



Barfoot and Thompson: Organising for Growth

BY IAN HUNTER

I don't think that the family aspect is significant in itself. It's whether the family is able to lead [the firm] and has the ethical background which the public respects. You can't achieve anything in real estate unless you have the trust of the public. That's the vital element you might say. My father, Val Barfoot, and Maurice Thompson were building on a sense of justice and fair play. The second and third generation have held to those original principles. That is something which the public appreciates and which the sales people do, too.

— Chris Barfoot

Looking in detail at the 1950s and 1960s, this case considers the challenges faced by the real estate firm, Barfoot and Thompson, as they sought to initiate a programme of branch expansion during this period. What emerges as significant is the purposeful approach toward management and organisation adopted by the partners, which not only assisted the firm to roll out a successful branch structure, but ultimately provided a competitive advantage in the marketplace, which the firm has managed to retain to the third generation of family ownership.

Introduction

In the five years following the end of the Second World War, the real estate market remained stagnant. With prices artificially pegged to 1942 price levels by the government, even if buyers were keen to purchase, no one wanted to sell—or at least, sell legally. Why the three men gathered in a small office in Swanson Street on 1 March 1949 wanted to buy a competitor real estate company under such circumstances was surprising, especially given their own situation. Though the three had worked in the real estate market for over 20 years, they did not have the capital for such a move, instead, they were asking the competitor to buy shares to facilitate their purchase. Moreover, the firm they

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were about to purchase, T. Mandeno Jackson, though it was one of the oldest and better-known real estate firms in Auckland city, was itself making a loss.

Perhaps it was their determined self-belief and tenacity that carried them along? The oldest, 54-year-old Kelland Barfoot, had run the letting department of their small Queen Street real estate firm, Barfoot Brothers and Thompson, for the past 24 years. A fair-minded person, with cautious disposition, he was the steadying hand in the group. His 52-year-old younger brother, Val Barfoot, had been the founder of the firm. A cheery, light-hearted nature masked a meticulous and deeply analytical approach to business: numbers, ratios, and processes occupied his mind continually. Forty-two-year-old Maurice Thompson was the most recent partner. His natural charisma combined with an instinctive judge of character disposed him well to lead the firm's small sales team, or the sales team of any organisation they cared to purchase. These skills, along with the other capabilities of the group, would be exercised in full over the next 12 months. Though they would be assisted by a fortuitous reversal in Government policy on house prices, building a firm that would expand to challenge the might of older, wealthier competitors would take more than just providential changes in the business environment.

London-born

Valentine Barfoot was aptly named. Born on Valentine's Day in 1897, he was the son of a London cloth merchant, whose firm, H. S. Barfoot and Sons, dated back to 1860. Unlike his father, Val did not hanker after a career in the family cloth business. After leaving school he remained only a short period in the firm before joining the army to serve as an artillery officer on the Western Front in the First World War. When the war ended in 1918, he returned to continue his formal education, graduating from Bristol University in 1921 with a Bachelor of Science in Mechanical Engineering (See Exhibit 1).

Like other new graduates, he found it difficult to get work. With his father in need of a warmer climate for health reasons, it was not a difficult decision to accompany his parents when they immigrated to New Zealand in late 1922. Yet, the kinds of difficulties he incurred in the British job market due to the post-war slump had also reached New Zealand. The hopeful 25-year old remained optimistic but could find no work as an engineer.

In January 1923, as he stood waiting for a tram on Broadway, Newmarket, Val Barfoot noticed that a partner's name had been crossed off the window in a small land agent's office. He entered, and proposed to the owner that he work for a week without wages with a view to establishing a possible partnership. The owner agreed; each day while he manned the office, the partner went out on business. Pursuing him one afternoon, Val found that the man's destination was not eager clients but the local pub. Barfoot needed little encouragement, deciding to go it alone, he offered the man £75 for the business (£25 for office equipment, £50 for goodwill). His offer was accepted and though he had no clients, or even a phone, the young engineer had purchased his own land agency business.

First Sale

With his remaining capital, Val Barfoot purchased a new car and began scouring the suburbs around Newmarket for potential clients. Appointing an agent to sell property was not the only, nor obvious, decision for vendors at this time: much real estate business was privately conducted; lawyers held and sold property for clients; builders constructed

houses and sold them privately. His first client, a builder in Wheturangi Rd, Greenlane was of this sort. In the final stages of completing a bungalow for sale, the builder half-heartedly agreed to list with the young Englishman. His faith rose considerably when Val sold the house the following afternoon. Other sales followed, typically in the suburbs around Newmarket—Remuera, Epsom, Greenlane, One Tree Hill, Meadowbank—as Val capitalised on the urbanisation occurring in Auckland city. Using the *New Zealand Herald* to advertise property, he cultivated a precise advertising style, with small, two and three-line advertisements. His formula was to list the suburb first, followed by the number of bedrooms, size of section, and then any special features. Typically, he finished the advertisement in a clipped way with the price and cash deposit required. All those who inquired were offered a coloured map Val had produced of the immediate district (See Exhibit 2). On the reverse of the map, Val, or ‘the man on the spot’ as he began to call himself, accentuated his point of difference:

Most buyers want to live in a particular area. Therefore they will almost certainly visit the agent who is the agent for that area. If you wish to sell a property in the area covered by this map, do not fail to give details to the enterprising agent, V. H. Barfoot of the Auckland Land Agents' Association.

Industry Context

Despite the sharp recession at the beginning of the decade, Auckland in the 1920s was a buoyant environment to commence a real estate agency. Suburbs such as Mt Albert, Mt Eden, Pt Chevalier, and Grey Lynn expanded rapidly. The Californian bungalow, a mix of American, Indian, and Australian influences and constructed out of a blend of kauri, rimu, and cedar replaced the older, colonial style kauri villas. Servicing this market were 269 land agents. The majority had a single office, (254), only 15 had two or more branches, and many of these, like the Farmers Cooperative Auctioneering Company, were out of Auckland in Hamilton, Te Kuiti, and Matamata. Those with multiple branches in Auckland itself included Abraham and Williams Ltd., Jolly and Co., Arthur Richard Ltd., with branches in Takapuna and Queen Street, Quane and Lauder, and Wickins and Sutcliffe. The older and more established firms included T Mandeno Jackson (branches in Commerce Street, Hamilton, and Waiuku), and Samuel Vaile and Sons. This last-named firm, established in 1875, was already in second generation ownership by the time that Val Barfoot commenced his business in Newmarket. Under the direction of Earle and H.E. Vaile, like many of the other estate agencies, it offered a combination of auctioneering services, valuation, mortgage finance, letting, and rental services. The firm’s three-storey central branch was located at 83 Queen Street.

