



Family Business Australia

**THREE CONTRASTING
SUCCESSION MODELS**

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Family Business Australia

- 3 Western Australian Companies
- Successful companies -
- Models for succession ???



"Don't be silly — of course you're going into the family business!"

Betts Group – Generation 1

- Founded in 1892 as a shoe repair shop
- Wife converted the shop to a Shoe Retailer when her husband died.
- 2nd generation joined after 30 years
- Family : 1st generation
- Shareholding : Founding owner
- Management : Founding owner
- Geographical reach : Fremantle

Betts Group – Generation 2

- 1920's to 1950's
- 2 sons , 2 daughters
- All family members worked in the business
- Growth restricted to retained earnings
- Family : 2nd generation
4 siblings
- Shareholding - split 30% to the sons, 20% to the daughters
- Management : 2 sons joint MD's
- Geographical reach : 8 stores - Perth, Fremantle and suburbs

Betts Group – Generation 3

- 1950's to 1980
- most family members worked in the business, family rewarded by job and salary
- Low dividends
- Expanded throughout WA and into SA
- Growth through acquisition
- Funded by Retained Earnings and share issue
- Family : 3rd generation , 7 siblings, 5 active, 2 passive
- Shareholding : Family plus new members through share issue
- Management : Family
- Geographical reach : 45 stores – WA, SA

Betts Group – Generation 4

- 2 eras - 1980 to 2000
- Employment priority continued to be given to family members
- Low dividends
- Growth organic
- Funded by retained earnings
- Period dominated by family dispute 1993-2000
- Family : 4th generation, 11 active, 19 passive
- Shareholding : 30 family members, those running the coy minority share
- Management : Family
- Geographical reach : 90 stores – WA, SA, Vic

Betts Group – Generation 4

- 2nd era - 2000 to present
- Major strategic review
- Employment based on performance
- 50% NPAT dividend policy
- Buy back policy introduced
- Share option plan to non-family as reward
- Significant growth into 4 retail branded shops, national and international wholesale, franchise and vertically integrated
- Family : 4th generation, 6 active , 8 passive
- Shareholding : reduced to 14, controlled by 7 , include non family
- Management : Family plus professional
- Board : introduction of Independent NED
- Geographical reach : 195 stores in Australia, global wholesaling and franchising

PLANNING ? WHAT PLANNING !

- 1st Generation – Early Death
- Husband Dies , Wife carries on the business
- 1st to 2nd Generation – 2 Sons ! Joint MD's
- 2nd to 3rd Generation – Oldest Grandson
- 3rd to 4th Generation – Early Death
- Oldest Great Grandson at 21 is given the mantle of MD
- 4th to 5th Generation
- ??? 2 daughters and son all in the business

PLANNING !

- The business is set up
- Independence on the Board
- Dividend policy in place
- Exit opportunities through buy backs
- Tightly held share register
- Professional management
- Development of potential leaders

Politics and Succession



Snap Printing Group – Generation 1

- Founded 1913
- Business : commercial printing
- Growth : one of the largest commercial printers in Perth
- 2nd generation joined the business after the war, 32 years later
- Family : 1st generation
- Shareholding : Founding owner
- Management : Founding owner
- Geographical reach : Perth

Snap Printing Group – Generation 2

- Eldest son started in the business in 1945
- He brought new instant print technology from USA to Australia in the 60's
- Started Snap Instant Printing as a division of the family company
- Original print business sold
- Franchising model started in the early 80's
- Family : 2nd generation
3 siblings
- Shareholding : 1 active, 2 passive
- Management : eldest son
- Geographical reach :
Australia

Snap Printing Group – Generation 2

- Eldest son had no one to hand business to
- He found a buyer for the business
- Before sale was finalised, the 2 passive shareholders decided to buy the eldest son out
- Used property accumulated from Dividends to fund purchase
- Family : 2nd generation
Brother and sister
- Shareholders : 2 family companies
- Management and Board : professional
- Geographical reach :
Australia , NZ, Ireland

Snap Printing Group – Generation 3

- Board structure : Indept Chairman and NED, IndeptMD, 2 family reps
- 3rd generation involved as Franchisees only. No one in the Franchisor coy
- Dividend, Risk and Debt Policy formulated by shareholders and Board
- High Dividend paying coy
- No Exit plan
- Family : 3rd generation 7 Grandchildren. Very independent of eachother
- Shareholders : 2 family companies run by 3rd generation, dividends passed through
- Management and Board : professional and Independent
- SFL seen by 3rd gen as a high dividend paying investment

PLANNING ? WHAT PLANNING!

- 1st to 2nd Generation – Eldest Son returns from war
- When he was ready to retire , sale is organised
- At the last minute – siblings decide to buy out the older brother
- 2nd to 3rd Generation
- Professional Board , Professional Management
- 3rd to 4th Generation ???
- There is no formal Shareholder agreement
- Current plan is - one out all out

Politics and Succession



Chrystal Group – Generation 1

- Founded 1953
- Business : Diversified Distribution and agency
- Growth : restricted by capital
- Invested surplus profits in Property
- Family : 1st generation
- Shareholding : Founding owner
- Management : Founding owner
- Geographical reach : Perth

Chrystal Group – Generation 1

- 1972 Business sold to Hong Kong trading house
- Other trading business merged into new entity
- 1975 expanded business bought back by family
- Purchase funded by Property
- Family : 1st generation
- Shareholding : Founders plus 3 children
- Management : Founding owner
- Geographical reach : Western Australia

Chrystal Group – Generation 2

- 1989 son joins business
- 2 daughters remain passive shareholders
- Business expands into manufacturing in Australian and Indonesia
- Property holdings further developed
- Family : 2nd generation
- Shareholding : 5 family members
- Management : Only son
- Board : Founder, son plus independents
- Geographical reach : Australia , Indonesia

Chrystal Group – Generation 2

- One operating division sold
- Funds used to pay down debt
- Son buys the operating companies with cash and vendor finance from family company
- Property used to fund the buy-out
- Family : 2nd generation
- Shareholding : Son's family
- Management : Professional
- Board : Son, Founder, independent
- Geographical reach : Australia , Indonesia, India manufacturing, global distribution

PLANNING ? WHAT PLANNING!

- 1st Generation Sold the business
- Business bought back using debt secured by property
- 1st to 2nd Generation and beyond
- Planning for succession based on a philosophy –
- Owners of operating companies should be those who work in and have a passion for the business
- Passive assets are used to facilitate ownership of business assets AND
- To facilitate Exit opportunities

Politics and Succession



LESSONS

- from our political leaders – how NOT to do it
- Some things you can't plan for –
- WAR
- UNTIMELY DEATH
- FAMILY DISPUTES

LESSONS

- A Plan is better than no Plan
- In business, as with life
- Things change!
- When things change –
- A NEW Plan is better than none