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Succession at Buchanan Transport

Abstract

Family firms have all the challenges of any business and, because they are run by families, they have to contend with the blurring of boundaries between family, management and ownership systems. Textbooks such as Poza Family Business point out how conflicts are likely to arise around ownership succession in family firms, and the need to manage succession so as to enhance the interests of family and business. This case provides an opportunity to consider the intertwined nature of family and business problems in the succession process of a family firm which, despite steady growth earlier in its history, is now characterized by family conflict and falling performance. How should the conflicts, aspirations and potential contributions of family members be handled alongside the pressing business issues confronting the firm? The Instructor's Manual sets out a sequence of discussion questions that allow students to build a comprehensive understanding of the issues, enabling them to advise the primary decision-maker in the case. It also suggests other teaching approaches such as using the family genogram to predict likely family business problems, using debating topics to generalize from the case, and comparing the actual outcome of the case with students' recommendations for action. The case is intended for a graduate or advanced undergraduate course in family business.

Keywords

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Succession in Buchanan Transport Group

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The car park of Buchanan Transport near the Port of Brisbane was usually a quiet place, even mid-morning on a weekday in May 2006. The spartan but functional building that housed the headquarters of this 85-year-old family company was far enough back from the freeway exit to the Port of Brisbane that the sound of freight trucks approaching the end of a thousand-mile journey from Queensland's north was no more than a distant roar. Usually, few people braved the heat and humidity to hold their conversations outdoors, but one morning a woman in her early forties joined an older man as he was unloading freight in the depot car park. She said, "I'd like to talk to you." He said, "Fine," but continued to unload the freight, so she joined him and he stopped what he was doing. "I am tired of having all the responsibility without owning any of the business. I'm not seen as the boss by anyone, even though I have the title Managing Director," she said. "I don't need this job – I have a husband whose business is doing well. I don't earn what I deserve for running this business, and I have been offered a position elsewhere with more money. It's time I either bought the business or left." The man, Noel Buchanan, turned back to face the woman. She was his daughter, Rita Schultz, formerly Rita Buchanan. "I am willing to sell the business on one condition: you must remain the majority shareholder." They looked at each other for a moment; both looked surprised, even shocked at what had just taken place. Noel thought, "I don't know whether I really want to sell the business. What if this all goes wrong, just the way it did with Jake, seven years ago?" Rita thought, "I never expected him to say he would sell. What do I do now?"

Development of the Australian road transport industry

Ever since drays pulled by bullock teams were phased out early last century, movement of freight in Australia had largely been shared between rail and road transport. Because Australia's state governments funded railway development, they charged high prices for rail freight and legislated to prevent road operators from charging less than the railways, creating potential windfall profits for efficient road transport operators. Following WWII, however, and for the rest of the twentieth century, a range of legislative and technological developments including stricter safety requirements for road transport, eroded the price advantage enjoyed by road freight operators. Despite the expansion in road freight, by the early twenty-first century profit margins for road transport operators were much lower than in the past. See the Appendix for a more detailed account of the development of the road transport industry and a summary of its structure.

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Buchanan Transport Group: The first generation

The firm of which Noel Buchanan was now CEO, Buchanan Transport Group, started in 1921 as a service station selling petrol, oils and providing mechanical repairs in Ipswich, a coal-mining city about 50 miles west of Queensland's capital, Brisbane. (See the map in Exhibit 1.)

Place Exhibit 1 about here.

Source: Map drawn by the authors using information from the case

Ipswich had always served as an important link between the coalfields and Brisbane, and once railways had been introduced, had been a stop-over point for livestock moving to Brisbane from the pastoral and agricultural regions to the capital's north and west. Noel's grand-parents, Damien and Rosemary Buchanan, had started the service station. It had been a daring move in an era when the railway was the preferred means of transport. Damien saw the high prices the regulations required him to charge as an advantage rather than a drawback, because he believed he could run a road transport company with great efficiency. The service station evolved to become Buchanan Transport, the first transport firm in Queensland to run in competition with the railway. The price advantage created by government price regulation meant that Damien and Rosemary made "a fairly good margin," according to Rita, the founder's great grand-daughter. Like many small family businesses back then, the firm did not keep records detailed enough to allow the precise profit margin to be estimated. However economic histories of Australian road transport (e.g., Gray 2009) indicate that margins of 30% were achieved by some firms.

The second generation

However the business suffered a major setback in 1923 with Damien's early death at the age of 38. At that time Rosemary thought their son, Hamish, then aged 17, was too young to step into the position of running the company. However, Rosemary had been working in the business and was able to take over. Noel often reflected on how remarkable Rosemary's leadership had been for the time. In 1923 it was rare for a woman to be working for a transport company, let alone running one. Hamish took over the firm in 1927 at the age of 21. According to Rita, in contrast to his parents, Hamish was a relaxed, easy-going, charismatic kind of person, who enjoyed interacting with drivers and customers. Noel, Hamish's son, recalled his father as an accordion-playing raconteur, generous and charming, "a real larrikin"¹. Cherie, Noel's wife, summed him up with the simple words, "party boy." Hamish loved driving and at one point owned seven automobiles, which he regularly loaned to his friends. According to Noel, Hamish sometimes even forgot to whom he had loaned a particular vehicle. In the business he cut corners and even participated in fraudulent activities. Noel recalled the whispers, which turned out to be true, that Hamish was big in the black market.

According to Rita and her parents, Hamish's actions affected the performance of the business for the worse. The service station was sold off and Hamish became ill. The transport business continued to operate, but because of his father's illness, Noel had to start working for the business full-time at the age of 16. Even before he started high school, he

¹ A larrikin is an Australian term for a joker and a good time fellow.

began pumping petrol, doing basic truck servicing, and even driving the trucks under the instruction of his father. Hamish's illness progressed and he died from liver disease in 1953 at the age of 47. Noel, aged 19, took over the business.

The third generation

In the aftermath of Hamish's death, Noel discovered the extent to which the business had served Hamish's need to live the good life. Hamish had disliked rules and regulations, and he left behind what Noel saw as a mountain of unpaid taxes and neglected paperwork. During Hamish's lifetime, Noel had not clearly understood the difficulties that his father's lifestyle had created for the company, so the period immediately after his father's death was a confused, difficult time for him. Looking back on that period, Noel said he had never had the opportunity to consider what he really wanted to do with his life. At the time, however, he was adamant that he would carry on the family business. Circumstances – or a feeling that he could not let his father and his grandparents down – seemed to determine his future course of action. He didn't make a fuss but simply let everyone know that he was now in charge of the business. From then on he adopted one goal: to turn the firm around.

This is precisely what Noel did. It was hard learning how to run the business on the fly but Noel followed his guiding instinct which was to do the opposite of what his father had done. His approach was to be cautious, conservative with debt, and to oversee all planning and decisions himself. "Prompt and reliable haulage" became the catchcry of Buchanan Transport. It was a simple motto but it matched what customers wanted from a transport company. "Nothing fancy or over the top," Noel recalled. Yet he was like his father in one respect. Like Hamish, he loved driving, and sometimes wished he was free of the day-to-day problems of people and the constant anxiety about how the business would survive. In 1954 he married Cherie, a school teacher, who left her career to work with Noel in the business. They had four children: Amanda, born in 1955; Kay, born in 1956; Jacob (Jake), born in 1957; and Rita, born in 1964. Rita's childhood memories of her mother were that she had a strong personality and positive outlook, and that she never expressed any regret about leaving the classroom to help run a transport business, despite the fact that she did not have any previous experience of the transport industry or indeed of any business. According to Rita, Cherie was not afraid to voice her opinion and could be blunt at times. She regularly talked Noel into doing something more daring than he would have undertaken if left to his own devices.

One such move was to diversify into the passenger ferry business. After several years the family had been able to afford a small luxury: a holiday house on Moreton Island, not far from the Port of Brisbane. At that time Moreton Island was isolated from the mainland with no means of access apart from private boats. The Buchanan family owned a boat, called the *Malahini*, capable of carrying 28 people, and the family made frequent trips between Moreton Island and the mainland. As Cherie recalled, "Local island residents and businesses were beginning to rely upon us to assist with the carriage of goods. In addition, passengers were collected at Toowong, Mowbray Park, Hamilton and Lytton (suburbs of Brisbane, the capital city of Queensland) and transferred to Moreton Island." Being a small vessel, the *Malahini* could not cope with the growing demand, and was soon replaced by the *Rigil Kent*, which was itself later replaced by the *Moreton Venture 1*. In 1971 Noel decided that a proper ferry service was needed, and replaced the *Moreton Venture 1* with the *Moreton Venture 2*, which could carry 21 cars and 150 passengers. To complement the ferry business, Cherie

and Noel diversified still further, starting the Koorungal General Store on Moreton Island. The *Moreton Venture 3*, which could carry 38 cars and 270 passengers, was launched in 1986.

The fourth generation becomes involved

The expansion of the business created more opportunities for Noel and Cherie's children to be involved. All three daughters loved working on the boats, and Amanda and Kay never complained about the various chores their parents gave them. Jake preferred the trucking side. Like his father he loved the machinery and the camaraderie with drivers and customers. Noel and Jake shared the same management style, which included a brusque manner with staff and customers alike. At first this shared interest worked well for them both. When Noel opened the first depot in Townsville for Buchanan Transport in 1989, Jake went to north Queensland to help. Noel, who was normally reluctant to delegate, put aside his preference to be in charge and gave Jake free rein to develop that part of the business pretty much as he wanted.

In the few years after the depot in north Queensland was established, the business expanded further – into banana-growing. Noel bought a small banana farm on Davidson Road, Tully, not because he or Jake wanted a life on the land, but to ensure that Buchanan Transport trucks travelling to Tully and other towns in the far north of Queensland were fully loaded on their return trips. Growing their own bananas and freighting other farmers' banana crops meant the company's trucks never left north Queensland empty. Bananas are a capital-intensive crop, and they require expertise to grow. However yields ranged between three and seven tons per acre, and a single Cavendish bunch (Cavendish is the most popular banana type) may weigh 110 lbs (50 kg) and have a total of 363 marketable fruits. At the time the Buchanans acquired Brick Creek Banana Farm, supermarket retail prices for bananas were A\$1.00-2.50 per pound even at peak season. Australia is relatively free of crop pests and diseases and for that reason had always prohibited banana imports, which reduced competitive pressure on farmers. The Buchanans' banana enterprise grew – Brick Creek Banana Farm soon boasted 150 acres of Cavendish bananas under plant. Largely through Noel and Jake's efforts, Buchanan Transport pioneered refrigerated freight services in the northern part of Queensland and at the same time, according to Rita, held their own as banana farmers.

Jake's departure

Despite their shared development of the business, things went wrong between Noel and Jake. After Jake got the north Queensland operation going, he seemed to develop a new attitude. According to Noel, Jake acted as if Noel should step aside and hand over the business to his son. Noel had no plans to do this in the near term, and certainly not until he was sure that Jake would not take on too much debt. Jake was not willing to be patient, and eventually Cherie and Noel removed him from the business. Jake then went to the U.S. and set up his own business interests there. He had not returned to Australia other than for short visits. His sister Amanda commented eight years after this event, "Jake's very talented, but he's not boss material. I know I'm not, and Kay knows she's not, but Jake wouldn't accept it." For his part, Noel saw his son as a party-goer who wasn't ready to handle responsibility. He

was also critical of Jake's approach to management: "He's either going off his tree² and abusing staff, or letting them do what they like."