A Brother Joins

Like his younger brother, Kelland Barfoot had also seen action in the First World War, serving in the Royal Flying Corps. Now married with a daughter, he had elected not to follow the rest of the family to New Zealand but to remain working in a small boat building business in Dorset. However, receiving numerous encouragements from his brother about prospects in New Zealand, he finally acquiesced, arriving in Auckland with his family in December 1924 (See Exhibit 1). The small Newmarket office was renamed Barfoot Brothers, and the pair concentrated their activities in Epsom, One Tree Hill, Greenlane, and Remuera.

They split the functions of the business between them. Using his copy writing and marketing skill, Val concentrated on selling, while Kelland developed the renting and

letting department of the business, not knowing how important this particular branch of the firm would soon be to their very livelihood. After five years of solid work they had outgrown their small office and in 1929 moved to luxurious and more expensive premises in the New Zealand Insurance Building, 105 Queen Street. Such a move did not come cheaply and the rent bill for the firm tripled from £3 to £10 per week.

Depression strikes

It took almost a year before the financial stringency from the 1929 Wall Street crash was felt in New Zealand. Exports, which had reached an historic high in 1928 of £56,188,481, fell only slightly in 1929. The following year they crashed by 20 percent to £44,940,692, and by 1932, they had dropped another 20 percent to £36,965,720. The fall came almost exclusively from one sector of the economy: pastoral products. Ironically, it was not the volume of product which had dissipated. Every category of primary exports had steadily increased in export volume since 1928—the volume of butter exports, for example, had increased by 25 percent. Instead, the fall in value arose from the widespread collapse in commodity prices; between 1928 and 1932 prices for pastoral and dairy produce fell by 50 percent. The ramifications of this were soon felt in other sectors of the economy. Between 1930 and 1931, factory employment fell by 20 percent. The following year, unemployment trebled in the Dominion. Money was diverted to work camps and public work schemes as other forms of government spending were cut back. The 1931 census was cancelled, while a general order of the Arbitration Court reduced all rates of pay by 10 percent.

Such economic turbulence did not go well for two budding real estate proprietors who had just leased larger and more expensive property from which to conduct their business. As property sales dropped and rental incomes fell, Val and Kelland Barfoot, too, had to take corrective action. Finding that they could no longer cover their overheads from property sales commissions, they reconfigured the office space, subletting a portion to other tenants. At the same time, Kelland concentrated on building up the letting and rent collection business, which wasn't as susceptible to economic downturn as the house sale market. Though they had to apply to their own landlord on numerous occasions for rent relief, the small firm, with five staff, limped through the first few years of the depression.

A further partner joins

Maurice Thompson was born 16 April 1907. His father, Captain Richard Thompson, an Irish Protestant, was stationed with the Royal Indian Marine in Burma. On leaving his commission, Captain Thompson immigrated to New Zealand with his family in the 1920s, his children completing their schooling in New Zealand. Maurice, when he left secondary school, went to work as a salesperson for the farm supplies company, Wright Stephenson. Then, after a short period farming himself, he moved to Auckland with his new wife in 1930. With the economy tightening, Maurice took several jobs before entering the police force in 1932. Two years later, and disillusioned with career prospects in the police, he allowed his father to organise an introduction to Val and Kelland Barfoot about prospects in their small firm (See Exhibit 1).

Having endured four years of business difficulties, Kelland Barfoot did not immediately take to Maurice and was hesitant about what benefit he might bring to the business. Val, however, was more pragmatic. With a shy personality and hampered by a stutter, he was honest about his own shortcomings as a salesman. Likewise, Kelland, for his strength in managing the letting department, was also not salesman stock. In Val's mind, Maurice's

skills seemed vital for the firm's success. Initially, Maurice Thompson was employed to establish a farm sales department. Due to persistent economic difficulties, farm sales remained flat so he joined Kelland in the letting and renting department of the firm. Having proved his worth, before enlisting in the Air Force in 1940, Maurice Thompson was made a partner in the firm.

Maurice had a strong personality. My father quickly realised that. He helped keep the firm going during the Depression with his valuations and looking after property and so on. Then in 1940, my father asked him to become a partner because he realised Maurice's worth. Of course there wasn't any expansion of the business at that point. You couldn't expand during the Depression or the war. It was after the war the big expansion came and that's where Maurice's gifts came in. He could run a sales team, which my father could never do. My father was a good businessman. He could make good business decisions. He was never a motivator of men.

Chris Barfoot, 2005

Post War Difficulties

During the Second World War, the real estate market showed no signs of returning to its pre-depression buoyancy. It was made even more difficult under measures introduced as part of the Economic Stabilisation Scheme to manage a wartime economy. Through the Land Sales Act of November 1943, the government set the price of land and properties at 1942 levels to ensure that returning soldiers were not disadvantaged when attempting to purchase houses. Though well-intentioned, the scheme backfired. When the war ended in 1945, demand soon exceeded supply as returning servicemen sought out houses whatever the cost. Predictably, a black-market for houses arose as legitimate house sellers were unwilling to list their homes for sale due to the minimal prices imposed. Those houses that did sell were often sold illegally. Estimates suggested that the listed price of a house only represented about 55% of its actual sale price with the balance changing hands in cash. Barfoot Brothers were faced with a difficulty. Determined not to participate in the racketeering they watched their own listings plummet. In 1942 they had 2,000 houses on their books; by 1946, they had six, with 13 staff to support. Val Barfoot wrote at the bottom of a National Employment Service employment survey: 'Present difficulties are likely to continue much the same. Number of employees will probably remain the same.'¹

With income from renting and letting keeping the firm in business, Barfoot Brothers and Thompson, like other land agents, began to specialise in valuation to justify prices before the Land Sales Court. Consequently, Maurice, Val, and salesman Frank Cooper, who had joined the company in 1936, all became members of the NZ Institute of Valuers. The diversification added a much needed further line of income to the firm.

Expansion

Branch expansion was not a new idea to Val Barfoot. Even while living in England, he had seen such a pattern undertaken successfully in a real estate firm in Bournemouth. Since Maurice had returned to the firm after the war, Val had raised the matter on several

¹ Copy of National Employment Service, Half Yearly return of Employment Information, 15 April 1946, Barfoot and Thompson Papers, Company Archive, Folder 1, Box 1

occasions at partners' meetings but neither he nor Kelland were supportive given the prevailing business climate. The number of Auckland estate agencies had dwindled to 159. It was not a sign of market concentration—the number of firms with two or more branches had also dropped from 15 to 6—rather, it was symptomatic of the dwindling market for real estate. Still, by 1949, Val had managed to talk the others into reconsidering their position.

Their first takeover target was T. Mandeno Jackson Ltd. Located in Swanson Street, not far from their own Queen Street office, the firm was one of the oldest land agencies in Auckland. After brief negotiations, on 1 March 1949, Kelland, Val, and Maurice gathered together in the Mandeno Jackson offices to hold the first meeting of the firm. Each took 500 shares in the company; all three acting as directors in common. To enable the transaction to take place they had asked several of the senior Mandeno Jackson staff to also purchase shares in the firm, effectively funding the takeover. It was a cost efficient method of purchasing their first firm, but the strategy was not without its limitations as the partnership would soon discover.

