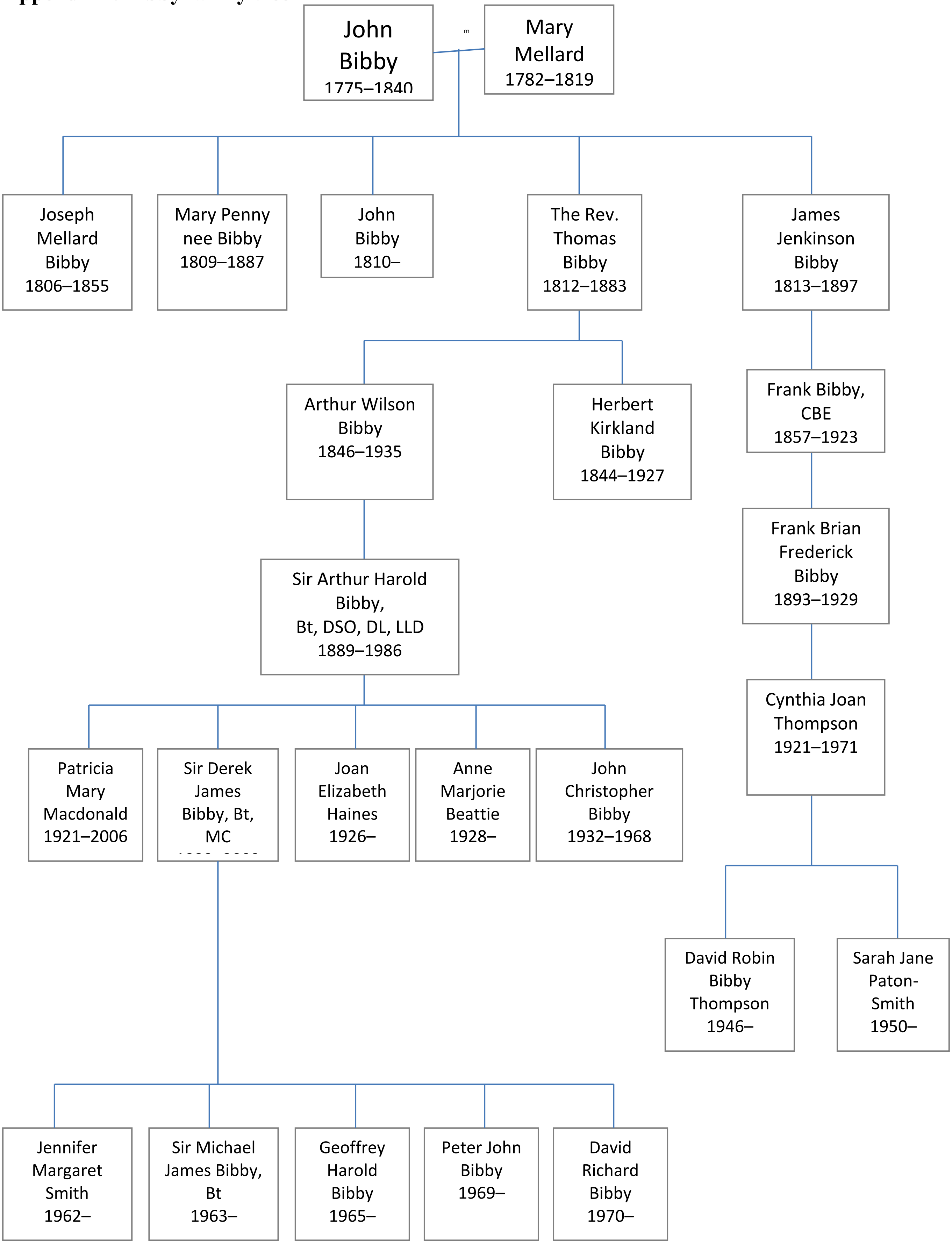
Appendix 1. Bibby family tree



Appendix 2. Bibby Group (2011)

Bibby Distribution – is one of the top 10 logistics companies in the UK with 2.5 million square feet of warehouse space in 80 locations, an extensive fleet of vehicles and 2,850 employees.

Bibby Financial Services – has offices around the world including France, Germany, USA, Canada, Australia and India. As the UK's largest independent finance provider, BFS offers a wide range of services to small and medium-sized enterprises: factoring, invoice discounting, export factoring, trade finance, new start finance, construction finance and leasing finance.

Bibby Line – currently has two major ships: *MV Shropshire* (57,000 dwt) and *MV Hertfordshire* (2,475 dwt) with another bulk carrier currently being built in China (57,000 dwt).