Rita, the youngest of the siblings, took her share of chores in the business while she was growing up. She recalled that as a teenager she was often grouchy when she was asked to do routine, after-school chores in the business. "You treat me like a slave," she said to her parents. Nevertheless, she was always serious about whatever she did in the business. Although any of the children could have earned pocket money for these chores if they presented an invoice, Rita was the only one who drew up an itemized list of the tasks she carried out, and claimed her salary. Noel and Cherie kept one of Rita's handwritten invoices dated 1976: a slightly misspelled, carefully scripted and signed page, complete with a mission statement at the top: *Service with a smile*. Rita did not always smile, but she was determined to be paid for what she did.

Rita enters the business full-time

As a teenager Rita always said she had no plans to work in the company when she was older and that she couldn't wait to leave it. She was supposed to do her final high school exams, which in Australia determined whether a person qualified to go to a university and what courses they could take. But, as Rita recalled the situation later, her heart wasn't in her studies and she left without completing her exams. Nevertheless, she enrolled at the Queensland Conservatorium of Music. That only lasted a few months. Rita said, looking back on that period, "The atmosphere there seemed so removed from the real world. I knew as soon as I got there that I didn't fit in." She came home on a temporary basis supposedly to study again for her exams, but found she was no more interested than the first time around. Seemingly on an impulse, she asked her mother if she could stay and work in the family firm. Cherie expressed surprise, but lost no time in putting Rita to work. By that time, 1981, Jake was in charge of the office as Noel and Cherie were spending more and more time on the road and dealing with the ferry side of the business. Rita's role consisted of vacuuming the office, cleaning the boat, answering telephone calls, and doing whatever her brother asked her to do.

However, Rita had her own ideas about how the office should be run, which she admitted were based on making things easier for herself. Jake did not help her much; he was also busy out on the road and later, when he helped start the new arm of the business in north Queensland, he was even harder to reach. Rita soon tired of passing on customers' queries to him and customers started calling her directly with their questions. Rita had to figure things out on her own; when Jake asked her to do something, he did not explain the reasons behind it. After a while, Rita – in her own opinion – felt she came up with better solutions for customers than Jake, something that Jake either did not notice or greeted with relief since it allowed him to spend more time on the parts of his job he enjoyed.

Noel increasingly allowed Rita to do things her own way. On one of the few occasions when Noel came in to the office, it was obvious Rita had rearranged the whole of their administrative operations. Rita didn't ask if it was okay to change things, she just did it. Noel and Cherie barely raised an eyebrow, but Rita thought they were pleased. Rita didn't insist on explaining every last detail of what she had changed. Instead, she asked Noel to tell her about the company's financial position. Rita was unimpressed with what Noel told her, telling

² "To go off one's tree" is an Australian expression meaning to lose one's temper.

him the next day she thought the company was running on empty, just spinning its wheels. They weren't really making money, she said, just paying everyone to keep doing what they'd always done and never really getting ahead. "I don't see the point of working in a company that's going nowhere," she said. "What sort of a future is that for me?"

This was the first conversation Rita had with Noel along these lines, but it wasn't the last. Noel never volunteered information about managing the company, but answered Rita's questions when she sought him out. By the late 1990s, Rita was regularly bringing up the subject of the firm's financial position with Noel and the need for the firm to do more to stay ahead. She began to push the idea that Buchanan Transport should have regular access to external advisors to help the company consider new ideas and improve its strategic planning. Ultimately, she said, it needed a board of directors. Her father all but laughed at her. He was convinced that no one outside the firm could understand their operations. Rita believed that it was only because Jake had left the firm and was no longer seen as the heir apparent, that Noel told her "bits and pieces" about the company's financial position and gave her a few tips about managing it. Nevertheless Noel did not formally plan for Rita – or indeed anyone – to succeed him after Jake's departure. In fact succession became a no-go area of conversation – it was such a sensitive subject that no one could bring it up with Noel. Noel, in turn, did not give Rita long-term advice, he merely stressed that she should avoid undue risk. Despite the lack of open discussion, Rita believed Noel was starting to become accustomed to her role in the business. Little did Noel know that for several years, Rita had been carrying a business card with her name shown as Managing Director of the firm.

The MiCat ferry

Rita saw that Noel was intrigued to see how she put into practice what he told her. One day in April 2004, Rita casually mentioned that she had drawn up plans for a new ferry. The first ferry Noel had bought was a basic 34-metre (105 foot) vessel, and their newest ferry was by then nearly 20 years old. Rita was talking about a 58 x 16-metre (180 x 50 foot) catamaran that could carry 52 SUVs and 400 passengers. Neither Noel nor Rita spoke aloud about what the ferry would cost, but Rita estimated it at A\$10M, what she described as "a fair proportion of the balance sheet."

Exhibit 2 shows financial information for the firm in 2003, when Rita drew up the plans for the ferry, and for the following year, 2004. By the early 2000s the Buchanan Group operated seven different companies across its transport, ferry, and fuel operations, including assets-holding companies, operating companies, and human resource companies through which employees were paid. In 2003 the total assets held by the group were just over A\$31M. The long-term financing in place at this time was both equity and debt in the proportion of 54% and 46% respectively.

Please Exhibit 2 about here.

Source: Compiled by the authors from internal company documents

As before, Rita did not ask whether she could go ahead, but simply let Noel understand she was going to commission the ferry. Noel could have prevented her or insisted on a full briefing, but instead said nothing and went along with Rita's plan. This was not the first initiative Rita had taken to improve the company's operations, though it was the biggest. For example, in 1997 Rita arranged for Buchanan Transport to be accredited with Trucksafe.

Trucksafe was a national, not-for-profit industry organization which began in the mid-1990s. It established rigorous safety standards for road transport company vehicles and drivers, awarding accreditation certificates to companies that could demonstrate they met the standards. Buchanan Transport's accreditation, only two years after Trucksafe was established, was one of the earliest in the industry.

Company philosophy

Noel and Cherie were always united in their commitment to reinvesting any profits into the business and ensured their children were involved in the business from an early age. The girls were as likely as Jake to be called on to do tasks requiring physical strength and toughness. Kay recalled the New Year's Eve of 1973 when she was seventeen. She had been asked to manage the store on Moreton Island and to look after Rita, who was then nine years old. The two girls were at home alone on the island, a frequent occurrence when Noel and Cherie had to take the boat back to Brisbane. On that night, as Kay recalled, "My father came across [to Moreton Island] with some much-needed fuel for the island's residents. It was a high tide and very dark. Dad rolled the 44 gallon drums into the water and I had to swim these back to the beach and then roll them up over a sand dune and into the store. I was due to go out to a New Year's Eve party and I still made it. All in a day's work for me then." Kay recalled falling off a semi-trailer she was loading, then working on in pain for 18 months before learning that her wrist had been broken.

Noel's business philosophy was never to become too grandiose; his ambitions were limited to keeping the family's heads above water. Cherie also took the view that the purpose of the business was to ensure basic family security. She often said, "There should be a job in the business for all our kids." This worked for Amanda and Kay. Amanda also worked on the various boats, looking after the passengers. She left the business to start a career as a registered nurse, married in 1979, and later returned to the family business, bringing her husband, Don Drewe, with her to skipper the boats. Amanda recalled that when she had her first baby, she set up a cot in a corner of the boat, and "simply continued working." She managed the ferry side of the business, tackled numerous other tasks, and developed her practical and business skill base. Her nursing skills were useful for dealing with occasional injuries or illnesses suffered by visitors to Moreton Island. Kay, like Jake and Rita, went into the business straight after high school, working on the freight side. Kay married, and her husband, Daryl Singleton, also became an employee in Buchanan Transport. In time, all three sisters and the husbands of Amanda and Kay worked in the business, bringing their children along when they worked there on weekends. Rita was the only sibling who regularly questioned the company philosophy, asking her father why they were in business if they were not making money. His answer was the same as it had been her whole life: "Because we love it, because that's what this family does."

Exhibit 3 presents a genogram of the first five generations of the Buchanan family.

Place Exhibit 3 about here.

A crucial year: 2006

On 20 March 2006, Tropical Cyclone Larry³, which had been developing for three days in the Coral Sea off the north Queensland Coast, made landfall near Innisfail. The Australian Bureau of Meteorology estimated Larry to be the most damaging cyclone to hit Australia since 1931, levelling 80-90% of the country's banana crop, including Brick Creek Banana Farm. The cyclone damage and Australia's ban on banana imports meant bananas were in short supply throughout Australia for the rest of 2006, which increased banana prices across the country by 400-500%. A further cyclone, Monica, crossed the coast one month after Cyclone Larry, wiping out some of the early efforts to replant bananas and other crops. Farmers wondered if harvests would ever be normal again. The combined effect of the two cyclones meant virtually all the Buchanan Transport trucks that had taken bananas long distances to Brisbane and interstate lay idle. The Buchanan family received disaster compensation from the Australian government for the loss of the banana crop, but nothing to cushion the blow to the trucking side of the business. On the positive side, however, the new Moreton Island ferry had by then been operating for more than a year. Moreton Island itself was developing as a tourist destination, helped by population growth of 3.2% in the Moreton Bay district during the previous five years, which exceeded growth in Queensland as a whole by 2.2 percentage points.

Exhibit 4 shows summary financial information for Buchanan Transport for 2006.

Place Exhibit 4 about here.

Source: Compiled from internal firm documents

There were growing problems in the Buchanan family. Noel's and Cherie's marriage had begun to deteriorate and Noel was involved openly with someone else. While outsiders thought Noel would divorce his wife, Noel said he had no plans to do this and in fact remained living with his family. Noel and Rita continued to work together. With Rita increasingly running day-to-day operations, her father spent more and more of his time with the truck drivers or the trucks. Rita was aware that her mother resented Rita's growing influence in the business. Rita herself became more restless and dissatisfied than ever. "My husband has a business and I could just as well focus on that," she told herself. "Or I could work somewhere else entirely. Either would be better than managing this business if it means no recognition, no financial certainty, and no certainty about whether any of my plans for the firm will get Dad's support. Somebody needs to make a proper decision about what will happen to the firm, but Mom and Dad will never do it while their marriage is so rocky."

The crisis comes to a head

Rita had been mulling over possibilities for some time. One idea she discussed in a hypothetical way with Kay and Amanda was that the three of them, each paying a roughly equal sum, could buy out their parents and Rita could become CEO. Kay and Amanda were broadly in agreement. As Amanda said, they had always thought of Rita as "the brainy sister" so they thought she would be the best person to handle the complexities of the business in the long term. Even though Noel was now 72, none of them thought he would step down from the business soon. Nevertheless Amanda and Kay made it clear that, when the time came, they would want senior roles in the business for themselves and their husbands.

³ Cyclone is the term used in Australia for a hurricane.