At the time of purchase, Mandeno Jackson was making a loss. To reverse this position Kelland assumed the role of managing director of the firm and Maurice assisted motivating and leading the sales team. By the end of March 1950, though the firm still returned a loss of £291, they had made good headway. Within four months they had achieved a profit of £775,² but the partners faced a more immediate and demanding challenge: unexpectedly, Kelland, a diabetic, died in his sleep, aged 55.

It came at a crucial time in the firm's development. Having just embarked on their planned expansion the three were already eying up further amalgamations. Moreover, the property market had been kicked into life. A National Government elected in 1949 had repealed the Land Sales Act and house prices had responded by increasing nearly 100 percent. It quickly flowed through to increased profitability in the firm. Profits, which had consistently been between £2300 and £2700 in the later years of the war, jumped to £4384 in 1949. In 1950, they rose 30 percent to £6482 (See Exhibit 6).

After discussion, Maurice and Val decided to continue with the intended programme of expansion that they had committed themselves to while Kelland was still alive. Soon the two partners were busy negotiating multiple deals. The pair conceived of a scheme to have a 'combine' (older term for cartel with monopoly-type control of the market) of associates of suburban land agents operating Barfoot and Thompson firms across Auckland: Queen St, Swanson St, Otahuhu, Papatoetoe, Manurewa, Papakura, Onehunga, New Lynn, Henderson, and Takapuna. They perceived several benefits, two of which were that with a common list of properties in the area in which they operated, vendors would be attracted by the coverage of properties; secondly, buyers would expect such a group to have on their books many of the available properties.³

In November 1951, the first of these amalgamations took place with the firm of Tilden, Haughey and Cavanagh to form Barfoot and Thompson, Papakura. In addition, Maurice and Val established a Takapuna office with a single agent and typist. A further office was

² Minute Book, T. Mandeno Jackson, Profit and Loss accounts, 31 March 1950, Barfoot and Thompson Papers, Company Archive, Box 1.

³ Val Barfoot Diary 1953-1957, Entry 5 May 1951-17 October 1957, Barfoot and Thompson Papers, Company Archive, Box 1

under construction in Manurewa and the acquisition of the firm of Ernest and Bayliss in Papatoetoe was anticipated.

Val also involved himself in drawing plans up for a business in New Lynn on Great North Rd, and entered into negotiations with a land agent, Baker Rogers, to purchase his business in Onehunga. On top of this, the partners personally corresponded and organised all new staff appointments. Sales staff were appointed with a commencing wage of £8 per week (payable fortnightly), plus a £2 per week car allowance to cover repairs and maintenance, with the firm paying for all petrol and oil used on company business.⁴

Apart from the Takapuna office, the expansion method was identical to the takeover of Mandeno Jackson: Val and Maurice offered the existing directors shares in the new 'amalgamated companies' as a way of financing the purchases. It was a clever strategy, but it had shortcomings. The directors and managers of the associated companies were more distant than those associated with the Head office operation and tended to operate independently from the group. Lacking a degree of close control over these firms, the partners grew apprehensive, feeling their name could be at risk.

The increase in profits and roll out of branches coincided with dramatic changes in the business environment. In the early 1950s, Auckland represented around 50 percent of all residential building permits as government-sponsored and private construction fired ahead. Between 1950 and 1959, for example, the value of building permits in Auckland more than doubled from \$13.2m to \$28.1m. Auckland itself, showed a relatively faster growth than the other major urban areas in the country, explained by the northward population drift and the extensive government investment in residential building.

This investment had started as the war ended. In 1945, 390 state houses were constructed in Onehunga, ten percent of the national total that year. The pattern continued throughout the 1940s and 1950s. Soon, a quarter of all state houses constructed, were being built in Auckland. During 1950, for example, 292 homes were built in Mt Wellington and a further 301 in Mt Roskill. Around the central city itself, over 400 houses a year were constructed a year between 1952 and 1956.

In the mid 50s the government also financed private sector building. Through the State Advances Corporation, mortgage finance was made available at three percent, and this could be combined with a government floated capitalisation scheme. If a family were receiving a benefit, they could capitalise this as a lump sum over a 15 year period which could then be used to put a deposit on a house. The maximum allowable capitalisation was £1000, though for many, this provided a third of the value of a house. The scheme enabled new Auckland suburbs to be developed on the North Shore including Birkdale, Glenfield, Northcote and East Coast Bays, Manurewa, Papakura, Blockhouse Bay, Avondale; West Auckland including Te Atatu, Glen Eden, Titirangi, Henderson and Massey, Howick, Pakuranga, Mangere and Otara.

A little over a year after Kelland died, and in the midst of the expansion, the pair suffered another health upset. Feeling increasingly unwell towards the end of 1951, Maurice was admitted to hospital to have his gall bladder removed. His recovery took months and Val noticed the strain of his absence acutely. While he could apply his analytical mind to the problems of business planning and advertising, he did not have the people skills or management ability of Maurice.

⁴ Letter to Mr A. J. Evans, 20 January 1950, Barfoot and Thompson Papers, Company Archive, Folder 1, Box 1

The Chain Concept

On Monday, 5 February, 1952, with Maurice still recovering, Val held the first monthly meeting of the directors and managers of the associated firms of the Barfoot and Thompson 'combine.' Represented were shareholders and directors from Barfoot Brothers, T. Mandeno Jackson, Papakura, Takapuna, and Manurewa offices. The purpose of the meeting was clear: to allow for the exchange of ideas between the various member companies and devise ways of improving the efficiency of the group. They discussed radio telephones, filing, and advertising. But the meeting soon went askew. The various managers and directors did not hold a common belief about the changes in the firm and made their views felt. As they discussed the expansion of the firm, some felt that branch offices in adjacent suburbs would harm their present business.

At the next monthly meeting, when the process of decision making was raised, a motion by Val to have majority decisions binding on the group was talked down by the various members. Majority decisions became merely recommendations. Only unanimous decisions were decided to be binding. Amongst a meeting marked by dissension there was one point of agreement: a recommendation that the next meeting should be held with a meal provided.

Val Barfoot left discouraged. He knew Maurice would not have allowed such an outcome, moreover he could see how the conservatism in the member companies would quickly block the kinds of innovations the partners wished to make. Despite his good intentions, he realised that the democratised version of combined leadership would have to be disbanded, along with any further moves to expand via this same pattern of amalgamation. From now on, they would have to fund their branch purchases outright.

