

## **The book's structure**

*British Housebuilders* divides into two parts: the first describes the changing corporate structure of the housebuilding industry, centred around housebuilders' league tables' from the 1930s onwards; the second part analyses the reasons for the growth and decline of the housebuilding firms. The body of this opening chapter begins by defining the distinctive economic nature of the speculative housebuilding industry, including the development process, the wholesaling function and the capital risk. The substantial economic differences between speculative housebuilding and the physically similar construction of local authority housing are stressed. It outlines the sources of information for the individual companies that are at the heart of the book; the methodology used in determining which were the leading housebuilders and the Chapter contains a more detailed explanation of the sources for the housebuilders' unit volume statistics.

To provide a basis for an analysis of the supply side of the speculative housebuilding industry from its emergence in a recognisable form between the wars, a matrix of the leading housebuilders has been constructed for five key periods in the industry's history, ranging from the 1930s to the end of the century. As background for this data, some 140 individual company histories were prepared: these were based on public records, unpublished archival material from the inter-war period, some 140 interviews with many of the founders and entrepreneurs that ran the companies, and a further 40 written contributions, plus my own previous knowledge of the companies. Thus, Chapters 2 to 6 are structured chronologically beginning with the inter-war period, followed by the second war and building controls, the post-war housing boom (1955-1973), and then two periods of recession and recovery - 1973 to 1988, and 1989 to 2004. With the exception of the war, each of these periods contains one or more tables that delineate the leading housebuilders at specific points in time, ordered by the number of houses sold, in order to generate a 'league table', and to show the change in market share of the top ten companies. It is believed that every housebuilder that has attained an annual output of at least 1000 units has been included, with a lower threshold of 500 units for the pre-war and early post-war periods. This matrix provides a much-needed context for the later analysis. It facilitates a greater understanding of the origins of individual firms and their founders' characteristics, and allows a more systematic analysis of the economies of scale, the increase in concentration, and the emergence of national housebuilders.

The inter-war period (Chapter 2), particularly the late 1920s and the 1930s, was a period of unprecedented growth in private housebuilding which saw the emergence of the speculative housebuilding industry as it now exists. Provincial housebuilders moved to London, and by

the late 1930s some London housebuilders were beginning to build outside London. Yet, although firms built on larger sites than today, for the most part they remained local businesses. How they would have developed remains unknown, for World War II and the post-war building controls (Chapter 3) created a 15 year period where there was practically no speculative housing and many of the pre-war housebuilders either vanished or substantially changed the balance of their business. For obvious reasons there is no table of leading housebuilders for this period, but the impact that this cessation of speculative development had on the subsequent structure of the industry was profound.

With building controls finally removed in 1954, the industry enjoyed a period of growth which lasted almost 20 years. The post-war housing boom described in Chapter 4 saw the emergence of a new generation of housebuilders, a contrast with the inability or unwillingness of the pre-war housebuilders to reassert their position. The period also marked the start of the housebuilders' regional expansion. The industry's first major post-war recession started during 1973 and eliminated many housebuilders. The industry had to cope with lower demand for the rest of the decade but the emergence from recession and growth in the 1980s produced another generation of housebuilders (Chapter 5). The events outlined in Chapter 5 have their parallel in Chapter 6: the post-1989 recession was as severe as that of the early 1970s and similarly led to changes in the corporate structure of the industry, in particular allowing the increasing dominance of the national housebuilder.

For each of these time periods, market share statistics are prepared and Chapter 7 concludes with a summary of market share growth from the 1930s to the end of the century. The numbers can only be approximate but, in the 1930s, the 10 largest housebuilders had combined volumes of around 16,000 to 18,000 houses, or some six to seven per cent of the market. By the end of the century the 10 largest firms had combined volumes of 63,000 a year and accounted for over 40 per cent of a much smaller industry output. Corporate change in the housebuilding industry through the twentieth century can be analysed for the first time.

Part II explores the factors underlying the consolidation process in the British speculative housing industry. Entrepreneurial flair is important in all businesses but the peripatetic nature of housebuilding production and the degree of speculation involved in acquiring land so far ahead of production made this especially important in the fortunes of the private housebuilders. In view of the emphasis placed in this book on the entrepreneurial contribution, Chapter 8 describes the background of the founders and dominant characters who ran the larger firms. Perhaps surprisingly, by the end of the century there was an increase in the number of first generation founders running the larger companies, and the founders

continue to include people with no post-school qualifications.

Chapter 9 addresses the housebuilders' arguments for growth, being in simple terms that size brings economies of scale. This chapter will argue that there is no overriding economic necessity to construct ever-larger firms. If the housing site is taken as the production unit, there are minimal physical economies of scale and, in any case, the size of the site is not within the determination of the housebuilder, but is primarily determined by the planning process; he therefore has no control over the economies of scale. However, there are economies of scope that do accrue to the firm, and land acquisition, marketing and purchasing are addressed in detail. Against this, there are also offsetting managerial diseconomies and, perhaps even more important, a dilution of entrepreneurial flair as decision-making is diffused across a regional network. A statistical analysis of profit margins provided no evidence to support the assertion that large housebuilders are inherently more profitable than small ones.

Devine et al. argued that 'analysing growth of firms is not a separate activity from analysing their decline'<sup>1</sup> so Chapters 10 and 11 explore the reasons why individual housebuilding entities have failed or just faded away. The chronological periods that provided the framework for Part I are used to show what happened to each of the larger companies. The dominant individual, once responsible for growing the business, frequently plays an important role in its decline, sometimes directly through aggressive over-expansion; sometimes indirectly through failure in handling succession. Lack of focus is invariably associated with decline. Housebuilders have frequently operated side by side with construction, commercial property development, and overseas housing; they have also diversified into unrelated activities and, in turn, been part of conglomerate structures. Each one of these pairings is separately analysed and found wanting. Finally, whatever the structure that has been adopted by individual firms, all have been affected by the housing cycle. The cycle typically draws investment in towards the peak and the major recessions of 1974 and 1990 led all too often to sudden death; some 40 quoted companies left the industry as a result.

Having rejected any operational necessity for housebuilders to become national concerns, this book argues that the consolidation process within the housebuilding industry has been substantially driven by a three-pronged dynamic somewhat different to that envisaged by Chandler: financial opportunity and the influence of the Stock Exchange; personal motivation; and the apparently simple concept of avoiding firm-threatening mistakes. It is financially advantageous for owners to invest surplus funds in their own business: as their

---

<sup>1</sup> Devine, *An introduction to Industrial Economics*, p.135.

product cannot be physically delivered to the purchaser, reinvestment can only be made by extending geographical coverage. The ability to float on the Stock Exchange has provided an incentive for private companies to grow to a size where they can be floated; once there, the ability to issue shares has allowed companies to finance a faster rate of growth and to make acquisitions. Furthermore, they are not allowed to stop: the pressure from institutional investors on quoted company managements is to produce profits growth and consolidate into more marketable entities.

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