This was the situation when Rita confronted Noel in the car park. In that brief conversation, she mentioned nobody other than herself as a potential buyer and made no specific offer in dollar terms. She did not expect Noel to agree to sell, and Noel's stipulation that Rita was to be the majority shareholder introduced an issue that Rita had not discussed with her siblings or with her mother. The shares in the firm were all in Noel's name. In the past, this had not created any problem between Noel and Cherie, to Rita's knowledge. Noel and Cherie had always acted in concert when making decisions about the future of the firm. They had been united, for example, in removing Jake from consideration as their successor seven years earlier, after their dispute with him over his wish to take over ownership and management of the firm. However, Noel and Cherie's marital difficulties meant their interests were no longer in alignment. However, he had not made clear what financial implications the new relationship presented, and Cherie was not reassured by Noel's assertions that everything was fine and could continue the same as before. On the contrary, Cherie felt an increasing need for certainty about her financial position. Rita suspected that, in view of these complexities, her parents would probably disagree about whether and how to transfer ownership of the business. The condition Noel wanted to impose that Rita be the majority shareholder and the shifting family allegiances indicated to Rita that her idea of a simple buy-out was doomed to fail.

The decisions that needed to be made about the business following Cyclone Larry were not being attended to however, and all three sisters felt they had to act quickly to stabilize the firm's ownership and management. As Rita said at the time, "We [Kay, Amanda and herself] all want quick action to resolve the succession. But I still feel scared. I have a lot to learn about managing the business. Even though Noel has agreed to sell, I can see that he, Cherie and I will have different views about how to divide ownership of the business. I really want to see all this resolved, but I have a sinking feeling it will take a long time. Just thinking about different people's interests in the firm makes my head spin."

Case Appendix

The structure and development of the Australian road transport industry in the early 2000's

The Australian road transport industry consists of several different types of operators, as illustrated in Exhibit 5.

Place Exhibit 5 about here.

Source: Bureau of Transport and Regional Economics (2003)

Consigners (principally businesses) generate demand for transport. Consigners' demand for road freight transport services can be met either through in-house provision of road freight services or through outsourcing, leading to the distinction between the ancillary and "hire and reward" sections of the industry. Ancillary operations involved the carriage of freight by vehicles owned by firms whose main business was normally non-transport-related. Hire and reward operations, such as Buchanan Transport, involved the carriage of freight for another firm on a contractual basis. In the early 1980s the ratio between ancillary and hire and reward operations was around 74:26 on a truck-number basis, but by 2003 this had declined to 60:40, reflecting the growing importance of the hire and reward part of the industry (Bureau of Transport and Regional Economics 2003).

The hire and reward section of the industry consisted of two distinct categories of operators: freight forwarders and fleet operators. Freight forwarders acted as intermediaries between the clients (consigners) and those that physically carried out the task (sub-contractors). A major role of freight forwarders was to consolidate consignments of various densities to achieve optimum loads. Freight forwarders either provided a transport service nationally or concentrated on moving goods on specific routes. Most freight forwarders were not restricted to a single transport mode and might have operated on a multimodal basis to minimize costs. Freight forwarders might have operated their own truck fleet and employed their own drivers, or engaged independent sub-contractors to provide haulage services. The other category of hire and reward operators consisted of freight operators who secured consignments on a contractual basis either directly from consigners or from freight forwarders. Freight operators could also engage in freight forwarding activities. Freight operators could be either fleet or independent operators. Depending on contractual arrangements, independent operators were further classified under one of the following categories: tow operators (i.e., sub-contractors that supplied a prime mover, i.e. the vehicle providing the haulage power, and towed a trailer from terminal to terminal); "painted" sub-contractors (i.e., sub-contractors whose vehicles carried the forwarder's livery and were employed by the forwarder on a semi-permanent basis); specialist operators; and other independent sub-contractors. They secured consignments on a contractual basis either directly from consigners or from freight forwarders. Buchanan Transport was a fleet operator employing its own drivers (Bureau of Transport and Regional Economics 2003).

Effects of legislative change on competition between rail and road transport

Legislation restricting competition between rail and road transport had operated since railways were built, to help state governments, which had developed the railways, to recoup their outlays. However rival Australian states had built railways with a variety of gauges,

which created delays and additional costs because goods had to be transferred between railway systems at state borders. This helped the new rival industry – long distance road transport – to develop. However, according to a federal government report (Bureau of Transport Economics 1980), the road transport industry's development was initially restricted by inadequate vehicles and poorly maintained roads, and it was only after WWII, when accelerated economic growth increased trade between the states, that conditions became more favorable for road transport. The deterioration of railway equipment and losses of merchant shipping that had occurred during WWII meant that, during the immediate post-war period, rail and sea transport were unable to cope with the increased trade (Bureau of Transport Economics 1980). A nationwide rail strike took place in 1949. For the duration of the strike, all forms of state road regulations that had been imposed to protect the railways were abandoned to allow the road transport industry to accommodate the displaced demand. As a result, customers who might otherwise have used sea or rail transport to move their goods were exposed to the door-to-door service offered by road transport operators.

After the rail strike, and three years before Noel took over the leadership of Buchanan Transport, the states reimposed restrictions on road freight transport. This meant the pricing structure that had assisted the establishment of Buchanan Transport, and favored its development for so long, disappeared. In 1954, the High Court of Australia ruled some of the earlier state regulations restricting road transport to be unconstitutional, and that taxes levied on road transport operators could only be spent on maintaining highways. This meant more government funds were directed towards the road infrastructure on which Buchanan Transport depended. However all states except Tasmania immediately imposed new road maintenance charges following the High Court decision, adding to the costs Noel faced in reinvigorating Buchanan Transport.

Technological change

A further result of the High Court decision was an influx of operators into the interstate road haulage business, leading to a period of unrestricted competition not only between road and rail, but also between road operators (Bureau of Transport Economics 1980). In the early 1960s, freight forwarders introduced new equipment that was easily transferable between rail and road, resulting in an increased volume of freight being moved by rail. In return, forwarders were given exclusive use of goods terminals in advantageous localities on railway property. This strengthening partnership between freight forwarders and the railways caused the other operators in the road haulage industry to improve their efficiency by introducing new and better equipment, including more efficient diesel-powered trucks (Rimmer 1970; 1977). The advent of roll-on, roll-off containerization in the early 1960s reduced costs in both rail and road transport industries, and increased the opportunities for use of multimodal freight arrangements, including sea, and to a lesser extent, air transport. The introduction of the Interstate Drivers Award that established minimum pay rates for drivers, partly counter-balanced these cost reductions, and led to an increase in the use of sub-contractors in an attempt to avoid paying the required rates.

The National Freight Forwarders Association (NFFA)

In 1962, the National Freight Forwarders Association (NFFA) was established with the expressed aim of “overcoming the unattractive and fluctuating returns in the industry by

facilitating the consolidation of the industry into fewer firms” (NFFA, cited in Rimmer 1970, p. 20). The NFFA, through the Australian Road Transport Association (ARTA), also sought to establish a scale of interstate freight rates in line with what freight forwarders considered a reasonable profit: 15%. However, the NFFA had limited powers in enforcing the rate schedules and they were adhered to closely only for loads under two tonnes (4,420 lbs). The role of the NFFA to set interstate freight rates for its members was abandoned with the introduction of the Trade Practices Act 1974.

In 1978, a federal government study was undertaken of all sectors of the Australian freight transport industry. It concluded that “all sectors of the [freight transport] industry were highly competitive” and that “rail actually had the potential to capture a significant amount of the long distance freight market from road” (Bureau of Transport Economics 1980, p. 2). This was the opposite of the situation that had prevailed when Buchanan Transport was founded, when Damien found he could achieve “a good [profit] margin” through the efficiency of his road transport firm compared to the railways. A further government study undertaken 23 years later (Bureau of Transport and Regional Economics 2003) reported that in 2000 that the road freight industry was much less profitable than it had been in the early 1980s. For the road freight sector as a whole, the adjusted profit margin declined from 30.8% in 1983/84 to 17.8% in 1999/2000 (Bureau of Transport and Regional Economics 2003, p. 64), and even these margins were somewhat inflated because some input costs were not included. The decline of profitability in the road freight forwarding sector was less dramatic, but profit margins for 1983/84 were already relatively low (Bureau of Transport and Regional Economics 2003, p. 64). The same study reported a slower, but still strong, rate of increase in demand for the services of road freight companies, as measured by the total road freight task⁴, which was expected to double by 2020. Exhibit 6 shows the total road freight task for the period 1971-2000.

Place Exhibit 6 about here.

The 2003 government study also highlighted the growing integration of transport modes; an increasing focus on productivity, safety and environmental performance; and deepening regulatory reform.

Attention to safety

Following its expansion in the 1950s, the road transport industry frequently attracted adverse publicity about its accident rates. Health issues, inadequate driver literacy, and insufficient training were often apparent in its workforce. These issues, particularly safety and workforce skills, became the focus of Trucksafe, the industry-wide safety promotion organization which, in 1997, accredited Buchanan Transport. Trucksafe and other heavy vehicle accreditation bodies demonstrably improved the safety records of the transport firms accredited with them (Raftery, Grigo & Woolley 2011).

Exhibit 7 summarizes developments in the long distance road transport industry up to 2006 as they relate to Buchanan Transport.

⁴ The road freight task is the product of reported average load and total (business) kilometres for each vehicle type in the road transport industry. The total road freight task is the sum of the road freight task as measured for each vehicle type.

Insert Exhibit 7 about here.

References

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Exhibit 1

Map of Queensland, showing sites of Buchanan Transport's operations and main railway lines