Bibby Maritime – supplies coastels, which are floating accommodation vessels that can be chartered for short- or long-term use. Bibby has a fleet of coastels that provide flotel accommodation for a wide range of clients.

Bibby Retail Services – Costcutter has more than 1,500 convenience stores throughout the UK with offices in York and Belfast. The annual turnover for 2009/2010 was £606m. The Chief Executive Colin Graves is a 'local' man, fitting with the company's slogan 'Proud to be local.' He has good experience from his time as Chief Executive of Yorkshire County Cricket Club.

Bibby Holdings – manages the businesses listed below, which are intentionally diverse but culturally similar to the Bibby Line Group. Cy Green is the CEO, a prominent figure who is also chairman/investor in Encraft Ltd:

Bibby Offshore – Chairman Howard Woodcock has been involved with Bibby Line for 11 years, showing long-term commitment. Has headquarters in Aberdeen but with an international presence.

Bibby Ship Management – provides a diverse range of services including technical management through to payroll and employment services. Has six offices in three continents.

Bibby Consulting and Support – provides support for businesses, helping them to comply to employment law, health and safety remits and environmental consideration. Managing director is Michael Slade, who has a vast amount of experience in consultancy and the banking industry.

Garic – provides a wide range of products including storage tanks (antifreeze), site solutions including cabins, waste tanks and generators, drip trays/drum storage, mobile welfare including liquid soap, toilet roles and drinking water. Turnover has doubled to £12 million and employee numbers have risen to 95 in the last four years.

Woodland Burial Parks – has an annual turnover of £1.8m, now employs 50 people across the country. Bibby Line Group bought a controlling interest in this company in 2006.

Appendix 3. Summary of interview data

	Michael Bibby	Simon Sherrard	David Robertson	Iain Speak	Nick Bacon
Leveraging	By the mid-1980s we started further diversifying into more niche activities within shipping like floating accommodation and jack-ups. We went into leasing first so we were using our shipping knowledge to actually set-up some leasing operations. But there was a step which was actually a leasing portfolio concentrating on the moving business and leasing and factoring are completely separate things. We did diversify into related areas and also within other business portfolios. So we weren't so exposed to commodity products where the cyclical effect was far bigger than our balance sheet could take.	The reason for diversification was because the shipping industry was very volatile and the banks were getting increasingly edgy about the volatility. We weren't doing very well as a business and so when we diversified it initially was primarily a financial decision. We diversified into accommodation barges and North Sea oil platforms but we found that they also went like that (were volatile) but not necessarily in the same cycle.	In one or two European countries we actually started by setting up just a small sales office and building it that way. Even there it would have been local managers and finding the right people within the marketplace who could understand our culture. Our culture drives our business. Without it we wouldn't have the success we've had to date. So they need to have compatibility and need to understand what we're about as a business.	What else could we do within the broad context of logistics and supply chain? We actually went out and acquired a labour agency business. At the time internally we were spending about £10 million on agency workers. So we bought a labour agency business with a view of scaling it up using the inherent demand within Bibby Distribution as a base to open up new offices which could hit the ground running.	The migration from ships to containers, accommodation platforms – it's all broadly the same sector. I know nothing about shipping but you can see connections there. As soon as you've got containers, you're into transport and Bibby's containers were for chemicals and pressurised gases. As soon as you're shipping containers you're into transporting containers and so the connection into warehousing and logistics and distribution – you know – is indicative of a strategy.
Creating	It is evident they had strategic intent to diversify but very little money. I mean how do you build up a larger business without any cash. That is why they went into financial services initially to look at small businesses and invest debt as well as equity in the ones they thought they could grow and every single business went bust. But the factoring business grew into our biggest business. The other one in distribution they went into taking over loss making with small distribution companies and built a national network so there was a plan.	The debt factoring business was already in existence when I arrived and it was being done on a Friday afternoon by the chief accountant John Connell. The first decision which we took in 1985, I said to the board, I said effectively – and excuse my French, 'You've got to shit or get off the pot'. So we made John the managing director of factoring, gave him some money, set it up as a separate company and said get on with it!	John Connell, the group financial controller, took over that responsibility and he had no knowledge of factoring so it was very much learning from first principals. You need an electronic platform that can be accessed by clients. It needs staff who understand credit control. The third skill is technically having the funding and that's a big issue for a private company like ourselves. At the moment we've probably got worldwide about £800m of	In a sense we are replicating what Group has done over the past 20 years. Building our own portfolio of businesses within the broad definition of logistics. You could step back from Bibby Distribution and say, what is it we do, yes we run trucks, we run sheds, but what are our real core competencies? It is about efficiently managing lots of people – that is actually what we do. The fact that they drive trucks and work in warehouses doesn't really	I think that the back office functionality of credit control was a core competency in the factoring business that they acquired rather than in Bibby itself. Let's put it this way – you're never going to make money out of factoring if you cannot manage the debt because the day you buy the invoice, you've got to be chasing it. I knew that from my own business experience and so strong financial control of debtors is core to my business and it's absolutely