When he discussed it with Maurice, they agreed that the establishment of the branches had to be at the discretion of the partners whose role it was to appoint and train the staff, and to standardise the office procedures. In this way they would retain the essential character of Barfoot and Thompson in each new branch in appearance, filing, and staff. Noted Val: 'Herein was to lie one of the keys to our success. On the one hand, the appointment to positions of responsibility of men in whom we had confidence, on the other, the retention of our freedom to innovate and develop the firm as we saw fit.'⁵

Complementary Strengths

Maurice knew the way Val worked. When my father came out with an opinion, he would respect it. He would then say 'yes, yes I know you've done all those things; I still don't think it's the right place for a new branch'. More often he would say, 'yes but who would run it? Who have you got in mind?' My father wasn't quite so good at that. My father would say, 'I was thinking of what's his name.' Maurice would then say, 'I don't know, no, not him.'

He would know the weaknesses of these people, which my father wouldn't quite perceive sometimes. He knew that under pressure they wouldn't perform, or something else would go wrong. He would say 'no, I think this man.' My father would listen to him and would probably agree. The choice

⁵ Val Barfoot, Land Agent-Family Man, Unpublished manuscript, p. 89, Barfoot and Thompson Papers, Company Archive, Box 2.

of the man to run the thing is as important as all of the figures, the profitability, and so on. Maurice would excel in this area because he knew the men better. He had worked with them. They had been salesmen under him. My father was not really a salesman. He was more a proprietor, or a director.

Chris Barfoot, 2005

The expansion tested the complementary strengths of the two partners. Maurice Thompson with his flamboyant nature and strong Irish personality had a strength for handling people and was a natural leader. He could choose and galvanise a team, invite their participation, and deftly handle disputes with his keen sense of fair play. He played this out at his sales meetings. At Mandeno Jackson, he held sales meetings from 8.30 to 8.45am three times per week. Each salesman brought forward properties which he considered saleable and made suggestions as to how sales might be improved, with Thompson encouraging their participation in the business. A wide reader, he adapted clippings from magazines, newspapers, and books to inspire his managers in the weekly briefings at head office. With practical and direct advice, he spoke on subjects such as the attributes of successful salesmen, leadership, how to write advertising copy, having the right temperament, how to talk on the telephone, how to win the prospect's confidence, how to close sales, and how to discuss agreements and finance (See Exhibits 3,4). He read his staff poems and verses—such as that by Frank Bettgen on raising oneself from failure; from George Lorimer's classic, *Letters from a Self-Made Merchant to His Son*, and Rudyard Kipling's poem 'If.'

Val Barfoot complemented this with his in-depth knowledge of real estate practice and property values. In addition, he applied his analytical mind to the problems of systemisation and control, working out what the preferable locations for branch offices were and their optimum size. As the expansion rolled out, Val found building sites for offices, negotiated their purchase, and arranged the building contracts, drawing up detailed budgets. Both men had a desire to improve and change the business, agreeing early on that they would not take any step forward unless they were of one mind on the matter.

A Change of Name

In 1953, the shape of the present day structure was put in place. Val Barfoot and Maurice Thompson bought out the estate of Kelland Barfoot from the partnership and constructed a new company, Barfoot and Thompson Limited: a 50/50 shareholding between Val Barfoot Limited and Maurice Thompson Limited. That year, on total commissions earned of £38,978, the parties generated a net profit of £10,051.⁶

The change of structure coincided with a further rash of branch offices: Moss and Moss in Queen Street had been purchased in 1952, Papatoetoe (1953), Onehunga (1953), Ponsonby (1953), Karangahape Road (1953), New Lynn (1954), Dargaville (1954), Henderson (1954), Royal Oak (1954), Birkenhead (1956), Panmure (1957), Warkworth (1957) and Mt Roskill (1957).

Concurrently, in 1956 Maurice and Val moved to change the basis on which the sales staff were employed from wages toward a commission only basis. They were the first

⁶ Operating expenses included wages of £17,235, advertising expenses of £2,729 and motor vehicle expenses of £2,729.

Auckland real estate firm to do so. Initially, sales staff received 40 percent of the commission received by the firm plus petrol costs, and the firm supplied a radio telephone. To ease the transition to this new system, the partners advanced £10 per week up to a maximum of £50, against future commission

The radio telephone was a legacy from Maurice Thompson's wartime duties. In the Air Force he had studied the organisation of staff and communication. Putting R/T equipment in the firm's cars meant that instead of having to use public telephone boxes, or return frequently to the Queen Street office, staff could relay messages on the road. Barfoot and Thompson offered to pay for the initial installation of the R/T equipment followed by electricity costs of 15/- per week. As a closing note, in his letter Maurice Thompson added:

*Your hours are your own, but this office opens at 8:30am and officially closes at 5pm. Naturally, within those hours we expect everyone to be on deck in the interests of the firm only. Under the above scheme the longer you work the more you will make, theoretically at any rate, if not in practice. We trust that this re-employment will lead to better things for you within the organisation, and that our association will be a long, happy, and prosperous one.*⁷

The Organisation Takes Shape

Branch expansion was intimately linked with increasing the income producing capacity of the business. In these years several sites were purchased, some with the capacity to produce revenue by letting unrequired space. Both partners felt the need to act quickly and be properly established before major housing expansion took place.

Clearly of a mind to continue the programme of expansion, Val wondered at what point they would hit the point of diminishing returns. He weighed through several options, one of which was complete market domination.

*If all the land agents' offices in Auckland belonged to the Barfoot and Thompson combine⁸ and had a common listing this would probably increase the amount of business done in land agency in Auckland because the agents would be able to give a better service, property would be a more liquid investment, the rate of turnover would be increased, people would sell quicker once they had decided to sell, and would be ready to buy if they knew they could sell easily, the market price would be definite (it would fluctuate within narrower limits) and people would be more ready to sell if they felt they were getting proper market value. Moreover, there would be less private business done (not through land agents).*⁹

Though market domination never occurred, Val was convinced that the purchasing of prominently placed branches by Maurice and himself would continue to edge out the competition. As he planned ahead he conceived the future locations of the next 12

⁷ Letter to J. W. Jones (from Maurice Thompson), new remuneration basis, Barfoot and Thompson Papers, Company Archive, Folder 1, Box 1.

⁸ Val Barfoot Diary 1953-1957, Entry 26 April 1957, Barfoot and Thompson Papers, Company Archive, Box 1. A 'combine' is an old term for monopolistic firms or companies with near domination of the market.

⁹ Val Barfoot Diary 1953-1957, Entry 26 April 1957, Barfoot and Thompson Papers, Company Archive, Box 1

branches of the firm. He estimated that the present 15 branches, in addition to Head Office, did 22.5 percent of the Auckland real estate business with the following split: Head Office, 7.5 percent; Mandeno Jackson, 2.5 percent; the other 14 branches each contributing 12.5 percent. Wanting to take the firm network to 27 offices in total, he anticipated doing 35 percent of the real estate trade in Auckland. At this figure, the branches would still contribute approximately one percent each to the turnover of Barfoot and Thompson.