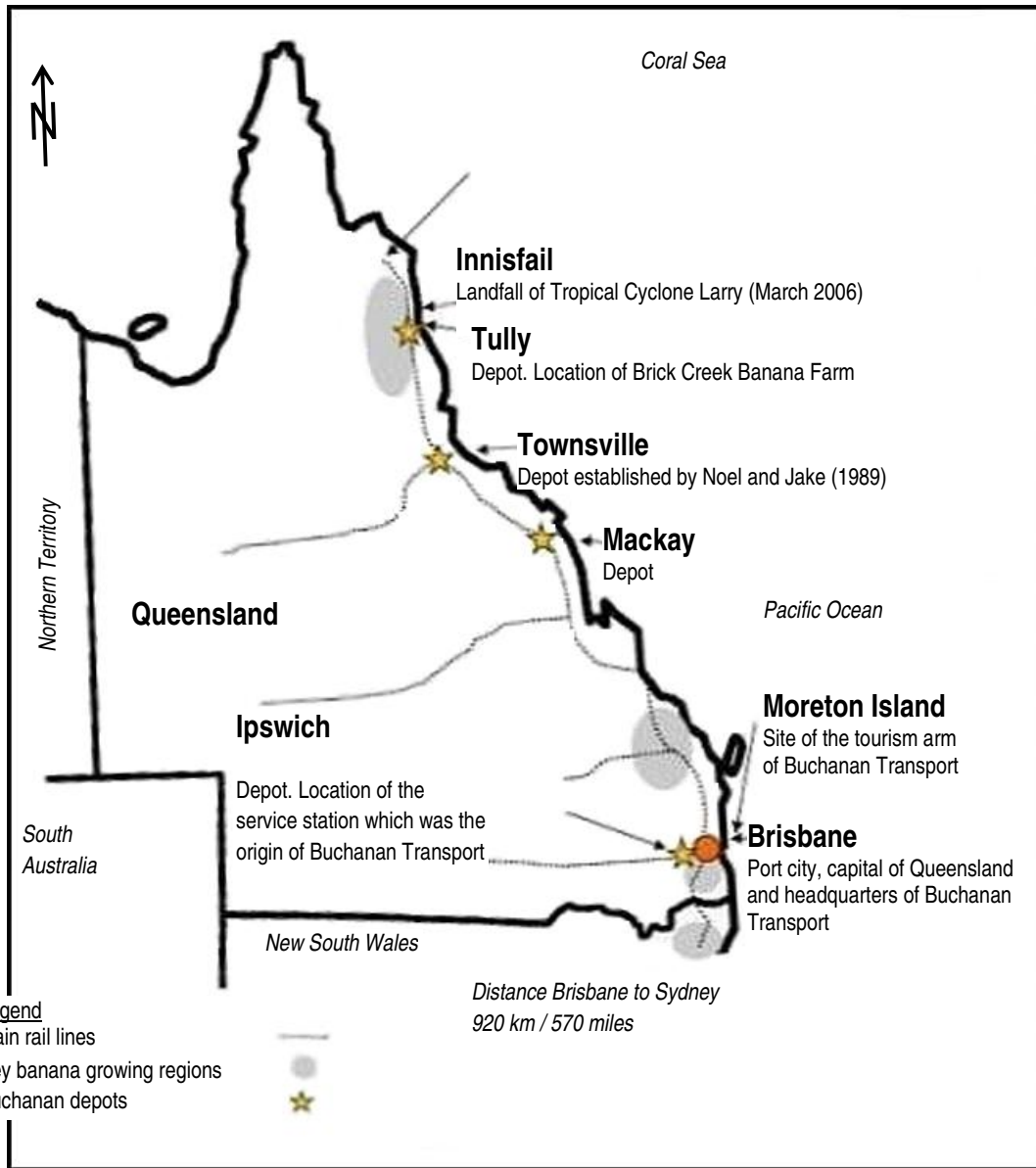


Exhibit 2

Selected financial information for Buchanan Transport 2003-2004*

Thousands of Australian dollars

	2003	2004
Assets	31,056	39,610
Equity	14,303	13,408
Non-Current Liabilities (NCL)	11,948	18,810
Long-term financing (Equity + NCL)	26,251	32,218
Debt	46%	58%
Equity	54%	42%
Profit (Loss) before Tax**	-6,165	2,568
Return on Assets	-36%	6%

*The Australian financial year ends on 30 June.

** The tax rate during 2003-2007 was approximately 30%.

The A\$-US\$ exchange rate varied between 0.65 and 0.84 between 2003 and 2007, with an average of A\$1 = US\$0.76.

Exhibit 3

Genogram of the first five generations of the Buchanan family

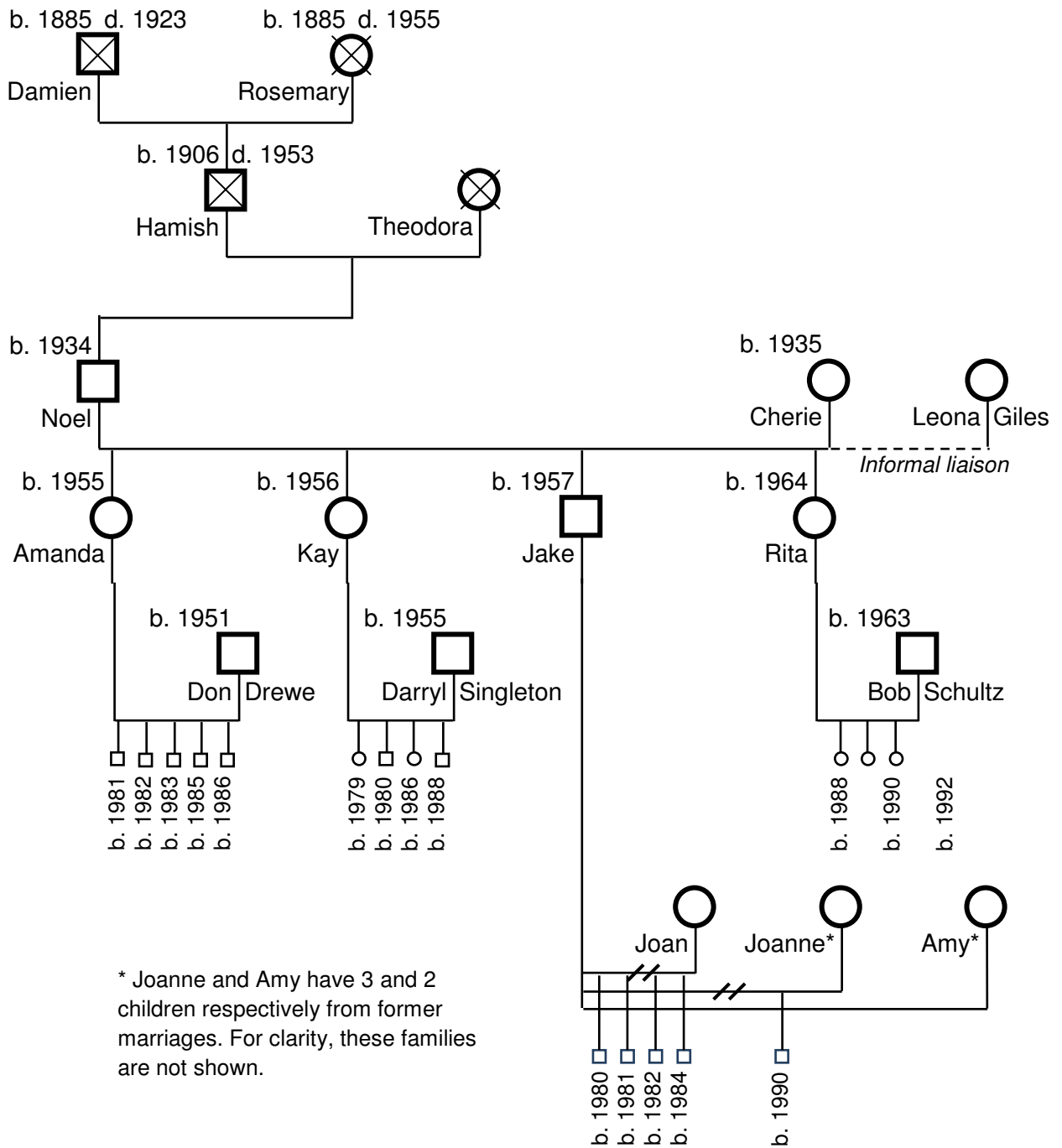


Exhibit 4

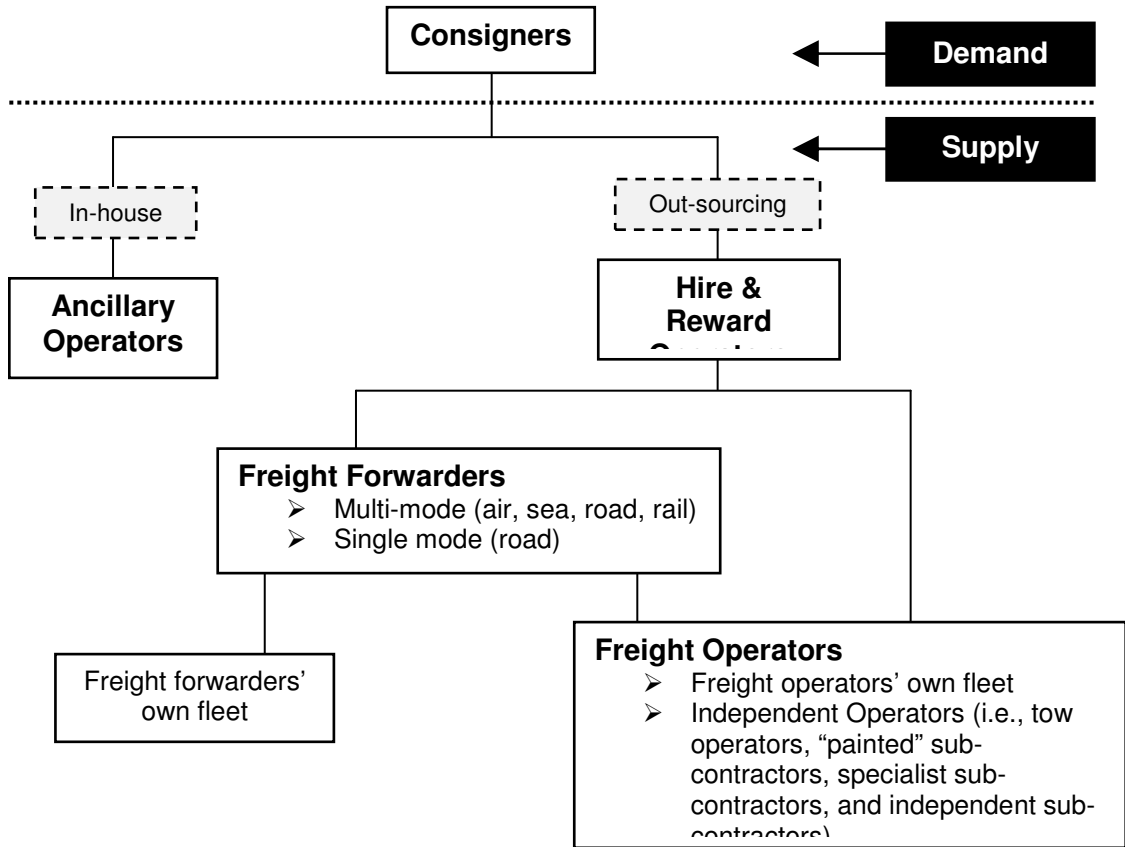
Selected financial information for Buchanan Transport 2006

Thousands of Australian dollars

Assets	54,426
Equity	14,400
Non-Current Liabilities (NCL)	31,426
Long-term financing (Equity + NCL)	45,826
Debt	69%
Equity	31%
Profit (Loss) before Tax	1,423
Return on Assets	3%

Exhibit 5

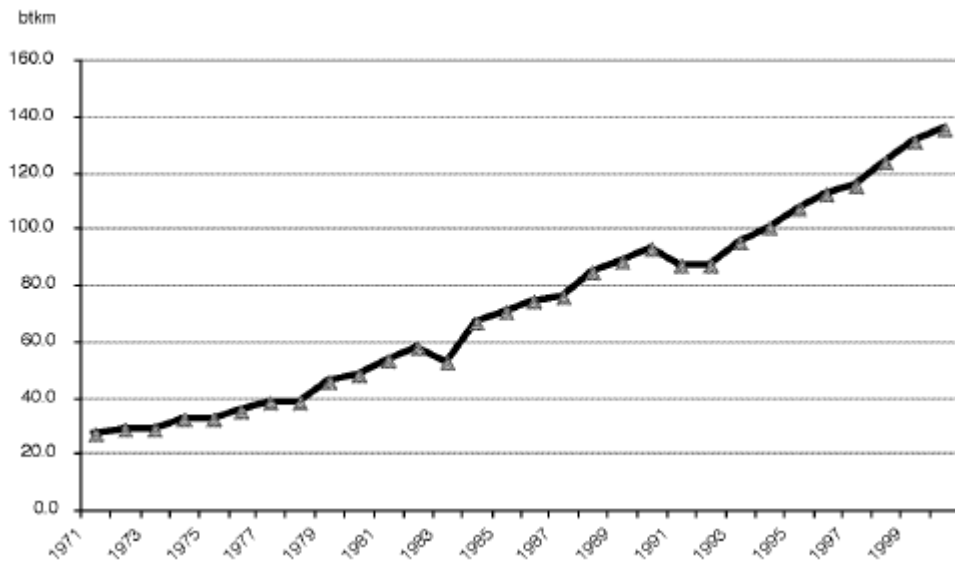
Structure of the Australian road freight transport industry



