

CHAIRMAN'S PREAMBLE

During the year Mark Wells left Games Workshop. After more than ten years, five as chief executive, he has gone to graze in pastures new. His tenure as CEO saw our return on capital increase from around 10% to over 50%. He is a man who truly understands about shareholder value and put that understanding into good practice. Thank you Mark, and good luck.

We have also had a shift in the balance of our owners. For three entirely different reasons each of our largest holders has done some selling. This has allowed those who have wanted to own us for a while the opportunity to buy. The fact that we have been paying a lot of surplus cash out as dividends hasn't put them off! We'll see what happens when we have a bad year and stop.

I have written a great deal over the years about the 'greatest danger' facing Games Workshop. It has usually been in response to the expression of some fear of imminent doom. When will the world tire of miniatures? (It won't; these are not fashion items, they are hobby collectibles.) Won't all your customers move on to computer games instead? (They didn't; most of our current customers weren't born when the Atari ST came out.) How about other games like Pokémon or role-playing games? (Who can remember them, now?). The evidence is there for all to see, but when it wasn't I was seen as complacent in the face of these real dangers. I don't think that was complacency, it's just that we here all make a living from serving collectors and we understand them and their needs. These are paper tiger dangers. The real danger is us.

The world will not tire of miniatures, nor fantasy. The world can and does play computer games, online and on phones now, not old-style computers. Other people will produce great games and products.

The dangers lie not in these realities, but whether we keep making fantastic models and providing great services, in our management skills and just as night follows day, in our ability to find the right people to carry the business forward. This is why we put so much energy into our management training programmes and in particular how we recruit.

Put at its bluntest: we recruit for attitude, not for skills.

It makes for a lot of hard work. First every manager in the business has to take personal responsibility for the recruitment process. All of it, from start to finish. No handing it off to Human Resources, outside agencies, or anyone else. Then they have to prepare a job specification. What value does this job bring to the business? Not what is nice about it, but exactly how does it help us sell more or spend less? Then it describes what kind of person is likely to be successful at the job. That's right. What *kind* of person. It is centred on their character, on their attitudes and on the behaviour we expect to see. Then it lists the top few things they have to achieve in order to be successful at it. And that's it. No qualifications, no degrees, no reference to experience.

This is hard to do, and impossible alone. We spend hours on it, in groups, working at getting to the heart of the issue.

Then we advertise using that job specification as a template. All jobs, always. No 'appointments', no patronage. And we ask the applicants to write us a letter saying why they want this job. CV optional (but we won't look at it if the letter is pants).

The knee-jerk response from outsiders is nearly always either you are doing it wrong or you will fail. Neither is true. Companies who seek out skills at the expense of attitude are destroying culture, continuity and morale and thereby shareholder value. That is wrong. And our way works well.

The effort put in rewards us in knowing who we want and why, knowing how to ask for that person, how to recognise them when we see them, and how to check that they are being successful. Win, win, win, win. Sadly it takes effort, so don't expect to see our ways being adopted universally any time soon.

Risks. Management succession. Effort. I've managed to get all the key words in. Maybe the last of these is the most important.

Hard work. Accept no substitutes.

Tom Kirby
Chairman and Acting CEO
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