			funding and if we double in the next three years to five years which we expect, we'd move up to say £2 billion and have to find avenues to source that funding.	matter. So, you could apply those principles to other industries and other sectors.	the core competency of a factoring business.
Accessing	He (Derek) realised that as a family business he had to get some decent managers and then delegate more responsibility. He realised that if he wanted to grow and develop the business he needed to give more responsibility to managers otherwise they wouldn't stay with us, so the culture started changing. New people were brought into senior positions and the culture changed to what it is today by investing in people. Anyone can have the best business idea and the best plan to do it but if they are not the right people then they will never implement it and drive it forward.	When Derek retired I came in as MD. The board in 1985 was Derek, Robin Thompson (cousin), myself and Bob Scott (company secretary). We then moved to a normal type of board and that's when John Wood joined us as our first independent director. Richard Baker came in as non-executive chairman. I recruited Malcolm Gorley who had an oil industry background which was of interest to us. So over the latter part of the 1980s the board took a more contemporary look. Effectively it's what you see today where we have three executive directors.	The key to our future abroad was finding the right management team to run the business. Now, if you take America we kicked off in 2001 in the US, we had to ask two chief executives, from the UK, to step down. Now we have an American chief executive and at long last we have got the business right and it's building and we're making profits, but we had seven/eight years of quite steep learning as to the American culture which is totally foreign to the UK culture.	Our current acquisition is definitely more strategic. We want a freight-forwarding business because we can see opportunities for developing joint propositions with Bibby Financial Services. We can sell trade finance and freight forwarding as a combined offering. We see freight forwarding as a route into overseas territories. If we entered the Indian market with our core logistic services it would be highly risky. Whereas with freight forwarding you don't employ a lot of people and therefore is a low risk way of entering a market and then we could grow it from there.	I observed it with the likes of David Robertson and Simon Sherrard and a preparedness to bring in outside people. I was deeply respectful of a business that is able to plan for the long term. So it requires you to think – it's a horrible burden it strikes me. The ability of Simon Sherrard and David Robertson to win the trust of the family and to make shed-loads of money for them without an equity stake is enviable.
Releasing	The Staffordshire was an absolute bloody disaster and went straight into lay-off for two years. It was the biggest ship we had in the fleet and should never have been ordered. He (Derek) had just gone on-site and ordered it because he was offered what he thought was a decent price. Now that wouldn't have happened later on because you'd have had to put a paper in to the Group board and nobody in their right mind would have signed	I had a trading background and knew a bit about that sort of world and the opportunity came up to buy into Freeway Distributors, it wasn't struggling at the time but it very soon struggled financially thereafter. We bought 25% and then the balance for practically nothing. That was the birth of our distribution business but we also did some other thing. One of our factoring clients was in the oil service business doing engineering drawings. That	The driving forces are fairly old school. It's to drive up revenue and profitability of the Group. One of the avenues to solve the problem of funding BFS may be to float it on the stock market or take it out of the portfolio and sell it. That's not in the picture at the moment, but that could be. Michael has talked to the Bibby Line Group – you build a business and then sell it or float it on the market. We haven't	It (distribution) worked quite well for the first couple of years and we opened up offices in Leeds, Manchester, Stoke and two in Scunthorpe. Just about to open up in Bicester when recession comes along. The business took a dip and so we closed offices. We stuck with it and now we have started opening up offices again and so it did not go quite as planned, but what we realised was because of	There are some people who fell out of the process and left the company which is always a shame in my view but at the end of the day, you know, this is not a democracy. You own the business, you must make decisions and live with the consequences and other people don't like it they should leave if they can't be persuaded.