Source: Amended from Bureau of Transport Economics (1980) and Bureau of Transport and Regional Economics (2003)

Exhibit 6

Australia's total road freight task (trend values, 1971-2000)



Source: Bureau of Transport and Regional Economics (2003)

Exhibit 7

Road and rail freight industry developments in relation to Buchanan Transport family and business events: 1875-2006

Road and rail freight industry developments	Year	Buchanan Transport family and business events
First railway built in Queensland from Ipswich inland to Grandchester, using narrow 1067 mm gauge (one of 3 different rail gauges in Australia). Rail system extended to Darling Downs area (100 miles west of Brisbane), then connected with Brisbane in 1875	1875	
WW1 begins. Beginnings of motorised road transport in Australia. Various taxes, charges and regulations on road transport are created by state governments (including Queensland) to protect the railways. First road hauliers association established in 1920	1914-20	
	1921-23	Rosemary and Damien establish service station at Ipswich, 50 miles west of Brisbane in 1921. Damien dies in 1923; Rosemary takes over the firm.
Second World War begins. Inefficiencies created by Australia's incompatible rail gauges become more obvious as war effort steps up	1927	Hamish, son of Rosemary and Damien, takes over aged 21, but uses firm to support an extravagant lifestyle.
National rail strike in 1949 means taxes and regulations restricting road transport operators are temporarily abandoned. Customer awareness of road transport increases. After the strike ends, regulations and taxes on road transport operators are reinstated. Railways initiate alliance with freight forwarders.	1949-50	Noel, Hamish's son, starts work in the firm to help his father, who is ill. Firm close to bankruptcy.
	1953	Hamish dies aged 47. Noel, aged 19, takes over the firm with the goal of turning it around.
Restrictions against road transport firms ruled unconstitutional. New laws require taxes on road transport to be spent on roads, but new, higher taxes remove resulting benefits to road transport operators. New technologies lower rail transport costs compared to road. Beginning of unrestricted competition between road transport operators and railways.	1953-60	Noel marries Cherie in 1954. Noel and Cherie work together to restore the health of Buchanan transport.
	1955-60	Births of Amanda, Kay, Jake, children of Noel and Cherie.
New equipment introduced by railways to make freight transferable between road and rail transport. In return road transport firms are allowed to use goods terminals on railway property. Growing use of diesel rather than petrol fuel lowers road transport operators' costs. Roll-on, roll-off containerization allows	1960-70	Noel and Cherie continue to rebuild the firm. Gradual restoration of customer confidence. Buchanan Transport pioneers refrigerated road transport, but firm is increasingly affected by stronger road-rail and multimodal competition.

integration between rail and sea transport, and to a lesser extent between road and air.		
National Freight Forwarders Association (NFFA) is established with the aim of fixing road freight rates so as to allow minimum 15% profit by all long-distance road freight operators. Discounted rates are offered for road freight consignments > 2 tonnes. Competition reduces the number of road transport operators in the industry.	1962	Buchanan Transport's profits eroded by need to lower prices to match competitors.
Interstate Drivers Award establishes minimum pay rates for drivers. Increase in use of sub-contractors in an attempt to avoid paying the required rate.	1963	Buchanan Transport does not use sub-contractors, so the firm's salary costs for drivers are higher than for many competitors.
	1964	Rita Buchanan born.
Open road policy in New South Wales, Queensland and South Australia increases costs for road sub-contractors. Freight rates increase by 45%.	1970-80	Rita works in the family business with her brother and sisters.
	1971-86	Noel establishes ferry business between Moreton Island and Brisbane in 1971. Ferry capacity increases with growing passenger numbers.
Trade Practices Act outlaws price-fixing by freight forwarders that had begun in 1962.	1974	Noel further diversifies the firm by opening general store on Moreton Island.
More cost-lowering agreements between railways and road operators; freight forwarders are encouraged to invest in container terminals and gantry cranes.	1975-80	Rail-road agreements and technological developments further erode Buchanan Transport's cost advantage. Rita starts working full-time in the firm in 1980.
	1989-90	Noel, with help from Jake, opens Buchanan Transport Depot in Tully, far north Queensland. Buchanan Transport acquires Brick Creek Banana Farm, ensuring full return loads for trucks travelling north from Brisbane.
Trucksafe, a road transport industry-sponsored safety accreditation body, is established in 1995.	1995-97	Buchanan Transport is accredited with Trucksafe in 1997, one of the first transport companies to achieve this.
	1999	Jake leaves the firm after dispute over succession. Noel makes no further succession plans. Amanda, Kay and Rita acquire more experience in the firm.
	2004	Rita designs and builds MiCat ferry. Noel's and Cherie's marriage comes under strain. Amanda and Kay have returned with their husbands to work in the firm.
Australian government offers natural disaster compensation for banana farmers but not for transport operators affected by loss of banana freight.	2006	Crisis year. Two tropical cyclones, Larry and Monica, destroy Brick Creek Banana Farm and much of the rest of Australia's banana crop. Rita presents Noel with ultimatum: "I buy the firm or I leave."

Succession at Buchanan Transport Group

INSTRUCTOR'S MANUAL

1 Synopsis of the case

The case relates the history of an Australian family transport firm from its foundation in 1921, through its expansion and diversification into agriculture and tourism, to a business and succession crisis in 2006. Rita Buchanan, youngest daughter of Noel Buchanan, the third generation owner, gave her father an ultimatum about the transfer of firm ownership. Noel's response, that he would sell the firm provided Rita remained the majority shareholder, brings interlinked family and business problems into focus: the owner's failure to plan for succession following a dispute seven years earlier with his son, who then left the firm; the discontent of his three daughters about how this lack of succession planning affects their futures; the owner's estrangement from his wife, Cherie, over the owner's ongoing extramarital relationship; Cherie's resentment of Rita's strategic role in the firm; and the firm's falling profitability, especially after a cyclone [hurricane] destroyed its farm and left many trucks idle. The case requires a decision about whether the youngest daughter should accept her father's offer, and what actions are needed to safeguard the interests of the other stakeholders and ensure the future of the firm.

2 Learning objectives and theory linkages

After working on this case, students should be able to:

1. Identify interests and types of commitment of each stakeholder in a family firm (Sharma & Irving 2005).
2. Explain why an incumbent may be willing or reluctant to consider succession (Neubauer 2003).
3. Analyze gender-related factors affecting decisions in family firms (Dumas 1992, 1998; Curimbaba 2002; Barrett & Moores 2009).
4. Evaluate the quality of management and leadership development in a family firm and recommend leadership development strategies for the future (Moores & Barrett 2002; Quinn & Cameron 1983; Sonnenfeld 1988).
5. Recommend how to reduce succession conflict and enhance the likelihood of a firm's future success (Adizes 2004; Child 1973; Le Breton-Miller, Miller, & Steier 2004; Poza 2010; Timmons & Spinelli 1999).
6. Identify important decision options and their advantages and disadvantages.
7. Synthesize insights gained from previous analyses to recommend what Rita should do.

3 Intended course and level

The case is intended for students in graduate and advanced undergraduate courses in family business, especially courses that explore the unique challenges and strengths of family businesses.

4 Suggested teaching plan

The case is designed to be used at the end of the course, using the seven discussion questions listed below. Alternatively, using the following teaching plan, it can be used with several different teaching and learning approaches over six sequential class sessions of between ½ hour and 3 hours duration. If some sessions are spread over two or more meetings, the case can be used over the full duration of the course. Each teaching and learning approach can also be used individually. The teaching plan assumes a class size of 20 students, but is easily scalable upwards or downwards.

The summary plan is as follows:

Session #	Title	Duration
1	The genogram exercise: Identifying biases about family business	½ hour
2	Debriefing the genogram exercise	½ hour
3	Being a Buchanan: Role-playing the stakeholders in Buchanan Transport Group	+/- 2 hours
4	Student presentations on discussion questions 1-6	+/- 3 hours
5	Comparison of student responses to discussion question 7 with The Epilogue: What can be learned from what actually happened?	1 hour
6	Debates arising from the Buchanan Transport case	+/- 2 hours

Details of each session are as follows:

Session 1: Identifying biases about family business (Duration: ½ hour)

Session objective/s: 1) Make misleading stereotypes and assumptions about family business explicit; 2) Acquaint students with the stakeholders in the case.

Session activities: Give students the genogram of the first four generations of the Buchanan family (see Exhibit 3 in the case). Ask students, working in pairs or small groups, to predict the probable successor, suggest likely succession trouble spots, and other things they predict will happen in the case. Record responses. Students' responses will likely reveal common assumptions about family business problems, such as the likelihood that the third generation will tend to run the business down, that the fourth generation successor will probably be male, and so on.

At the end of the session distribute copies of the full case. Ask students to keep their initial predictions in mind and examine them critically when they have read the case.

Session materials/resources: Copies of genogram (Exhibit 3)

Take-home tasks: Students to read the case in full before the next session.

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Session 2: Debriefing the genogram exercise (Duration: ½ hour)

Objective/s: Increase students' conscious awareness of assumptions about family business

Activities: Ask students to recall their initial predictions about what would happen in the Buchanan case and prompt them to observe that most, if not all, turned out not to be true. This will enable students to see that they likely hold many unconscious assumptions, maxims or stereotypes about family business, and need to be wary of them. Further discussion may also prompt other insights, for example, the fact that both Hamish and Noel are only sons, and also that Jake is the sole male of four siblings. Students' initial reading of the case, combined with this observation, could suggest the pressure sons are under to succeed to family firm leadership, regardless of the quality of their preparation.

At the end of the session, let students know that in the following session they will role-play one or more stakeholders from the case. Allocate either a single stakeholder role to each student, or both a major role (Rita, Noel, Cherie, or Jake), and a minor role (Amanda, Kay, Don Drewe, or Darryl Singleton) to each student.

Materials/resources: Students' responses from session 1.

Take-home tasks: Ask students to recall the crisis point in the case and, before the next session, to think about the type of commitment and the likely hopes or expectations of the stakeholders at that point. Students who will role-play major stakeholders should also think about these stakeholders' likely viewpoints at earlier moments in the case, such as when Rita decided to have the MiCat ferry built.

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Session 3: Being a Buchanan: Role-playing the stakeholders in Buchanan Transport Group

(Duration: +/-2 hours)

Objective/s: 1) Give students experiential knowledge of one or more stakeholder viewpoints in the case; 2) Alert students to broader aspects of the case as it presents itself to the main decision-maker, Rita.

Activities: Students first play the parts of Noel and Rita, to work out different ways the succession might have been approached. For example, pairs of students can role-play a conversation between Rita and Noel when Rita announces her plans for the new ferry, using this event as a springboard for Noel and Rita to discuss the future of the firm and their roles in it. The remaining students could act as family business consultants to encourage Rita and Noel to reflect on each other's viewpoints and come up with a more comprehensive and empathetic view of the other's situation.

After role plays in dyads, ask students to attempt more complex role plays. For example, a group of students could take the parts of Rita, Noel, Cherie, Amanda and Kay, and even the husbands of Amanda and Kay, in a negotiation over the transfer of ownership.

