

## Parliamentary Joint Committee on Corporations and Financial Services

### Family Business Australia.

In attending this hearing it is my hope that I provide some understanding of the life cycle of a family business, its growth path, and its survival patterns, its contribution to State and Australian economies, and the challenges it faces into the future.

I was educated locally and back in the 1950's having taken commercial subjects (shorthand, typing, bookkeeping) to year 10, immediately found secretarial work in the State Public Service. In those days there was a shortage of staff and before long I had worked my way through the Public Service Commissioner's office, to the Premier's office and a job at Government House. Seeing more tempting opportunities I then moved to a marketing department in an oil company, and then to Manager's secretary with a Victorian/Tasmanian construction group.

In 1961 I married and, without realising future implications, found myself taking care of payroll and eventually accounts, for my father-in-law's boatbuilding/slipyard business which also employed my husband. Back then I had little realisation that this was a "family business" other than it was owned by my husband's father. Of course, I was not given access to the bank account! But there was trust between customers and business was done by a nod of the head and a shake of the hand.

Looking back over those years I understand how difficult it must have been for that family to make ends meet during the seasonal ebbs and flows, and through times of serious illness of my in-laws, and the sacrifices they made to make sure there was an income for my husband and our two small sons. At the beginnings of the business in 1936 two brothers, Athol and Norman, purchased the Goodwill and Plant of a slipyard on Marine Board property in Hobart however in 1937 Athol was lost at sea, leaving my father-in-law Norman to work alone. Being a sole operator, my father in law had only one bank account for both the business and the family and records show there was little or no spare money, and I am sure no savings.

When the time came for retirement I have no idea how they survived but probably quite frugally, and with no property to sell towards funding their later years in life.

My husband Geoff had the foresight to know that the business had to diversify to be able to withstand trends and pressures due to changes in our major income provider, the fishing industry.

Opportunities existed in the construction industry and we quickly became involved in local projects, eg. Demolishment of old floating bridge, Tasman Bridge reconstruction, island foundations for Wrest Point Convention Centre, oil exploration programme off West and North West Coasts, construction of Bailey Bridge, and then Bowen bridge. Need for equipment for a log storage and reclamation project in Mount Gambier following the Ash Wednesday fires in that area took the

business to South Australia for two years, and began the hunt for work further afield than within the State.

The Antarctic industry also opened doors in Hobart and service of ships and barges is to this day an important part of our work.

Because of the restrictions of operating a 24/7 business in a residential area of Battery Point, Geoff determined that the business needed to relocate to allow for future expansion and diversification opportunities, and a waterfront property at Derwent Park was purchased on mortgage of our private home. Due to planning and other difficulties settlement was lengthy and painful but the workshop design proceeded and foundations were dug. The property is owned by a discretionary trust intended as a means of protection of an asset, and taxation planning purposes.

In 1995 Geoff died suddenly as a result of an industrial accident. Fortunately our sons had joined us in the business, and they had learnt the true meaning of hard work and entrepreneurship through their father and grandfather. We had good staff and a new development site. As I was the only payroll officer the day prior to Geoff's funeral I had to attend the office to perform the payroll. Overnight I had to take on a leadership role in a male oriented marine industry. Jointly my sons and I have built a business based in Hobart but mainly operational in projects outside the State, including the Air Warfare Destroyer project and the offshore industry.

My recent retirement from the role of Chief Executive Officer at the age of 72 was brought about by a deep frustration at the amount of new legislation thrust upon a relatively small operation – changes to the Workers Compensation Act, introduction of the Fair Work Act, new OH&S law, sexual harassment, redundancy, and the seeming lack of support for the employer where the employee is always right. The legal fraternity advertisements for no result no fee injury arguments, and the insurance providers who will pay out rather than argue, contracts that require companies be audited, and the general over-regulation of every activity a business attempts to undertake. There must be a plethora of legislation that business knows nothing of but is continually exposed to.