	anything on-site without the authority for doing it.	failed as an investment and we got out of that. We opened a ferry business which also failed, so not everything we touched turned to gold.	done it yet and I don't see it happening in the next year to two but that could be a way. Michael is driven by achieving year on year growth in the bottom line for the Bibby Line Group and that's one way of achieving it.	the infrastructure and the capabilities of the core, we could actually open up offices very quickly and we can actually close offices very quickly.	
Dynamic capabilities	I actually think that's the skill of management. Going with the flow and adjusting your plans to your circumstances. It's about adapting and exploiting opportunities as they appear. You have an overall strategic vision of where you are trying to get to and then you are continually tweaking all the little knobs to adjust it to actually work out how to capitalise on the best opportunities that present themselves.	We've obviously developed our processes and our structures but I suppose the defining aspect is that we have a very small head office. We're not telling our subsidiaries what to do – we're using the skills of our subsidiaries to help other group companies. For example the IT department of our distribution business actually provides IT services to a number of companies in the Group. We're not replicating Group IT, HR or procurement. Basically Group is there to effectively oversee the investment.	The one thing I did when I came in was enabling my managing directors. I had four units, I gave them autonomy, I empowered them and they ran their own business and it was a light touch from me and that empowerment really was the energy that created the development within BFS. I would say Michael is doing the same across all the divisions. He has his say on the strategy, as does the Bibby Line Group board. But if you look at the divisional strategies they are laid down by the executive teams in those businesses.	I also think that strategy emerges, and we refer to our strategy as something that is emergent. So we have objectives in the direction of travel and then the things ebb and flow and weave towards those objectives as they emerge. I think the danger of having a strategy that it is fixed is – by the time you have written it something has changed either within your organisation, outside your organisation, the economy or whatever.	I admire hugely the ability to see an opportunity and grasp it and that (move into factoring) turned into a fantastic business which is the hallmark of entrepreneurship. Well, you've got to make decisions and you've got to do stuff and it comes from that breeding. That legacy of thinking for the long term and, you know, without being too philosophical here, we whinge about short termism and it is the death of enterprise because things have work immediately.
Familiness	We know from our shipping history that markets don't have to be good all the time. We understand cycles and we actually like investing in markets at the bottom on the basis there will be an upside. So we're not worried about going into the SME market many people wouldn't touch because actually it looks a good market to us dealing with small businesses because we are aware of managing risk. Shipping has	Take this building and look at its unbelievably traditional exterior and walk inside and you see a twenty-first century office building. Now that sums up Bibby. When we moved here I gutted the whole of this, there's only one door in the same place as when we took over the building. But that to some extent sums up Bibby; it's a twenty-first century business but hasn't lost what is important about the tradition.	Michael has developed Bibby social responsibility. We encourage all our teams to raise money for charity and we're into carbon savings. Michael is funding forests in India to counter the effects of carbon we generate in our shipping and transportation areas. We have brand values at Bibby Line Group. We're very much more aware of people being the key to our success	The long-term view comes about as a result of two things really. One is they have been in business for 204 years and their motivation is really about the long term and future generations. The second aspect is that for probably 180 something years it has been a shipping line and as a shipping line, they have made money out of buying and selling assets and	Now if you're prepared to plan for seven years to build a ship or a hundred and forty years because that's your heritage, you can afford to really go for something and take the setbacks. The Bibby Group, you know, have had really serious life-threatening setbacks including the loss of the MV Derbyshire with all hands. What do you do? Do you give up? Or do you pick

	taught us that the whole business is about managing risk. So to go into distribution and be losing £4 million a year, most businesses and most management teams would have ditched it. We were, okay, is it possible to turn this business around, if so what do we have to do, how the hell do we do it, who do we need to bring in to do it? We only ditch businesses when we actually realise we've made a total cock-up and there isn't any hope of ever delivering on our objectives.		rather than just the balance sheet. So it's very much more people orientated and that transformation really has been down to Michael. He has gone through and come out the other side, so he's has done a fantastic job. I'm sure it was a tough journey for him, but he's definitely come through that journey now. So that's the Bibby Line Group.	historically, the buying and selling assets has been over a long-term horizon – 15–25 years from the bottom of the market to the top of the market with a long-term view. It is that long-term view of doing business... is just the way they think which is complete opposite to a PLC or a VC backed business.	yourselves up and get on with it because you're building for the long term, and that's their huge asset. It's psychological – you know, we're in this for the long term. What was the downside risk in taking on a factoring business? What's the worst that's going to happen? You're not going to get paid – so what do you do? You make getting paid your core competency and Bibby's ethos is cash is king.