Following the role-plays, ask students about the insights they have achieved. They are likely to include:

1 The problems of making decisions about transferring management and ownership of the firm when one person has been designated by the incumbent as the majority shareholder, and the earlier generation's marital partnership is no longer as solid as it was. The following specific points should emerge:

- *The difference between equality and equity* which is often a difficult distinction for the older generation making succession decisions (Ward 2011).
- *The need to provide not only training and experience but legitimacy for the successor* (Venter, et al. 2003).
- *The need for the incumbent to grasp the nettle of management and ownership succession*, even when doing so requires difficult discussions (Poza, 2010).

2 The differences in perspective between the incumbent and the successor generations when planning the future of the family firm. This difference may be exacerbated by a crisis such as a natural disaster, but is likely to arise at some point in any case. The following specific points should emerge:

- *The clash between the older generation's business philosophy and that of the successor generation, in this case Rita.* The financial data from 2003-2004 shows that Rita's decision to build the MiCat ferry diverted about one-third of the Buchanan Transport's assets towards this comparatively new activity. This involved increasing debt from 46% to 58%, which clashes with Noel's advice to avoid taking on excess debt.
- However Rita's strategy appears to have been successful. The ROA for 2003, the results Rita had in view when she commissioned the MiCat ferry, was -36%. As early as the next financial year, 2004, ROA was already 6%.

- Following the 2006 natural disaster, however, when Rita confronted Noel in the car park, ROA had dropped back to 3%, reflecting the cyclone’s devastation of the banana farm and the fact that many of Buchanan Transport’s trucks were now idle. This points to the need for a strategy to halt and reverse the firm’s falling ROA.

3 The complex and shifting network of allegiances between family members including Noel and Cherie, Rita and Noel, and Rita and Cherie. The following points should emerge:

- *The potential for friction between the family, ownership and management systems* (Poza 2010, ch. 1). Noel and Cherie found their business interests were no longer in alignment once their marital relationship faltered.
- Rita and Cherie, who at first worked well together within the family and management systems, came into conflict because Rita’s growing involvement in the business and her ownership aspirations came to seem like a threat to Cherie, who did not have an ownership stake in the firm.
- Noel and Rita, whose relationship as managers was less conflicted than Noel and Jake’s relationship had been, nevertheless came into conflict when Rita decided to push for ownership succession in addition to management succession.

4 The fact that both the incumbent’s generation and Jake’s siblings neglected to check whether Jake hopes to have a role in the firm. The following points should emerge:

- The need to consider the interests of all potential stakeholders in the succession process, even those who have been absent for a long time, such as Jake.
- The need for various types of communication channels, such as family councils, in keeping all family members’ interests on the table.
- The value of having an agreed set of recruitment criteria for members of the second and later generations who wish to enter the family business (Poza 2010, ch. 8).

5 The importance of achieving a shared view of the role of family members’ spouses in the business. The following points should emerge:

- *The frequent blurring of boundaries between the family, management and ownership systems within the family business* (Poza 2010, ch. 1).
- The likelihood that *different views of the role of spouses* will be taken depending on whether the business is family-first, management-first, or ownership-first in its orientation to decision-making and action-taking (Poza 2010).

Take-home tasks: Each student writes a maximum of 1,500 words on one or more of Discussion Questions 1-6. Individually or in groups of two-three, students also prepare a 10-minute presentation to the class on their assigned question/s, for the following session.

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Session 4: Student presentations on discussion questions 1-6 (Duration: +/-3 hours)

Objective/s: Share students' responses to the discussion questions, to enable them to construct a response to the over-arching question: What should Rita do?

Activities: Students deliver prepared presentations on their allocated discussion question/s and answer questions from the audience. Following each presentation, or when all presentations have been made, encourage students to nominate points from the presentations that they can incorporate into a response to the over-arching question: What action should Rita take?

Materials/resources: Computer, projector, etc. for presentations. If the class uses Moodle or another e-learning platform, Powerpoint presentations can be uploaded to a common page on the class website either before or after the class presentations, to serve as a shared resource for students preparing the take-home task.

Take-home tasks: Students write a maximum of 3,000 words to address the over-arching question: What action should Rita take? This can be submitted to the instructor for grading, and/or be followed by class presentations as in session 4.

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Session 5: The Epilogue: What can be learned from what actually happened? (Duration: 1 hour)

Objective/s: Students analyze the differences between recommendations and business reality and suggest reasons for discrepancies between the two.

Activities: Students compare and discuss the information in the Epilogue about what happened in Buchanan Transport following the confrontation between Rita and Noel. The following points/observations should emerge in discussion:

- *The protracted nature of the negotiation (18 months).* This is perhaps unsurprising in view of the seriousness of the decision, the conflicting family interests, and the time needed to value a diversified business located across a wide area.
- *The need for discussion mechanisms which all family members trust.* Using an external facilitator and lawyers was a formal process appropriate for such an important negotiation. However, it did not create confidence in all participants; Cherie in particular needed to have her interests represented by an independent but also trusted person (Strike 2012). The stress of the crisis probably obscured the need for such a person, but not doing so at the outset added to the length of time it took to resolve the crisis.
- *The need to include Jake in the discussion.* Rita did not invite Jake to take part in the negotiation; probably his lack of expressed interest to date, his long absence and the stress of the current situation, meant he was simply overlooked. This led to resentment later.

Materials/resources: Copies of the Epilogue (available below, just before the references), copies of students' responses to the discussion questions, especially question 7.

Take-home tasks: Nil.

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Session 6: Debates arising from the Buchanan Transport case (Duration: +/- 2 hours)

Objective/s: Encourage students to generalize and/or qualify their findings from the case by debating general themes in family business.

Activities: Students form teams of three each for the affirmative and negative sides. For 'sudden death' debates, teams can be allowed one half-hour during the session to prepare their team's case. Alternatively, the teams can prepare their case before the session begins. Speakers on each side have three minutes each; winners are determined by averaging the class's scores for each team. For a lighter touch, the winner can be selected by acclamation. That is, the team that receives the longest and loudest applause from the audience is judged the winner.

Four propositions for debate, with affirmative and negative arguments, are as follows:

1 Informal decision-making in family firms leads to more conflict than it avoids.

Affirmative: Informal decision-making may stem from secrecy, lack of information, and absence of education, threatening family members' commitment to a family-controlled business (Poza 2010).

Negative: The capacity of family firms to share goals makes for quicker decision-making because less discussion is necessary. Shared goals also enable a long-term perspective which encourages patient capital, including for members of the younger generation developing new aspects of the business.

2 Avoiding debt hinders family firms' development as much as it helps.

Affirmative: Avoiding debt unduly restricts the family firm's capacity to grow and leads to excessive risk-aversion.

Negative: Avoiding debt allows the family to maintain independent control of the firm, and thus to maintain the original vision for it without outside interference.

3 Women need to do more than men to demonstrate their capacities as leaders in the family firm

Affirmative: The work of Barnes (1988), Barrett & Moores (2009), Curimbaba (2002), and Dumas (1992, 1998) demonstrates the difficulty for women of getting to the top of the family firm when there are male candidates in the same generation. Rita's experience bears this out. Rita's difficulty in being recognized within the family firm

Negative: Women are increasingly being considered as family firm leaders (Glavin, et al. 2007). The requirement that women demonstrate their capacities for leadership – as is being demanded of Rita – is only to be expected in an increasingly complex business world.

echoes the broader problem women have to be considered as the heir apparent.

4 Calculative commitment is as important as affective, normative, and imperative commitment to motivating successors' efforts on behalf of the business

Affirmative: Calculative commitment describes the interest of the successor in avoiding the opportunity cost of *not* leading and managing the family firm. A calculative interest means the successor has considered the value of the firm and sees it as an opportunity. Accordingly, calculative commitment may be as valuable as affective commitment (based on personal interest or desire, which may fade when it confronts the less exciting aspects of business ownership), normative commitment (based on a sense of obligation, which may turn into resentment in the long term) and imperative (based on need), which may lead to the family firm being managed by someone who has no other option.

Negative: Successors who join the family firm on the basis of calculative commitment may neglect the need to understand what they can do for the firm, as well as what the firm can do for them. This may lead them to adopt the attitude of Curimbaba's (2002) "Invisible" managers: interested in milking the firm's profits rather than contributing to building them.

Materials/resources: Microphones, time-keeper, adjudicator/moderator (possibly the instructor). Rules for Oxford-style debate with class participation are available at http://www.learnquebec.ca/export/sites/learn/en/content/curriculum/social_sciences/documents/debate_rules.pdf.

Take-home tasks: Nil.

5 Discussion questions

Each discussion question requires students to consider an issue or viewpoint which is an element of the problem confronting Rita. All invite students to use the literature on family business to understand the facts of the case and/or to make a recommendation about a problem. The responses to questions 1-6, taken together, help students build a recommendation about what action Rita should take (discussion question 7). The list of discussion questions, which aligns with the learning objectives, appears here, followed by the questions with suggested responses.

List of questions

Question 1: Do the various stakeholders in Buchanan Transport have the same type of commitment toward the firm?

Question 2: Why might Noel be ready to consider succession now when he was unwilling to consider it when it was raised by Jake?

Question 3: In what ways does gender influence Rita's situation in Buchanan Transport?

Question 4: How well have the firm and the leader's development been managed in the past? What should be done to solidify management and leadership in the future?

Question 5: How could the succession have been handled better?

Question 6: What are the implications of Noel's stipulation that Rita must be the majority shareholder? What alternatives are available to Rita?

Question 7: Advise Rita what she should do. Include immediate, medium-term, and long-term recommendations.

Discussion questions with suggested responses

Question 1: Do the various stakeholders in Buchanan Transport have the same type of commitment toward the firm?

Poza (2010, p. 4) defines family firms as "...enterprises where an entrepreneur or later-generation CEO and one or more family members influence the firm [...] via their participation, their ownership control, their strategic preferences, and the culture and values they impart to the enterprise." Accordingly, all immediate (blood-related) family members should be considered as stakeholders in the succession. Sharma and Irving's four bases of successor commitment to the family firm predict from an individual's commitment type whether that person is likely to exercise positive or negative discretionary behaviors on behalf of the firm. Families differ in the extent to which they incorporate non-blood relatives (by marriage or marriage-like relationships) into the firm, but in this instance two spouses already work in the business, and Rita's husband runs a firm that offers Rita a career alternative to the family firm. This level of involvement means spouses should also be considered as stakeholders and that it is also important to consider their commitment type.

NOEL began leading the family firm at the age of 19 after his father's sudden death. His account of why he took on the role indicated a **normative** view, that is, a sense of obligation to keep the firm going, restore its good reputation, and fulfil his grandparents' dreams. Later, this expanded to include **affective** and **imperative** bases of commitment. Affective commitment is evidenced by Noel saying that the family was in business 'because we love it,' imperative commitment by his ambition 'simply to survive.' Noel felt dependent on the firm, and did not think others would be confident enough to leave and do something else. More recently, Noel has demonstrated **calculative** commitment: he faces possible additional financial needs created by his wish to retire and his new, albeit informal, romantic liaison.

CHERIE's whole-hearted participation in the business started when she married Noel, echoing Noel's affective commitment. However, her dedication to creating a job for every child also suggested an **imperative** approach and a view that her children would show **calculative** commitment, that is, a wish to avoid the costs of leaving such as loss of financial security and the need to retrain. Cherie herself is now demonstrating **calculative** commitment: she is anxious to maintain a stake in the firm and the prospect of its sale, even to her children, threatens this.

