



NURTURING THE NEXT

Born of 1960s entrepreneurialism, Taylors Wines has matured into a global brand. Third-generation winemaker, longtime MD and new chair Mitchell Taylor FAICD emphasises the importance of elevating governance to secure the future of this well-structured family business.

Story by Jane Nicholls

Photography by Nic Walker

VINTAGE

In the late 1960s, Sydney publican Bill Taylor Snr was convinced by his sons Bill and John that there was a market for quality Australian red wines. This led the family to sell up the hotels and establish a winery in South Australia's Clare Valley.

More than half a century on from the first vintage in 1973, Taylors Wines is the third-largest family brand in the Australian wine market – and number one by value. In July, third-generation winemaker Mitchell Taylor FAICD transitioned from 25 years as managing director. As chair, he welcomed the company's first "outsider" CEO, John Freeman MAICD.

Bringing in Freeman – a veteran leader with New Zealand's Delegat Group – was a major milestone for the Taylors. "We had written into our family constitution that as we grew it was very important for the next generation to recruit non-family people into key roles," says Mitchell.

The Taylors take family heritage and governance equally seriously. "I took over from my father as CEO at the age of 36 when the business was about a quarter of the size it is today," says Mitchell. "We needed to professionalise passing the baton, bringing the governance up more and more. Our fourth-generation family members are now mostly in their mid-20s. To get into the business they need to have the right skills and education. It takes at least a decade in the job to learn how the business works."

Getting the right set-up

The drafting of the first Taylors Wines family constitution began in 2008, after Mitchell attended Stanford University Business School and a Young Presidents' Organization (YPO) seminar at Harvard Business School, where he found recognition for the national importance of family businesses. "The value that family businesses deliver and generate for the Australian economy is often overlooked."

The Family Business Association (FBA), the peak body for Australia and New Zealand, reports that family businesses represent 70 per cent of all Australian businesses. They employ 50 per cent of our workforce and generate an estimated \$4.3 trillion in wealth.

At the US business schools, Mitchell saw inspiring examples of family constitutions, which helped form his approach to uplifting governance at Taylors. "We elected a family council – myself, my two brothers, Justin and Clinton, and my father, all working in the business, and some of the major family shareholders, working outside of the business," he says.

It took two years to finalise the first constitution. Among the guidelines the family council adopted were stipulations that any of the family members seeking a permanent job with Taylors must at first obtain a degree or trade qualification – and have held a relevant job in an outside business for at least five years. There are numerous guardrails around hiring and promotion to stave off nepotism, a thoughtful step-by-step section on conflict resolution and another on protecting family ownership.

Families bring passion and patience

There have been multiple offers to buy Taylors out. "I used to say that was my KRA [key result area]," jokes Mitchell. "The more they knock on the door, the better we are doing. In truth, we've always wanted to be 100 per cent family owned. We modified our constitution to ensure that if there is to be a change of equity, all the family members have to know what's happening and shares must be first offered to other family members. Private equity can be a good thing, but generally it's very short term with an exit strategy. The wine business needs patient capital. It takes up to 10 years from planting a vine to getting it in a bottle, particularly the red wines we specialise in."

That's just one of the advantages the Taylors see in maintaining a family-owned wine business, which they celebrated when they co-founded Australia's First Families of Wine (AFFW) in 2009. "It's 12 wineries and they must be 100 per cent family owned, rather than a corporate trading on an old family name," says Mitchell.

Even before there was a constitution mandating work outside the family business, Mitchell ticked that off with a degree (Bachelor of Commerce at UNSW) and outside experience –

"We had written into our family constitution that as we grew it was very important for the next generation to recruit non-family people into key roles... We needed to professionalise passing the baton, bringing the governance up more and more."

Mitchell Taylor



Photo: Keri Schwerdtfeger

including stockbroking in London and Sydney) – before he returned to the fold in 1988. "It was still a small business then and I remember overhearing the office manager saying, 'Just remember, his surname is Taylor'. I thought we needed to have proper procedures in place – because it's not about having the right surname."

He became managing director in 2000 and says the YPO's Family Business Network was invaluable in helping him to plot the next steps for Taylors. "I knew we had to develop our board to make sure it wasn't just family," he says. "When I started, it was basically me, my two brothers and my father sitting around a board table and talking about operational matters – how good the vintage is, how we're crushing the grapes and what price Dan Murphy's is discounting at. It was all good

family chat, but it didn't have that high level we needed to grow."