The appointment of an external Commercial Manager has reinforced the direction we are currently headed in and, after 75 years, we intend to continue our relentless pursuit into previously unexplored markets seeking development and success in new areas of activity. From an employee base of approximately 20 in 1996 at the time of moving into our new facility, we now have 60 odd full time employees, including 2 naval architects, an engineer, 3 draftsmen, a commercial manager, an accountant, a creditors manager, an interior designer, a data entry clerk, and trades include boilermaker welders, machinists, electrician, fitters, carpenters, shipwrights, diesel fitters, etc. We also have several apprentices.

#### **ADVANTAGES AND DISADVANTAGES OF BEING A FAMILY IN BUSINESS:**

There are good and bad sides to everything.

There is no such thing as an eight hour day – or a five day week. There is only 24/7. If there is a need then someone must be available to take care of it. Usually “the boss”!

Holidays rarely coincide with family school leave, and wives are not usually able to find a job which allows them to down tools and follow the husband – how often have I spent cooking meals at a remote location where a pipeline needs repairing, or there is a fishing boat to salvage!

Should your business carry the family name then you carry additional risk of reputation when a slight oversight provides the press with reason to carry poor reporting including your business/family name.

Forward planning needs to take into consideration the ideals of the founder generation and the dreams of the third or fourth generation who is now apprenticed to the business. There is nothing short term in three or four generations working in the same shop.

Consideration of staff is of prime importance. Some of the longer serving members commenced straight from school, completed apprenticeships, married, and now have young family members about to enter the workforce. These people have worked alongside you and provided you with loyalty and support, and have become extended members of your own family. Many of the younger newer staff members look to these long serving people for guidance, and you need to ensure that they receive the encouragement they need to follow in those footsteps. You must extend to these people stability, knowledge, diversity of skills and projects, ethics, work opportunity, workplace satisfaction, and mateship. In a field as diverse as ours, the loss of long term skills and knowledge is damaging, and retention of long term staff is the only way to ensure the retention of this valuable asset.

The encouragement of employees to become engaged in particular projects at a higher level quickly allows them to display their thinking capabilities and their entrepreneurship and enthusiasm and ambition to improve themselves and their skill levels, and it is important to allow this process to take place.

A planned and continually updated training programme ensures that at any given time the correctly qualified employee can be assigned a duty requiring his particular skills. Apprenticeships are becoming more difficult as we reside in an island state which is unable to provide training in boat building. Until recently it was necessary for shipwright apprentices to undertake block training at Melbourne University, and in December 2012 with 3 apprentices part way through their training (2 at the end of their 3<sup>rd</sup> year) the Melbourne University has withdrawn from training shipwrights. It seems this action will leave these lads without a trade certificate. This is discouraging, depressing, frustrating, absolutely annoying, indeed leaving this marine company without access to a suitable course to provide the fitout skill we require for offshore and defence work, and three of the employees required to participate in related projects may be unable to do so because of the lack of the required certificate.

Financial restriction is debilitating. Lack of working capital forces need to borrow to fund projects or purchase equipment necessary to carry out essential tasks. This can be costly. To enable finance to be put in place it is usually an expectation of the financial provider that the business shareholders/directors/family members will provide asset backing whether it be business premises, private property, private share holdings, or any other privately held assets.

Financial support is often required where projects require financial guarantee to secure contracts. Once assets are tied up to provide guarantees the business is unable to move to secure funding to use as working capital. The business is then unable to perform in any other field until the terms of the contract are complete, and thus the business activities are severely hampered.

The understanding of developing a strong brand and retaining it as a valuable tool cannot be emphasised highly enough. Where word of mouth leads any advertising campaign, the business must guarantee that everything it produces is worthy of the advantage provided by a happy client.

The market advantage experienced through this type of reference is invaluable. However it can be handicapping where the client expects that the person he always deals with is the owner, and that owner is not always the best one to answer the clients expectations, e.g. the client may need the advice of a highly qualified staff member and that is not necessarily the owner as he may not always have the right knowledge or skill. There may be times when the owner needs to call on other staff members to provide the level of advice the client requires, and so it is necessary and wise to familiarise the client with the skills available within the business whilst still staying at the forefront of his enquiry.

Development of a business plan including a solid company structure which clearly indicates all levels of responsibility is often challenging for smaller businesses. The levels are often blurred because of the need to share responsibility amongst staff whose work hours are sometimes in excess of need to exercise a single duty. However the establishment of a platform for employees provides them with guidance within the workplace on a daily basis, and ensures their understanding of the upper levels of management and the importance of their daily function within the business. It is an essential tool that will assist in the growth of the business and the satisfaction of all participants in that growth pattern.