RITA loved working on the boats when she was growing up, and she seemed to gravitate towards the business despite having been determined to leave it during her teenage years. This suggests **affective** commitment. Her presenting an invoice for completed chores and her expressed need during the crisis to receive a higher salary also indicate a **calculative** dimension to her commitment. This analysis, and the fact that Rita could enter her husband's business, suggest her affective commitment does not outweigh her calculative commitment. If she stays, she wants to receive greater financial rewards, personal recognition, and control than she has from the family firm now.

JAKE's dispute with his parents over the succession demonstrates **calculative** commitment. Noel's original plan that Jake would take over the firm aligned with Australian cultural norms of male succession, indicating **normative commitment**. But this conflicted with other norms in the firm, particularly that of equality amongst siblings, and modern concepts such as qualified women being as entitled as men to be considered for firm leadership. The case gives no information that allows an evaluation of Jake's present aspirations or type of commitment, but he has never said he wants nothing further to do with the firm.

The love **AMANDA** and **KAY** feel for their work on the Moreton Island boats suggests **affective** commitment. While they contributed substantially to the firm while they were growing up, they were less concerned than Rita about being paid a high salary (they did not present an invoice for payment, as Rita did). This suggests a lower level of **calculative commitment** than Rita. However, Rita commented that she and her sisters sometimes brought their children with them when they worked in the business at weekends. This suggests working in the family firm offered them flexibility to meet their family responsibilities, which presents a financial benefit. This can be seen as **calculative** commitment.

Kay and Amanda brought their husbands, **DON DREWE** and **DARRYL SINGLETON**, into the family firm, perhaps out of a **combination of normative and affective commitment**. Nevertheless, the sisters and their husbands have all expressed an interest in taking senior roles in the firm, suggesting that **calculative** commitment is also present.

Question 2: Why might Noel be ready to consider succession now when he was unwilling to consider it when it was raised by Jake?

Personal barriers, according to Neubauer (2003), mainly refer to lack of management experience on the part of the successor. Successors, in turn, may experience acceptance problems on the part of the employees or other business partners. Although Jake gained valuable experience when he established the Townsville depot, Noel thought his son had not yet absorbed the values and business practices that Noel himself followed such as avoiding debt and maintaining close personal control of the business's operations. Noel would have recalled the effort it took to turn the firm around after Hamish's death, and he would have been unwilling to hand it over to someone, even his son, who might repeat Hamish's approach. Noel felt Jake's wish to take over the business in 1999 was premature, but, by 2006, Noel has had more than a full decade to observe Rita's development as a manager, time enough to develop confidence in her abilities.

Emotional barriers are also part of personal barriers; many incumbents fear succession as a precursor to death. While this may have been a factor when Jake pushed to take over the

firm, seven years have passed. Noel is now 72, and Rita is 42. Noel seems ready to accept that he will not live forever and perhaps also recognizes that Rita needs security about her future with the firm. The case indicates that Jake and Noel had a similar, brusque style of communicating with people, so Jake may have been insensitive when trying to initiate a discussion about succession, and Noel may have been equally brusque in refusing to contemplate his son's wishes. Dumas (1998) (see Question 3) points out that father-son conflict is often more fierce than father-daughter conflict. So Noel may feel less threatened by a female successor, Rita, than by his son, Jake. Because seven years have passed since the dispute with Jake over the succession, the earlier tension over the successor's abilities may have faded, letting Noel see that Rita is managing the firm competently. The stresses of Noel's marital situation may have encouraged him to reduce stresses in another area of his life, by beginning the process of transferring the firm to Rita. However, doing so is likely to arouse active tensions in other areas, specifically his relationship with Cherie and his financial obligations to her if his marriage should break up, and the need to ensure his own financial security in retirement whether with Cherie or another person.

Business-related barriers include the satisfactory development of the business, prospects of success in the respective industry, and financing requirements for the takeover (such as the selling price and investment requirements). These factors mainly pertain to the attractiveness of the business to the successor, however. The first, satisfactory development of the business, is typically measured on the basis of the business's equity ratio and/or margins. Noel would have been aware that Rita, like himself, was watching the firm's profitability. It was still positive in 2006, but its return on assets (ROA) had declined from 6% to 3% following Cyclone Larry. Noel may have wanted to finalize the handover before Rita went cold on the idea of taking over the firm. Concerning prospects of success in its industry, Rita had already been instrumental in moving Buchanan Transport further in the direction of its ferry and tourism arms, and Noel would likely have seen the value in having this diversification continue. Applying Gómez-Mejía, et al. (2007), Rita's commissioning the ferry shows a willingness to take risks with the firm's performance, but other decisions such as her moves to professionalize the firm, seek professional advice, and so on, simultaneously minimize risk. The mutual surprise on the part of Noel and Rita arose from the fact that neither had worked out how they thought the buy-out could be financed and its effects on other family members. Nevertheless, Noel was ready to contemplate negotiating a sale.

General barriers include problems such as the product or service range no longer meeting the market's requirements; an unfavorable location for the business; the business being in an unpromising industry for the future; the business's size being poorly suited to its field of business activity; outdated management styles and structures; and neglect or postponement of investment. Again, these affect the likelihood that the business will be attractive to a successor. The demise of Brick Creek Banana Farm and the financial damage to the trucking side of the business exemplify the first three general barriers. Rita progressively improved customer service partly by taking over more of the interaction with customers from her father and brother, and she made a major investment three years ago in the form of the MiCat ferry. So issues of management style and investment should be less of a problem. The first three, however, have become more salient since the cyclone and this would have contributed to Noel's willingness to consider succession now when his energies are dwindling.

None of these explanations excludes any of the others, and a combination of factors could be at work.

Question 3: In what ways does gender influence Rita's situation in Buchanan Transport?

Dumas (1992, 1998) found that daughters were primarily brought into the family business to do lower-level tasks and that women in family businesses are not being groomed for future leadership roles. This is consistent with Rita's experience when she entered Buchanan Transport full-time, when she did low-level work, vacuuming, answering the phones and taking orders from her brother. In a similar vein, Barnes (1988), Curimbaba (2002), and Barrett & Moores (2009) found it is almost impossible for women with willing and capable brothers in the same generation to succeed to business leadership. The virtually automatic designation of Jake as heir apparent is consistent with this pattern; Rita was not initially being groomed for leadership.

Dumas (1998) points out that women entering the family business full-time tend to fall into three categories according to the vision of the firm they bring: reactive, proactive, or evolving. Women with a **reactive** vision see being in the firm as just a job, and remain as employees. Women with a **proactive** vision have a sense of the business's history, and education and/or work experience which means they understand the changes the business needs. They want to produce the necessary changes but do not always have the skills to do so. Those with an **evolving** vision only gradually see the business as their own, as their experience and self-esteem develop, and their opportunities to be active in the business expand, sometimes as a result of illness or death in the incumbent generation. Rita has always had a **proactive** vision of Buchanan Transport. She improved Buchanan Transport's systems as soon as she started working in the firm full-time, and eventually improved its financial standing, e.g., through her investment in the MiCat ferry. Rita is aware that she needs further education and experience, however, to be an effective leader in the long term. This will need to be addressed in the eventual decision about her future and that of the firm.

Dumas's reactive vision is similar to the **Invisible** role described by Curimbaba (2002) in that it does not entail an active vision of the firm's future. The latter two roles described by Dumas both have elements in common with Curimbaba's **Anchor** and **Professional** roles. A woman in the Anchor role may rise to prominence in the family firm simply through having always been there, almost but never entirely overlooked, until the right leadership opportunity arises. Curimbaba's **Professionals**, in contrast, have a keen awareness of their market value, and are always prepared to leave the firm. Rita was at first an **Anchor** in the firm, relied on by her parents and her brother alike to keep the administrative side of the firm going while they spent time on the road. By the time of the crisis, however, she has taken on aspects of Curimbaba's **Professional** role, and is prepared to leave the firm if she does not achieve better recognition and financial rewards.

Women entrepreneurs are commonly argued to need **positive role models and mentors** to develop their leadership and entrepreneurial skills (Barrett & Moores 2009). Rita has had two highly positive female role models in the form of her grandmother, Rosemary, and her mother, Cherie. Rosemary was an unusual woman for her time in that she managed a business in the masculine industry of transport, running it successfully after Damien died until Hamish took over. Cherie was also a strong, outspoken woman, less conservative than

Noel and therefore a balance to his natural caution. Perhaps her greatest contribution was to **encourage her children's involvement in the family business**. Nevertheless from Rita's perspective, Cherie's approach appeared too risk-averse. Because Cherie instigated a 'family-first' orientation rather than a 'business-first' orientation, Rita may have seen Cherie as standing in the way of more adventurous undertakings. 'Family-first' businesses can lead to family-type agency conflict, for example, finding a job for everyone in the family instead of finding the right person for the job (Poza 2010).

Rita's experience also shows that **father-daughter successions are not necessarily conflict-free**, although there was less conflict between Noel and Rita than between Noel and Jake, as Dumas (1992) would predict. Noel gradually accepted Rita's expanded management role before the crisis, which is more than was achieved between Noel and Jake.

According to Dumas (1998), daughters in family businesses struggle with three main issues: **role ambiguity, invisibility, and identity**. All of these affect Rita. Rita complains that the financial rewards she receives do not match her management role in the company (**role ambiguity**). Her father also tends to take her contribution for granted (**invisibility**), and she has no basis on which to plan her future (**identity**). The crisis in the car park shows the need to solve all three issues.

Noel and Rita have overlooked another important gender issue. As Dumas (1992) points out, **mothers who have been actively involved in the company can feel displaced if the daughter takes charge of looking after the 'king's gold' (the business)**. This is doubly likely with Cherie, whose sense of personal identity has for so long been derived from her role in the business and as a wife and mother. Both roles are now threatened by marital problems and Rita's increasing importance in the business. Finally, Amanda and Kay have said they want senior roles in the firm for themselves and their husbands, which may add to Cherie's perception that she is being pushed out of her former position of strength in the business. These issues will need to be addressed in the decisions taken about the future of the firm and the family.

Question 4: How well have the firm and the leader's development been managed in the past? What should be done to solidify management and leadership in the future?

Leading family businesses differs from leading non-family businesses because family business leaders have to deal with the unique paradoxes that arise when business and family are combined. The Moores and Barrett (2002) framework indicates four discrete phases in Rita's leadership learning, not all of which are complete at the time of the crisis.

L1 Learning business (L1) involves leaving the family firm to learn the personal discipline and technical skills needed for business leadership. Rita has spent minimal time outside the family firm, but nevertheless learned the personal discipline necessary for business early, as evidenced by her presenting an invoice to her parents in order to be paid for doing chores. She also gained insight into the firm's operations during her time in the front office, quickly demonstrating an understanding of good customer service and the importance of business systems. Rita sought advice from outsiders as well as Noel about how the business could achieve a more strategic and professional orientation.

L2 Learning our business (L2) means learning the special qualities of the family business. Rita's invoice, with its *Service with a Smile* motto, resembled Buchanan Transport's promise of *Prompt and Reliable Haulage*, the motto that Noel adopted when he took over the business following Hamish's death. Rita is also committed to setting the business on a more viable financial footing, and professionalizing it, as evidenced by her achieving Buchanan Transport's accreditation with Trucksafe. The business will need to change to accommodate the growth and profit goals Rita has for it, but also keep a sense of continuity that allows owners and customers alike to see it as the same family business.