Val Barfoot realised it was not just a problem of diminishing returns, but also one of line and staff organisation: How could he and Maurice manage such an expanding organisation? One possibility was to install district managers in charge of a chain of offices—each responsible for four or five offices depending on the geographical size—‘if we could find enough good men,’ he noted.¹⁰ In the end, this plan was dismissed. Instead, the partners chose a system of highly decentralised management, giving branch managers the autonomy to run their own branches, within the bounds of company policy. Due to the degree of local knowledge required to maintain and run an efficient branch as well as the specific real estate needs of different localities, this was seen as a positive step. More importantly, it gave the managers the opportunity to manage according to their own strengths and weaknesses without unnecessary interference from Head Office. Managers, for example, had complete flexibility to experiment in the promotion of sales.

One disincentive that staff faced however was the decrease in income when rising to a managerial position. Salespeople on commission could earn significant salaries; yet, the opportunity to do so as a branch manager was limited, given the increased administrative load. To encourage motivation and loyalty among the managers, Barfoot and Thompson implemented a profit sharing scheme under which branch managers received two-thirds of the branch net profit, the balance returned to the company. The better the manager could administer customer relationships, direct their sales teams, and encourage listings the more profits could accrue to them personally. This was combined with a policy to promote from within the company.

These arrangements at branch level brought changes to the organisational structure in place at Head Office. Val conceived it would be efficient to separate out the head office functions from the existing Head Office—so that Head Office no longer became a selling branch, but instead purely administrative: organising and operating the masterfile service, daily lists, sold and withdrawn lists, reports, photography, and accounts. In this way, Head Office became a support office for the decentralised branches. The management positions at Head Office were branch supervisor, office manager, accountant, the valuation department, and the auction department. Interestingly, the only position Val Barfoot was not anxious to see in place at Head Office was that of personnel manager. He remarked: ‘The organisation would be better for being as decentralised as possible with each manager responsible (so far as it can be arranged) for his own office.’¹¹

In March 1964, after trialling the various systems through branch managers, Maurice Thompson issued the company manual: *Our Organisation, How We Operate*.¹² It was the culmination of the efforts and changes put in place over the past 15 years. Carefully

¹⁰ Val Barfoot Diary 1953-1957, Entry 26 April 1957, Barfoot and Thompson Papers, Company Archive, Box 1

¹¹ Val Barfoot Diary 1953-1957, Entry 26 April 1957, Barfoot and Thompson Papers, Company Archive, Box 1

¹² Barfoot and Thompson Company Manual, issued March 1964, Barfoot and Thompson Papers, Company Archive, Folder 1, Box 1.

written and stressing confidentiality, the manual covered advertising, overtime procedures, financing obligations, commission arrangements, dispute resolution, letting, agreements, and listings.¹³ It was more than a documentary record of procedure, it was the blueprint by which they would continue the expansion of the firm, and cement the Barfoot and Thompson culture on the rest of the organisation.

Succession

Monty Thompson, son of Maurice, started in 1948 being the first second generation family member to join the business. In the 1950s he was joined by his younger brother, John, and three of Val Barfoot's four children, Timothy, Christopher, and Garth. With the advantage of family talent in the firm, the founders were assured of a smooth transition to the next generation. Yet, as the founding partners matured, they also realised that they were caught between a business that required additional capital to expand, and the need to take money out of the business to fulfil their own financial obligations as well as to assist their families into houses once married. Ambitiously, the path chosen to achieve these objectives was not consolidation, but expansion. Val Barfoot noted:

Consolidation is just another way of saying "rest on your oars, take it easy," a safety first or Maginot Line concept, a policy more in line with Samuel Vaile¹⁴ methods than our own. It is difficult to stay still, one either goes forward or back. Admittedly, one can attempt to go too fast, to bite off more than one can chew, but if one strives to go forward, albeit if only slowly, one is less likely to lose ground. . . . taking the long view, the limit of our own size is how long we can stay more efficient than our competition. This depends to quite an extent on our own skill in selecting staff and particularly branch managers; (2) in paying them on results, i.e. on profit, and then; (3) giving them a free hand within wide limits (so long as they do not act to adversely affect our reputation) to spur them to greater efficiency and not frustrate and hinder; (4) in developing our own routine with a view to greater efficiency; (5) in bringing a sufficiency of young blood at the top to offset the natural conservatism of age. I would say if we could do all this, there would be nothing to stop our doubling our present percentage of the total turnover, rather, this would be the result to be expected, providing we are prepared to "keep on ploughing back profits."¹⁵

Throughout the 1960s the firm continued its expansion strategy, funded conservatively through small mortgages over branch properties and reinvested profits. By the late 1960s, Barfoot and Thompson's 150 staff sold, on average, 32 properties per year each (See Exhibit 10). In 1968, Maurice Thompson died. He was succeeded as a director by his sons, John and Monty, while Val's son Garth, also joined as director. By 1970, the firm had 33 branches, including the Industrial and Commercial Division operating from Head Office, and a business sales department operating from its Auckland Town Hall branch (See Exhibit 5). Although the number of houses that the firm sold each year had increased by 1000 over those sold a decade earlier in 1960, with rising house prices, company turnover had trebled. This buoyant property market continued until 1973.

¹³ Barfoot and Thompson Company Manual, issued March 1964, Barfoot and Thompson Papers, Company Archive, Folder 1, Box 1.

¹⁴ Samuel Vaile was Auckland's first real estate agent.

¹⁵ Val Barfoot Diary 1953-1957, Entry 26 April 1957, Barfoot and Thompson Papers, Company Archive, Box 1.

Fuelled by higher levels of disposable income, ready availability of mortgage finance, and rising immigration, the numbers of properties sold each year by the firm hit a record 6485 in 1973 (See Exhibit 9). It was symbolic of an overall economic recovery. Import payments in 1973, for example, increased 50 percent on those of the previous year—the upsurge in consumer demand assisted by a surge in wool prices and greater internal productivity. The market correction came in October 1973, the same year Val Barfoot retired after 50 years in the real estate industry. Arab oil exporting countries cut oil production and simultaneously increased oil prices. International oil shortages ensued. New Zealand's economic outlook looked difficult on several fronts as increased oil prices pushed up internal inflation. In addition, farm incomes suffered as demand in the world meat market deteriorated with prices dropping 30 percent over the next 12 months.

A recession quickly took hold. By 1974, the current account deficit for the year ended August was \$522.5m, compared with a surplus of \$273.4 the previous year.¹⁶ To counter the adverse economic impact the New Zealand dollar was devalued 9 percent in 1974; it was devalued a further 15 percent in 1975. Price and wage controls were put in place. Not surprisingly, at Barfoot and Thompson, house sales dropped. Though two further branches had been opened in Glenfield (1971) and Mairangi Bay (1973), no further branches were opened throughout the rest of the decade. By 1979, when the second oil shock occurred, the number of houses sold by the firm had fallen to 2786 annually.