Adherence to a comprehensive quality system assists a business to move with confidence knowing that every action has undergone scrutiny and reporting processes.

Reward for effort can be given in many forms, not just financial through payroll bonus or other payment. Achievement should be celebrated with pride, eg. the winning of a major contract, the completion of an important project, a special celebration, retirement, birthday or baby. Why not share it. Even a get together can be a great PR exercise on an otherwise busy workshop floor.

### **MOVING FORWARD**

Currently there is no established succession plan for Taylor Bros. Directors and shareholders are second and third generation family members whose years of service total approximately 110 years. There are two fourth generation family members who are employed in the office and workshop, but neither have completed any qualifications to allow them to move into management roles at this stage.

It is the intention of Directors to continue seeking work in offshore and defence sectors where there are currently good opportunities for involvement in long term projects, and further investigate areas which will allow expansion and diversification to move the company forward into fields which are not yet open to us.

## **FAMILY BUSINESS AUSTRALIA**

During my years of association with FBA I have heard many arguments as to the true definition of family business. There is no doubt in my mind that when two or people from the same family own and manage a business then that business is a family business. Irrespective of whether there are multi generations, cousin consortiums, incorporated, partnerships, whether they be manufacturers, retailers, engineers or newsagents, their geographic location, or their net worth, they are a family business. There have been various attempts at estimating their number and worth, unfortunately ABS or other authority has not seen fit to undertake the necessary survey to officially establish a true and more accurate figure.

The contribution to the economy by family business is at long last becoming widely recognised as awareness of the businesses and their trading history and value is acknowledged. Academic institutes offering various degrees and courses are spread across all continents, and at last here in Australia the courses provided through FBA and some Australian universities are accepted and in demand.

Taylor Bros joined Family Business Australia in 1996 and since that date I have served as a member of the National Board, the Constitution sub-committee, and the Education Committee, as well as assisting with a National Conference in Hobart in 2003 and planning for a further National Conference in Hobart in 2013. I formed a Tasmanian Chapter in 1996 and was president of that for approximately 8 years. I resigned from the National Board in 2009. In 2011 I was presented with the Chairman's award for service to FBA, and in 2012 I received Life Membership. I am proud of my association with this organisation which has provided myself and my business with sound knowledge and advice, wisdom, and an incredible network of other like-minded family business members.

I have been fortunate enough to attend two European Family Business conferences. (Holland and London) The immediately noticeable difference between Australian and European family businesses has been the longevity and old family wealth of the European family business members. The familiar labels from the products we use on a daily basis, and the ability to rub shoulders, meet and converse with members of those families and businesses was outstanding. The familiarity of being able to share your story and hearing theirs within a shared background is the greatest leveller and age and wealth were quickly passed over by the eagerness of participants to get to know more about each others history and businesses. Experiences I will never forget.

Membership of FBA in Tasmania has only ever been small, but by allowing both members and non members to attend events, we have been able to provide minimum level of communication between families in business and the organisation. It is my personal feeling that the low level is brought about by economic factors within this State. Most of the businesses are small, i.e. retail, newsagents, medical providers and pharmacists, rural, service providers. Many of these already belong to their industry organisations which they consider essential support to their operation. They also belong to an organisation which provides them with award advocacy, HR and OH&S advice, e.g. TCCI. They pay annual membership fees and frequently the addition of yet another fee is considered unnecessary. They are also working long hours and fitting in the demands of family, and so introducing another monthly or quarterly meeting, whilst not seeming so demanding, is

another hour their attention is being diverted from their more normal obligations. And so an organisation such as FBA can be seen as costly and unnecessary. However all too often it is these businesses that need the support, advice or education that can be obtained through FBA. There may be an opportunity for government to assist in the provision of some essential services through events or courses with nil attendance fees, promotion of services available to families in business, and official awareness of services throughout its statewide offices to enable offers of assistance to be made to those in need.

In closing I wish to express my appreciation for the opportunity to appear before this committee to state my case.

Thank you.

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