Michael Bibby – Current MD of Bibby Line Group

David Robertson – MD of Bibby Financial Services 1990 to 2011

Simon Sherrard – MD of Bibby Lines Group 1985 to 2000 (current non-executive director)

Iain Speak – Current MD of Bibby Distribution

Nick Bacon – Head of company responsible for marketing Bibby Factors

Table 1 Liverpool shipping families

Business	Start date	Milestones	Result	Key reference
Elder Dempsey	1868	Company founded 1879, Alfred Jones joins 1884 Jones gains control of E-D 1909 Jones dies	Begins trade to West Africa Took over the British & African SS Co Dominant in West African trade Taken over by Royal Mail Group	Davies (2000)
Harrisons	1820	1884 formed Charente Steamship Co 2000 shipping company sold to P&O	Company grew rapidly Within two years company closed	Hyde (1967)
Holts	1852	1865 formed Ocean Steamship Co 1945 takeover of Liner Holdings 1985 moved out of deep-sea trading	Rapid expansion Consolidation Wound-up in 2000	Hyde (1956)
Swires	1816	1860s trade with China and Japan 1870s acted as agents for Holts 1898 John Swire dies	Open up trade with China Close working relationship with Holts Taken over by Blue Funnel Line in 1911	Marriner and Hyde (1967)

Table 2 Six generations of the Bibby Line

Generation	MD	Management tenure	Key events
First	John Bibby	1807 to 1840	Creation of the Bibby Line in 1807 Built fleet of 18 vessels Established Mediterranean trade Some trade with Bombay and Canton
Second	James (son)	1840 to 1897	Fleet of 23 steam ships by 1865 Association with Harland and Wolff James 'retires' in 1973 James establishes limited liability company in 1890 Separation of owners and managers
Third	Arthur (nephew of James)	1897 to 1935	Consolidates links with Burma Seven ships less than 10 years old in 1914 Fleet requisitioned for First World War Post-war turbulence Focus on Burma trade
Fourth	Harold (Arthur's son)	1935 to 1965	Fleet requisitioned for Second World War Decline of Far East trade Containerisation and air travel
Fifth	Derek (Harold's son)	1965 to 1985	Two bulk carriers from Japan in 1965 Borrowed finance Oil shocks of 1970s Marine diversification Regained financial control Appointed Simon Sherrard MD Diversification into financial services and logistics
Sixth	Michael (Derek's son)	2000 to present	Continued diversification Rapid growth of the business

Table 3 Dynamic capabilities in the Bibby Line

Year	Strategic initiative	Change mechanism	Capability changed	Driver of change
1980	Leveraging	Derek Bibby's entrepreneurship	Extended shipping knowledge	Decline of shipping activities
1982	Creating	Extension of existing managerial capabilities	Moving from financial control to credit control	Need to broaden customer base and give protection from cyclical nature of shipping
1985	Accessing	Acquisition of new managerial capabilities	Logistics	Low levels of liquidity (cash)
1978 2004	Releasing Releasing	Move into shipping-related activities Shift from reliance on shipping to more diversified activities	No change of capability No change of capability	Decline in demand for shipping Strategic response to 'boom' in shipping

Notes

[1] Access obtained from Bibby Head Office (courtesy of Sir Michael Bibby and Jon Haymer, current FD)
[2] *Financial Times*, 7 October 1965
[3] *Financial Times*, 8 November 1968
[4] *Financial Times*, 3 February 1972
[5] *Financial Times*, 12 August 1978
[6] *Financial Times*, 16 August 1978
[7] *Financial Times*, 28 October 1980
[8] *The Times*, 27 November 1993
[9] Bibby Group Annual Report, 1988
[10] Interview with Sir Michael Bibby, 6 May 2011
[11] Interview with Sir Michael Bibby, 11 July 2011
[12] Interview with Sir Michael Bibby, 6 May 2011
[13] Bibby Line Annual Report, 2007
[14] Interview with Sir Michael Bibby, 11 July 2011
[15] *Financial Times*, 14 August 1990
[16] *The Times*, 4 November 1990
[17] *Financial Times*, 4 April 1991
[18] *Liverpool Echo*, 18 June 2002
[19] BFS Annual Financial Review, 2004
[20] *Financial Times*, 15 October 2005
[21] *Financial Times*, 15 October 2005
[22] *Liverpool Echo*, 19 January 2007
[23] *Liverpool Echo*, 18 September 2007
[24] *Liverpool Echo*, 11 May 2007
[25] Bibby Financial Services Annual Report, 2007
[26] Bibby Financial Services Annual Report, 2007
[27] *Liverpool Echo*, 14 May 2009
[28] *Liverpool Daily Post*, 15 January 2011
[29] Bibby Line Group Annual Report, 2007
[30] *Liverpool Daily Post*, 25 July 2002
[31] Bibby Line Group Annual Report, 2005
[32] Bibby Distribution Annual Report, 2006
[33] Bibby Line Group Annual Report, 2007
[34] *Financial Times*, 3 August 2009; *Daily Telegraph*, 29 August 2009
[35] *Financial Times*, 14 September 2009
[36] Interview with Sir Michael Bibby, 6 May 2011
[37] Interview with Sir Michael Bibby, 6 May 2011