1980s

As the economy improved in the early 1980s, confidence returned to the real estate market. Between 1980 and 1988, the average Auckland house price tripled from \$41,699 to \$159,946. Yet, with this increased economic buoyancy there was a corresponding increase in the number of real estate agents. New competitors, some founded by former staff, some from other centres, and some from overseas entered the realty market and played Barfoot and Thompson on their own terms. These included: Beltons (which became United then Ray White), founded by Charles Belton, previously a Barfoot and Thompson branch manager; Scholes Oakley (which became Main Realty then Century 21) which was also founded by two Barfoot and Thompson managers; Harcourts (from Wellington; Challenge (which became L.J. Hooker); Professionals and First National (both from Australia). They too undertook multiple branch expansion with careful branding. Marketing initiatives became more aggressive, including open homes and Sunday sales, in efforts to pull market share. By 1989 Barfoot and Thompson's share of the Auckland real estate market (which less than 10 years earlier had been 25 percent) had dropped to 17 percent.

Following the 1987 stock market crash, some of the new entrants dropped away as real estate sales slowed. As they had done in the Great Depression, by utilising the income from rental management to cover costs, Barfoot and Thompson were able to hold their position, but it was clear that more concentrated efforts by the principals were needed to regain market leadership. Mark Thompson, the son of John Thompson, was the incumbent hopeful for the firm. With a law degree and a passion for real estate, he assumed the Thompson directorship following the retirement of Monty Thompson in 1992. He got the firm to adopt vendor contributions toward marketing in the early 1990s and encouraged heavy investment in computerisation; by 2000 the firm's market share

¹⁶ Reserve Bank of New Zealand, *Bulletin*, November 1974, vol.37 no.10, p.334.

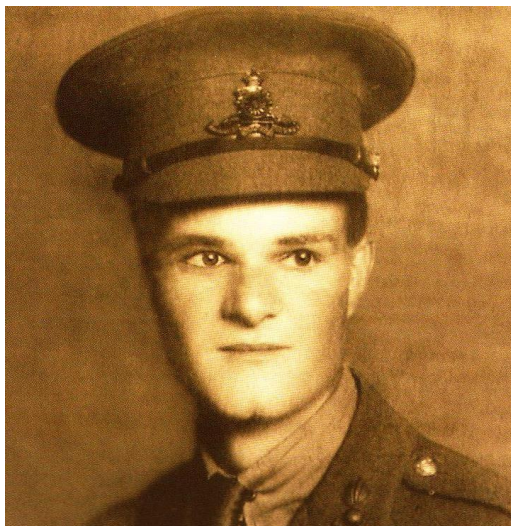
had jumped to over 30 percent. His untimely death in 2002, just days after the firm moved into its present Head office, shocked both families.

Peter Thompson, himself with 21 years in the firm, moved in to take the place of his brother, cementing another generation of family ownership. With the help of Garth Barfoot, he put in place a new layer of divisional managers to assist with operational matters, taking pressure off the company directors as the firm continued to broaden its reach across Auckland city. Between 1996 and 2005, 20 new branches were opened taking the total to 60. Yet many of the core competencies required to organise and manage such expansion were put in place nearly 50 years ago: the manner of service; the company reporting structure and business systems; the marketing policies; the delegation of authority to branch managers and generous profit sharing; the commission rates to salespeople; the orientation toward training and development. Perhaps the greatest challenge that the company faces as it progresses through this next surge of growth, is ensuring that the family culture which they prize so dearly is not further diluted.

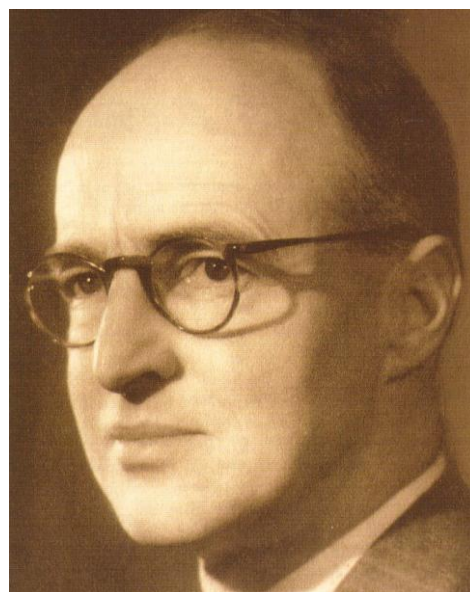
Growth is all very well, but if you lose that family atmosphere, you lose the trust of people.

Peter Thompson, 2005

Exhibit 1: Company Founders: Barfoot and Thompson



Val Barfoot (1897-1987)



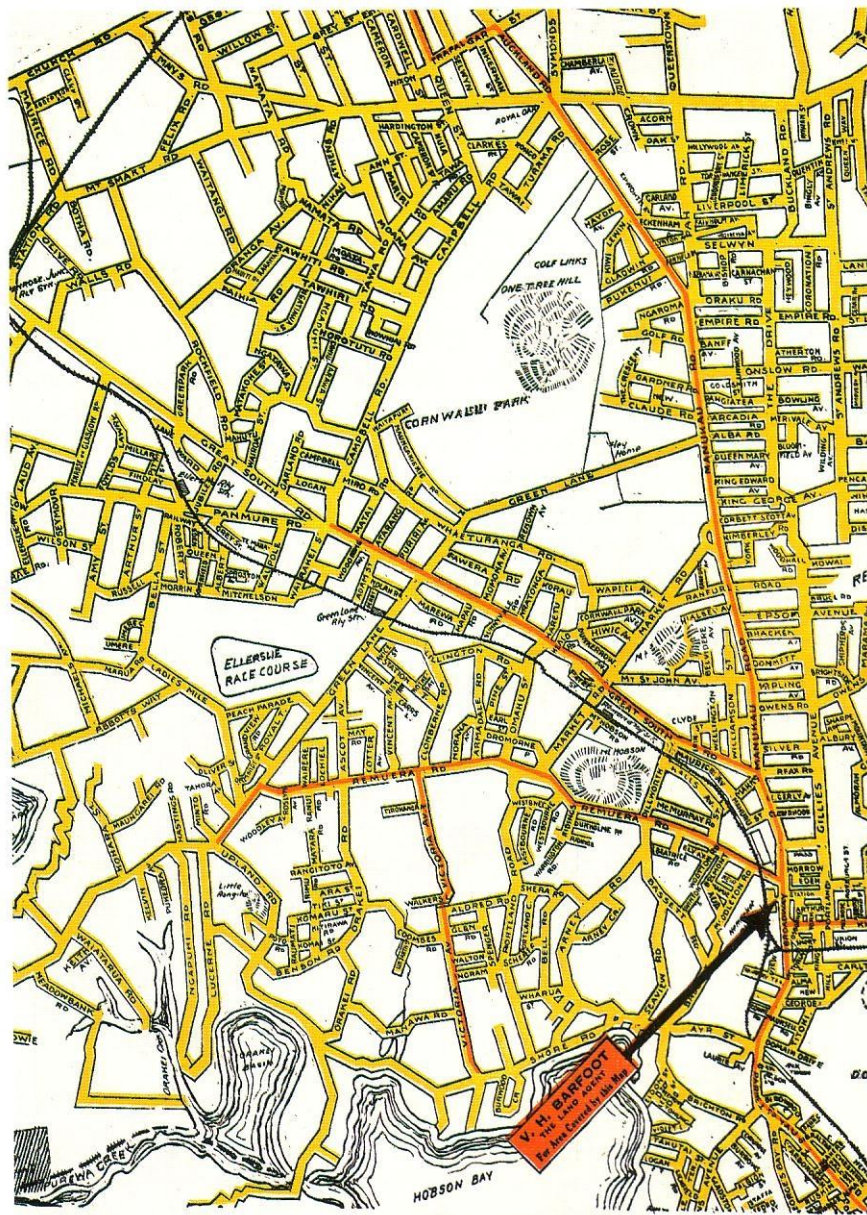
Kelland Barfoot (1895-1950)



