PENTLAND GROUP: A FAMILY OF BRANDS

LESSONS FROM THE WINNER OF THE 2017 IMD GLOBAL FAMILY BUSINESS AWARD

By IMD Professor Benoit Leleux, with Marta Widz
Receiving one of the most prestigious accolades for “excellence in family business” was a
memorable moment for Andy Rubin, third generation family shareholder and chairman of Pentland
Brands – the brand management division of Pentland Group plc.

Pentland Group plc, a second- and third-generation family enterprise, started in 1932 as a shoe
distributor and then a manufacturer. It later diversified into other businesses, only to ultimately re-
focus and become a “family of brands”. The global brand management company is headquartered
in London, UK. Owned by just six family members, it employs over 20,500 people worldwide and
generates about £2.9 billion in sales.

Pentland Group plc operates in the areas of sports, fashion, outdoor clothing and equipment
through three divisions.

- Its core business, Pentland Brands, manages a portfolio of owned brands including
  Speedo, Berghaus, Canterbury, Mitre and KangaROOS; Lacoste and Ted Baker as
  licensed brands for global footwear, and Kickers as a licensed brand for the UK.
- The retail division comprises JD Sports Fashion, a chain of over 1,300 retail shops, in which
  Pentland Group is a majority shareholder.
- The Investment Division supports group diversification by investing in new ventures or
  partnering with start-ups with a mandate to learn from entrepreneurs and innovate.

Pentland Group plc was recognized by IMD for its commitment to sustainability, ethical trade,
human rights, outstanding contributions to combating modern day slavery as well as its skill in
regenerating itself through innovation and entrepreneurial venturing.

For Pentland Group plc, the IMD Global Family Business Award is the first global recognition of its
achievements. But it had been recognized previously on a local and regional scale as the 2008 Best
Family Business in the UK (based on business success, family governance and CSR) by the
Institute for Family Business. In 2014, Pentland was awarded European Family Business of the
Year by Campden and this year the UK Family Business of Excellence by the 2017 EY
Entrepreneur of the Year Awards. Pentland Group has also won five Queen’s Awards for Enterprise
– one of the most prestigious UK awards for business performance. In 2016, the Great Place to
Work Institute named Pentland Brands as one of the best workplaces in the UK and in Europe.

Building a family of brands for the world to love, generation after generation

Pentland Group’s roots can be traced back to 1932, when Berko and Minnie Rubin – immigrants
from Eastern Europe – set up the Liverpool Shoe Company, a small fashion footwear business, with
just over £100 as a capital base raised from family and friends. The two generations that followed
expanded the business in a number of directions. Significant among these was an expansion into
the manufacture of women’s footwear in the 1940s to 1960s, followed by pioneering the outsourcing
of footwear manufacturing to Asia in the early 1970s.

In 1981, it invested US$77,500 for a majority stake in a struggling American sports brand called
Reebok. This investment was sold 10 years later for a 10,000-fold return on investment.

With the proceeds, the company started to develop a portfolio of owned brands at Pentland Brands
being guided by a single purpose: “Building a family of brands for the world to love, generation after
generation.”

Pentland Brands relies on superior brand management skills and innovation capabilities, for
example:

- **Speedo** is the number one performance swimwear brand worldwide with a 65% market
  share. At the 2012 Summer Olympics, 57% of medals were won in Speedo and at the 2008
  Olympics Michael Phelps became the most decorated athlete ever, winning 22 medals, all
  wearing Speedo suits. Speedo’s Aqualab is the driving force behind Speedo swimwear
  innovation, taking inspiration from many different sources such as mimicking sharkskin with
  the Speedo Fastskin in 2000, to working with NASA scientists to develop the legendary LZR
  Racer.
• **Berghaus** is the market leader for performance outdoor clothing, backpacks and footwear in the UK. It launched the first commercially available Gore-Tex jacket in Europe and won many industry awards as well as the 2006 Queen’s Award for Enterprise for innovation demonstrated throughout the company.

• Pentland Brands also pushed the boundaries of technical innovation with **Canterbury** by developing the Rugby World Cup 2015 Elite test jersey for England, Ireland and Japan using super-enhanced fit technology with position-specific 3D body-mapping.

• With **Mitre**, it developed Hyperseam technology, fusing high-tension machine stitches and bonded seams for football panels, enabling such benefits as almost zero water uptake, size and shape retention, and reduced resonance.

**Masters of regeneration: entrepreneurial venturing with family capital**

Despite floating the company on the London Stock Exchange in 1964 to raise capital for expansion, the Rubins stayed committed to the business; in 1999 the family decided the listing had stopped being worth its while and bought back all outstanding shares, going private again.

The committed private ownership has provided a framework for wise investments with cautious capital structure preferences. Venturing with family capital has allowed the Rubins to add newly owned brands to Pentland Brands portfolio. It also has meant a diversification of investments within and outside the core businesses operated out of the Investment Division – the investment arm of the family business. Its scope of investment is very broadly defined, and included, for example, minority investment in Body Armor, a coconut water-based sports drink with endorsements from multiple American athletes or an investment in Heidi Klein, a British boutique beachwear brand.

In its venturing activities, in 2005, Pentland completed its first major acquisition in the retail sector by investing in a retail channel, JD Sports Fashion, where it remains the majority shareholder today.
Brands with social purpose

Pentland Group set the industry standards for fair trade and sustainability when Stephen Rubin, second generation family leader, served as World Chairman of the Textile Institute and President of the World Federation of the Sporting Goods Industry. “We made a phenomenal difference to eliminating child labor in India and Pakistan,” said Stephen Rubin. Pentland’s leadership and actions in the textile and sporting goods arena has resonated purposefully in the industry.

Corporate responsibility became an inherent part of Pentland's business culture and model. Pentland Brands set its corporate strategy responsibility goals along three criteria: (i) building brands with social purpose; (ii) future-proofing the supply chain; and (iii) respecting human rights and tackling inequality. It measures progress on these achievements, reporting it in a comprehensive annual Corporate Responsibility Review.

In 2002 Stephen Rubin was appointed as an Officer of the Order of the British Empire (OBE) for services to business and to human rights. In 2010 he received an honorary Doctor of Art (DArt) degree from Nottingham Trent University in recognition of his outstanding contribution to the footwear and sportswear industries and for raising ethical standards in manufacturing.

In 2015, the Rubin family sponsored a new Chair in Sustainability at the Lancaster University Management School and launched the Pentland Centre for Sustainability in Business. The vision of the Pentland Centre is to create a world-class hub for transdisciplinary research on sustainability, exploring macro trends particularly in environmental sustainability, ethical trade, human rights and to engage directly with leading organizations, including the World Business Council for Sustainable Development (WBCSD). In 2016, in collaboration with Lancaster University, Pentland developed a toolkit to prevent modern slavery and assess its risk at every one of its first-tier suppliers. In 2017, Pentland Brands published its first Modern Slavery Report.

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The IMD Global Family Business Award was created in 1996. The aim of the award, which provides a unique platform for sharing best practices and analyzing the economic backdrop, is to promote family businesses by highlighting the exceptionally high standards they are capable of and the many forms they may take. The 2017 award ceremony took place during the 28th Summit of the Family Business Network International (FBN-I) in Gran Canaria, Spain.