You need outsiders for balance

"I had to convince the rest of the family we needed independent directors to join our board," says Mitchell. "We had to bring in skill sets from outside the business to give us perspective and ensure we had the right strategies in place – and to help me, a relatively young CEO, as I developed my ideas of where I wanted to take the organisation."

With innovation a core value for the company, Mitchell recalls advocating for a major shift on the bottling line soon after he took the reins as MD.

"Along with the Clare Valley Winemakers, we drove the screw cap revolution," he says of the

region's collective push in the early 2000s to replace corks with Stelvin caps, now globally accepted as a superior seal for wine bottles. "We were the first wine company in the world to go 100 per cent screw cap in August 2004, for both our reds and whites. My father wasn't impressed, but I said, trust me. I'm glad to say the rest is history."

Mitchell, currently chair of the Clare Valley Wine & Grape Association, says joining "a lot of industry associations" helped him to build his board experience. He learned from some legends.

"The late David Clarke AO, from Macquarie Bank, who loved the wine industry, was the first chair I worked with in an industry association."

Mitchell set about making the board fit for purpose for both stability and growth, getting its first independent NEDs around 2010.

Above, from left: Margaux Taylor, Mitchell Taylor, Bill Taylor, Isabel Taylor

“My father was baulking at it – he’d been our chair, but it wasn’t really his skill set, he was more of a hotelier,” says Mitchell. “We recruited two independent directors, wine industry veterans Ray King and David Dearie MAICD. Our first chair was Peter Mason AM FAICD, who had great experience with AMP and David Jones. He checked the governance structures we’d put in place for the size we were at that time. He said we’d done a lot of the right things from a family-business perspective and that many don’t develop these structures – such as how you resolve conflict.”

Growing for the fourth generation

Mitchell’s side of the family bought out his uncle John’s share of the business in 1992. A third brother was Reverend Brother Maurice. “He’d taken a vow of poverty, so his share of the business, which was substantial, was set up as a trust, which went to his 17 nieces and nephews,” says Taylor. “That’s my generation. They all still have equity in the business and come to our annual family forum, where we tell everyone about what the business is doing.”

Around 50 people assemble for that event in Sydney each year. “There’s quite a lot of catering and glasses to fill,” he says.

In the 25 years Mitchell was MD of the company, revenue increased fivefold as they grew production from 180,000 cases to more than 850,000 a year.

“When I joined the business, we had a very tight range and my father believed you couldn’t make wine above \$20 a bottle,” he recalls. “We had these beautiful parcels of grapes we were just blending away into our big-selling wines. I was able to develop the St Andrews and Jaraman ranges of premium wines and we started winning international awards.”

That was key to growing profitability tenfold, which “can be a challenge in the wine industry”.

Setting the business up for the “next gen” who want to be a part of Taylors is also enshrined in the constitution, but it has to be done right. Mitchell, who like most of the family grew up and lives in Sydney, where the company is headquartered, recalls picking grapes during



holidays with school and university mates. “We had fun times because we used to employ about 250 professional fruit pickers from all around the world at harvest,” he says. The work experience tradition continues, albeit more formally – and without the grape picking, now done mechanically.

“Members of the family come to learn the business,” says Mitchell. “My son has worked the past two vintages as a cellar hand and my niece is working in the marketing department. They get

casual work to get a flavour of the business and then they go back to their studies.”

In a big wine business the roles stretch far beyond the vineyard, as evidenced by the Sydney headquarters – a next-gen employee could be a social media expert, a viticulturist or anything in between. “There are a lot of career paths in the Australian wine industry,” says Mitchell, who studied part-time for his oenology degree at Charles Sturt after he joined the business. “I was fascinated by it. My father wasn’t a winemaker by trade and I realised this was a good opportunity for me to get into the nuts and bolts of the industry.”

Under his watch, Taylors has brought in numerous future-focused initiatives to improve technology and reduce environmental impact. When his grandfather and uncles dug the first dam for the original Clare Valley vineyard, they found three fossilised seahorses – a sign it was an ancient seabed with rich soils. The three seahorses became the Taylors logo and the company supports marine conservation charities.

The fourth generation has high expectations as the company increases its sustainability efforts, including award-winning initiatives on energy and water efficiencies. As the younger Taylors join the team Mitchell is confident they will strive to ensure the family will be successful in both winemaking and taking care of the planet – the ultimate goal in succession planning. ■

“When I started, it was basically me, my two brothers and my father sitting around a board table and talking about operational matters... It was all good family chat, but it didn’t have that high level we needed to grow.”

Mitchell Taylor