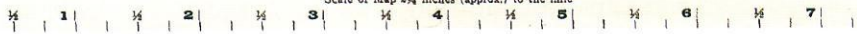
Maurice Thompson (1907-1968)

Source: Barfoot and Thompson Ltd., 2005.

Exhibit 2: Val Barfoot: Map of local district given to prospective clients, 1923.



V. H. BARFOOT, House and Land Agent, Broadway, Newmarket, Auckland, Phone 45-211
Scale of Map $3\frac{3}{4}$ inches (approx.) to the mile



Source: Barfoot and Thompson Papers, Company Archive, Box 2.

Exhibit 3: From the Files of Maurice Thompson: “The Fun of Getting On”

People from many walks of life have attempted selling Real Estate, yet relatively few succeed. Do any of us know the reason or reasons for their mediocrity or failure? I am not being original but the longer I live the more certain I am that ENTHUSIASM is the little recognised secret of success. Taken for granted that an applicant is completely honest, painstaking, courteous, and loyal, the difference in actual skill and ability and intelligence between those who succeed and those who fail, is usually neither wide nor striking. But if two men are equally matched in other respects, the man who is enthusiastic will find the scales tipped in his favour.

A man of second rate ability with enthusiasm who believes in his work and considers it part play will often outstrip a man of first class ability who lacks enthusiasm. The enthusiastic worker makes hard jobs look easy.

Enthusiasm recharges the body and mind. It develops energy and overcomes fatigue. It not only affects the one who uses it but his associates as well. In fact nothing is so contagious as enthusiasm whether it be regarding a property, the services the firm provides, or the salesman’s own future. It inspires us to put real effort into the job at hand. I don’t see how a salesman can succeed without enthusiasm or fail with it.

Enthusiasm can be acquired—if you are without it—by reminding yourself of all the advantages of being enthusiastic even if you have to force yourself. If necessary pretend to be enthusiastic, act enthusiastically, and soon you will be enthusiastic, no matter how difficult it may have been to generate some enthusiasm. Once you have it then it is a wonderful feeling and a most precious ingredient in any recipe for success and happiness. It is the absolute enemy of pessimism for which there is no room in Land Agency.

Source: Barfoot and Thompson Papers, Company Archive, Box 2, Company Policies Folder 3.

Exhibit 4: Circular from Maurice Thompson to all salesmen in the Barfoot and Thompson Organisation (circa 1960s).

The question of public relations, and the use of public relations in the real estate business is just for one purpose and that is to improve your sales. So it **BEGINS WITH YOU!** The first thing a salesman sells is his desire and his ability to sell. Then you must **WANT TO SUCCEED:** you must **WANT TO HELP PEOPLE;** you **MUST KNOW YOUR CUSTOMERS** and you can get to know them.

You must **KNOW YOUR REAL ESTATE** and **FINANCE ARRANGEMENTS;** you must **KNOW THE BENEFITS** as they apply to your client; you must know your firm's trading policies. You must **AIM DAILY TO BUILD UP YOUR SELLING SKILLS.** You just can't shuffle these things out with a bit of luck.

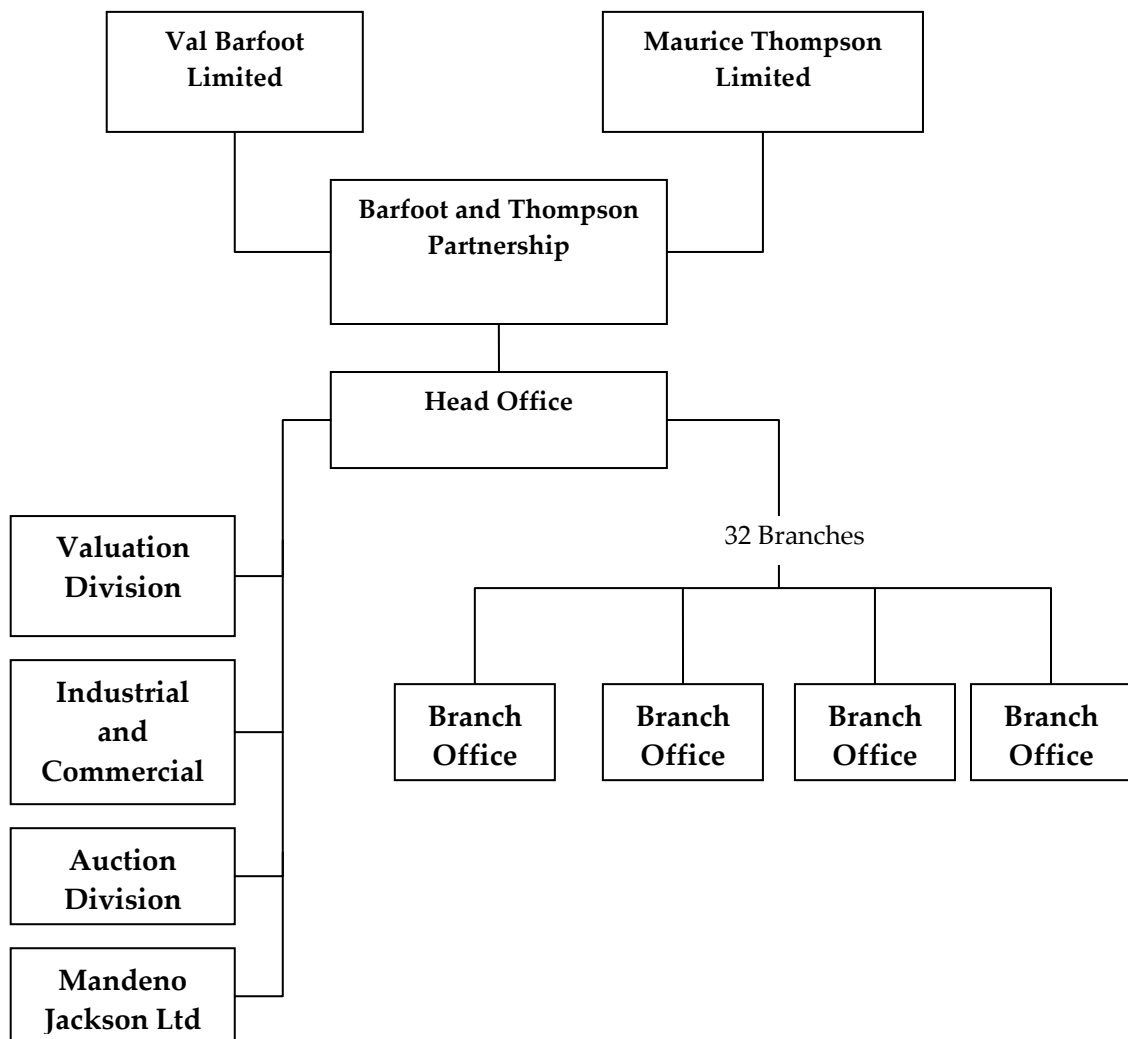
The quality of your selling will build up a favourable image of you, of your company and, even more important, of the real estate industry as a whole. Creative selling is the term we use so often, that we say means that selling is service. We find ourselves acting as consultant to parties involved, bringing them together to a well-informed decision. We are helping one man to sell, another to buy, and because we've been helpful we will be thanked and we will be welcomed back again and that is the essence, really, of public relations. Public relations is the ability to understand and to lead others into a decision. Use the force of public relations constructively.

