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Stagecoach charts course for succession

By Andrew Parker and David Oakley



Britain will be losing one of its most colourful chief executives with Sir Brian Souter's relinquishment of the top management role at [Stagecoach](#).

He has combined entrepreneurial flair with outspoken views while running Stagecoach and he may be missed as much for his casual dress as his record in creating one of the world's biggest bus and train operators.

But Sir Brian is not leaving Stagecoach – he intends to move from chief executive to chairman in May next year – and this is causing nervousness among some investors who fear he might disrupt his successor.



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In an email to staff on Wednesday, Sir Brian, 58, said: "Now is the right time for me to take a step back from the day-to-day management of the business. Stagecoach is in

excellent shape and it has always been my intention to pass the baton well before retirement."

With only two buses, Sir Brian co-founded Stagecoach in 1980 with his sister Ann Gloag. Today, it is the UK's largest listed bus and train operator by market capitalisation.

The company achieved its status by riding the wave of deregulation in the bus and rail industries during the 1980s and 1990s – and it was not afraid to use aggressive tactics against competitors. For example, Stagecoach sometimes ran free buses that arrived slightly in advance of rivals' services.

But above all, Stagecoach has been entrepreneurial. Sir Brian, who paid his way through university by working as a bus conductor, considers one of his most substantial achievements to be [megabus.com](#) – Stagecoach's no-frills, low-cost, long-distance bus service that he likens to [Ryanair](#).

That willingness to take risks with new services and acquisitions has mostly led to a

solid financial performance – certainly in recent years. In the year to April 30, Stagecoach reported pre-tax profit of £239.8m, up 14.4 per cent compared to 2010-11.

The one notable blemish in the Stagecoach story was its disastrous acquisition of Coach USA, a sprawling north American bus, coach and taxi operator, in 1999.

The challenge of sorting out the American business prompted Sir Brian to take the role of chief executive in 2002 – he had been chairman since 1998.

Sir Brian's successor as chief executive will be Martin Griffiths, currently Stagecoach's finance director, who joined the company in 1998 and like Sir Brian is a chartered accountant.

Mr Griffiths faces several challenges, including the turnaround of Stagecoach's London bus business and has to decide how the company should respond to its joint venture with Virgin group, called Virgin Rail, losing the West Coast train franchise.

But could Mr Griffiths' biggest challenge be dealing with Sir Brian? As well as chairman, Sir Brian is the company's largest shareholder with a 15 per cent stake.

Some other shareholders in Stagecoach were critical of Sir Brian's move to chairman because of worries it could undermine the freedom of Mr Griffiths to draw up new plans.

One top 30 investor said: "My main concern is that Sir Brian will still try and run the company, when he should be standing back more. That could hinder the new chief executive."

Other shareholders were more relaxed, however, saying Sir Brian was "highly regarded" and would make a good chairman.

Although the UK corporate governance code states a chief executive should not become chairman of the same company, these shareholders highlighted how the guidance is not mandatory. Groups are supposed to explain their reasons for not complying with the code – as Stagecoach has done.

One top 20 investor said: "We are sure Sir Brian will act in the best interests of the company and the shareholders."

A Stagecoach spokesman declined to say whether Sir Brian would have an executive or non-executive role as chairman, or specify how much time he would devote to the new job.

Sir Brian said in his email he would remain "heavily involved" in Stagecoach as chairman but stressed Mr Griffiths had a "strong personality".

“Martin and I have been a team for around a decade and we will continue to work closely together,” he added. “I’m confident he will be an excellent chief executive.”

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