Personality is what people see when they look at you, and when they hear you speak, and what they feel in your presence.

The key to this is in creating interest, in courtesy, using tact, being patient, being sincere, handling awkward situations, and all these abilities have to be acquired, we are not born with them. A baby is not born courteous, tactful or patient. It has to learn. How far have you progressed in these things since you were a baby?

Source: From M. V. Thompson to 'All Salesmen in the B & T Org.', p 6, Barfoot and Thompson Papers, Company Archive, Folder 10, Box 1.

Exhibit 5: Barfoot and Thompson Organisation Chart, 1973.



Source: Barfoot and Thompson Papers, Company Archive, Box 1.

Notes: 13 branches had specialists in letting and property management Section specialists in 3 branches 22 of the branches were on sites owned outright by the company Valuation Division had 9 registered valuers providing valuation for financial institutions, trusts, purchasers, vendors

Exhibit 6: Barfoot and Thompson profitability, 1944-1954

Barfoot and Thompson- net profit in partnership
between 1944 and 1954

Year	Profit (£)
1944	2,726
1945	3,033
1946	2,397
1947	2,705
1948	3,510
1949	4,384
1950	6,842
1951	9,320
1952	7,979
1953	9,993
1954	10,503

Source: Barfoot and Thompson Papers, Company Archive, Box 1.

Exhibit 7: Barfoot and Thompson Average Annual House Price (as at 31 March).

Year	Average House Price (NZ\$)	Year	Average House Price (NZ\$)
1967	10,301	1987	129,236
1968	10,669	1988	159,946
1969	11,986	1989	160,209
1970	14,243	1990	171,913
1971	13,973	1991	169,402
1972	16,077	1992	169,213
1973	18,469	1993	169,533
1974	26,621	1994	185,233
1975	29,226	1995	220,577
1976	29,690	1996	253,416
1977	32,579	1997	285,144
1978	35,255	1998	287,390
1979	38,565	1999	286,444
1980	41,699	2000	288,169
1981	47,197	2001	310,541
1982	62,845	2002	311,448
1983	73,855	2003	342,482
1984	83,488	2004	392,969
1985	100,198	2005	468,152
1986	111,311		

Source: Barfoot and Thompson Papers, Company Archive, Box 1.

Exhibit 8: Barfoot and Thompson analysis of Classified Advertising (in column inches), 1968-1984.

Week Ending	Barfoot and Thompson (including Mandeno Jackson)	Percentage	Beltons (including Ballins)	Percentage	Total (MREINZ)
4.7.68	528	37.45			1410
12.6.69	666	38.41			1734
4.5.70	696	35.78			1945
14.7.71	702	35.85	246	12.56	1958
13.6.72	806	33.01	392	16.05	2442
14.6.73	998	28.79	536	15.46	3467
12.6.74	924	23.88	466	12.04	3870
10.7.75	705	29.40	275	11.47	2398
10.7.76	720	27.05	298	11.19	2662
20.7.77	540	26.05	240	11.58	2073
21.5.78	425	27.44	184	11.88	1549
21.5.79	512	28.81	267	15.03	1777
10.6.80	580	32.35	209	11.66	1793
7.5.81	587	25.62	332	14.49	2291
15.2.83	436	23.06	316	16.71	1891
31.10.84	543	23.99	389	17.19	2263

Source: Barfoot and Thompson Papers, Company Archive, Box 1.

Exhibit 9: Barfoot and Thompson analysis of properties sold, 1954-1995.

Year Ending June	Properties	Sections	Businesses	Total
1954				1692
1955				1585
1956				1584
1957				1895
1958				2470
1959				2506
1960				3041
1961				3074
1962				3048
1963	2879	907	139	3925
1964	3197	997	110	4304
1965	3389	711	123	4223
1966	3030	784	138	3952
1967	2691	833	149	3673
1968	2742	588	164	3494
1969	3180	622	188	3990
1970	3406	575	203	4184
1971	3801	594	216	4611
1972	4279	750	202	5231
1973	5200	1049	236	6485
1974	3655	570	224	4449
1975	2477	313	135	2925
1976	3222	567	128	3917
1977	3023	351	130	3504
1978	2475	176	135	2786
1979	3116	131	190	3437
1980	3825	170	211	4206
1981	4736	222	171	5129
1982	3550	303	159	4012
1983	2695	172	168	3035
1984	3557	190	189	3936
1985	3938	219	157	4314
1986	3547	169	97	3813
1987	5249	230	117	5596
1988	3979	202	134	4315
1989	4097	201	150	4448
1990	3943	255	155	4353
1991	2944	172	108	3224
1992	3521	159	123	3803
1993				4605
1994				6793
1995				6673
			Total	162240

Source: Barfoot and Thompson Papers, Company Archive, Box 1.

Exhibit 10: Barfoot and Thompson: Sales per agent, 1954-2005.

Year Ending 31 March	Number of Salespeople (Average for Year)	Total Number of Sales	Average per Year
1954	48	1,578	33
1964	121	4,200	35
1974	170	5,249	30
1980	145	3,932	27
1984	175	3,894	22
1990	275	4,415	16
1994	350	6,176	18
1995	390	6,891	18
1996	425	7,944	19
1997	490	6,927	14
1998	550	6,687	12
1999	600	6,564	11
2000	637	7,626	12
2001	663	7,376	11
2002	724	11,309	16
2003	813	14,868	18
2004	875	15,933	18.2
2005	942	12,598	13.4

Source: Figures provided by company management, Barfoot and Thompson Ltd., 2005.