L3 Learning to lead our business (L3) In the third leadership learning phase, the aspiring family firm leader **develops a helicopter view of the firm and its life cycle stage, to develop plans for its future.** Rita's activities suggest that, using Quinn and Cameron's (1983) four-stage life cycle framework, she is trying to move the firm away from the informal communications and structures characteristic of the *Collectivity* phase and into the third, *Formalization and Control* phase. She is seeking a variety of types of formalization: improved internal systems, conformity with Trucksafe standards, and ultimately a board of directors, so as to achieve better control.

L4 Learning to let go of our business (L4) addresses the need for leaders of family firms to **consider the relationship with the firm they will adopt once they have retired.** Sonnenfeld's (1988) typology of retired CEOs indicates that Noel, after he steps down, will need to deal with the perceived loss of his status as Hero of the business and take a new role such as its Ambassador, who supports the business and maintains contact with it as an advisor. This will be difficult because Noel did not plan his future after the inevitable succession, and Rita and her sisters do not have a clear view of how Noel's skills could best be used. Rita will also need to plan her own "letting go" in due course.

Question 5: How could the succession have been handled better?

The answers to Questions 1 through 4 show a high level of conflict and uncertainty on the family side of the business, which makes it less likely the firm will perform well in the future. Moreover, the business's profitability is falling, especially as a result of the hurricane. Poza (2010) points out three principles that tend to reduce conflict over succession and enhance the likelihood the family firm will perform well following succession. They are: **a) a good fit between the firm and the successor's abilities; b) the need to recognize the different nature of the second [or next] generation leader's task; and c) the need for specific strategies to prepare the successor for leadership.** These could be dealt with as follows:

Achieve a good fit between firm and successor's abilities. Buchanan Transport has reached a critical stage. The difference between the cost structures of the rail and road transport industries has been eroded, so that the **original basis of the firm's profits has disappeared.** On top of this, a **natural disaster**, has laid waste to the firm's banana farm and decimated demand for Buchanan Transport's traditional service of long-distance transport to and from Queensland's agricultural regions. Only the tourist arm of the business was unscathed. Models of the **firm life cycle** (e.g., Adizes 2004, Quinn & Cameron 1983) suggest the firm has reached maturity and is in danger of moving into a decline phase. The successor needs to be able to deal with this critical stage of the firm's development. However Noel is unwilling to seriously contemplate letting go, despite having grown **weary**

of the burdens of the business, so it is difficult for him to turn his attention to these aspects of the firm's development and who is best equipped to deal with them.

Recognize the different nature of the next generation leader's task. The successor needs to recognize **his or her task is to consolidate the founder's achievements and those of subsequent generations**. It is different from the 'rebuild and survive' task undertaken by Noel and Cherie after Hamish's mismanagement. While Noel's and Cherie's tendency to apply **family problem-solving mechanisms to business issues solved short-term issues** (e.g., by creating a career for each child), it **also contributed to long-term problems** (e.g., by limiting the potential for the business to expand). Noel's brusque, top-down management style is no longer appropriate in an age where skilled, accredited truck drivers are becoming scarce, and where management and drivers need to work together to maintain the firm's good safety record and its accreditation with Trucksafe. Noel's daughters are now adults. They and their husbands want to collaborate in the management of the firm, not merely take orders. In terms of Child's (1973) distinction between market, clan, and bureaucratic control mechanisms, the successor needs to **mobilize informal, collaborative, 'clan' approaches to management control which are typical for family firms, while simultaneously professionalizing the firm's systems**. This means creating institutional mechanisms to govern the relationship between family, ownership, and management; formalizing internal business functions including financial systems, human resource management systems, and goals and targets for firm performance.

Even though the next generation leader's task is different from the incumbent's, there are some aspects that remain, such as the need to maintain and develop the founder's entrepreneurial spirit. Students may use Timmons and Spinelli's (1999) model of the entrepreneurial process to suggest how the successor can set goals around the three driving forces of entrepreneurship: **the entrepreneur** (now the successor) and his or her team; **an opportunity** (this may have to be a renewed or expanded opportunity rather than the one the founder used); and the **creative use of resources** to exploit the opportunity. Each driving force needs to incorporate the family.

Prepare the successor. The successor will need to **work hard, be flexible, capable of adapting earlier entrepreneurial ideas and generating new ones, and committed to an undertaking that is bigger than himself or herself** (Poza 2010). To achieve this, the successor generally needs to have worked outside the firm, been given challenging assignments for which results he or she is held accountable, been educated in issues flowing from ownership succession (not just management succession), and had one or more coaches or mentors. The successor needs to be able to manage his or her own money, and understand that he or she will earn, not inherit, the leadership of the business. Students should point out which of these developmental experiences Noel and Rita have had and which they lack. For example, neither Noel nor Rita had much business experience outside the firm, but Rita gained useful experience through her work managing the 'front end' of the business.

Other specifications of successful succession. Le Breton-Miller, Miller, & Steier (2004) define successful succession in terms of the subsequent positive performance of the firm and ultimate viability of the business, and the satisfaction of stakeholders with the succession process. This definition suggests the performance of the firm in terms of its

profitability, and stakeholders' sense of being included in a just succession process, will be appropriate future measures of the success of the succession.

Question 6: What are the implications of Noel's stipulation that Rita must be the majority shareholder? What alternatives are available to Rita?

Accepting Noel's stipulation would allow Rita and her sisters to buy the firm before Noel has an opportunity to withdraw the offer. However the price for the buy-out has not been discussed, and there are other unknowns, including how much Noel will say he needs to fund his retirement and any other needs he may have; what, if any, share of the sale will go to Cherie; and whether Rita's sisters will agree to the arrangement, which would involve a lower than one-third share for at least one of them. Rita would need to convince her sisters that this option was the best one, if she wanted to adopt it. Jake may also want some involvement in the firm, but this has not been canvassed with him.

There are two alternatives to accepting Noel's stipulation. **First, Rita could try to persuade Noel to sell the firm without requiring that she be the majority shareholder.** Rita may try to do this in order to stick to her original agreement with her sisters that they have equal ownership stakes. Noel may be unwilling to do this, because he was reluctant to hand over the business to Jake and he took a long time to become used to Rita's strategic involvement. The unknowns mentioned in the first part including the price, Cherie's stake, and Jake's possible interest, also apply to this option.

Second, Rita could reject the offer entirely. Rita could go back on her ultimatum and not pursue the transfer of ownership, at least at this time. But this would defer the succession problem as a whole, and probably lead to further neglect of the urgent problems the firm is confronting. Since Rita's sisters are as keen as she is to resolve the succession quickly, they would likely be unhappy with this option.

Question 7: Advise Rita what she should do. Include immediate, medium-term, and long-term recommendations.

The table below shows how the analyses in Questions 1-6 indicate what Rita should do.

From Question 1 The changes in the bases of commitment of the four siblings support Sharma and Irving's (2005) proposition that bases of commitment shift over time, and that the four bases of commitment are likely to be mixed rather than pure motivators for commitment. The analysis also supports these authors' contention that all forms of successor commitment other than imperative commitment lead to positive discretionary behaviours. However affective commitment does not trump normative and calculative commitment in producing effort on behalf of the family firm. The analysis also shows that there is an element of calculative commitment in the view of all stakeholders at the time of the crisis. This indicates that if Rita buys the firm, she must address other stakeholders' needs for financial and other forms of security as well as her own. Cherie's financial needs are particularly salient.

From Question 2 The analysis in question 2 indicates that personal, business-related, and general barriers all help explain why Noel was reluctant to transfer

2 ownership to Jake, but is ready to consider it now. Rita may still need to keep in mind that Noel may fear succession as a sign of age and encroaching death, so it would be advisable for her to help Noel to find a role which allows him to stay in touch with the firm and enjoy that connection. The business and general barriers include some which Rita and her sisters also need to consider as potential buyers, such as the firm's recent financial battering from the natural disaster, especially in its trucking and agricultural arms. Brick Creek Banana Farm's location in a frequent cyclone region suggests that it would be wise to reduce the firm's exposure to a single crop type and/or to continue its diversification into areas that are less likely to be affected by adverse weather events. Finally, as well as considering financial matters in their own right, Rita is likely to take socio-emotional wealth factors into account. In line with Gómez-Mejía, et al. (2007), Rita, by building the ferry, has shown herself able to accept risk but also to reduce it.

From Question 3 Rita's proactive vision and her role as an Anchor in the firm albeit with a growing Professional orientation, and her exposure to a series of strong, outspoken and capable female role models, all suggest she has gradually been primed for leadership of the family firm. However, the analysis also points out how Rita's view of Cherie's business philosophy has changed, and the need to avoid family-type agency conflict by continuing to professionalize the firm's human resource management processes. Finally, the analysis in Question 3 shows how urgent it is that Rita resolve the ownership transition issue, to achieve adequate rewards, an unambiguous acknowledgement of her role, and a clear line of sight to her future in the business.

From Question 4 The analysis in Question 4 shows that Rita has largely dealt with the first two phases of leadership development, and is currently dealing with the third. This means Rita now needs to complete her leadership development, for example, researching which specific types of formalization will best work to improve communication in this particular family business. She will also need to facilitate Noel's phase 4 by assisting him to find a new role and determining a fair and effective recruitment process for subsequent generations interested in entering the firm. In due course she will also need to manage her own phase 4, learning to let go of the family firm.

From Question 5 The critical stage the firm has reached in its life cycle, Noel's readiness to let go, and Rita's sound experience in running the firm all combine to suggest she should continue to run it. She also needs to develop a management approach that addresses the firm's family nature, introduce more formal governance mechanisms, and find ways of leveraging existing and new opportunities.

From Question 6 Noel's proposition in its present form does not accord with the ownership arrangement Rita had informally discussed with her sisters, so it is important that she discuss Noel's offer with them as soon as possible.

Assuming that, following this discussion, all three sisters still want ownership of the firm to be transferred to them in equal proportions, Rita, or the three sisters together, could try to persuade Noel to accept this arrangement. If Noel will not accept any variation on his original offer, Rita will need to try to convince her sisters to accept Noel's stipulation. Even if Noel agrees to the daughters' counter-proposal, however, there are still many urgent problems. Responses to the previous questions show that Rita needs to address the firm's immediate difficulties following the natural disaster, as well as its medium-term and long-term needs such as more formal governance structures and better integration of family and business. So Rita needs to go ahead with the buy-out in some form: no alternative will allow a solution to the long-term issues in a reasonable timeframe.

Recommendations

The answer to Question 7 indicates that Rita should discuss Noel's offer with her sisters. Assuming all three still wish to contribute to the buy-out in roughly equal proportions, they (or Rita) should talk to Noel to see if he will agree to this. If not, Rita will need to discuss the situation again with her sisters, and try to persuade them to accept Noel's original stipulation. Adding the other responses yields the following recommendations for Rita to undertake in the immediate, medium, and long term:

Actions Rita should undertake NOW:

- Discuss the offer to sell and terms with her sisters. Then, assuming all sisters wish to contribute equally to the purchase of the firm, discuss with Noel whether he will agree to drop the requirement that she (Rita) be the majority shareholder. If he will not, Rita should try to convince her sisters that accepting Noel's stipulation is the best approach.
- Arrange, if possible in cooperation with Noel, for an independent valuation of the firm.
- Establish a series of meetings which will bring the stakeholders together to negotiate the terms of the buy-out. The meetings should be facilitated by an external consultant to reduce family tension.
- Appoint a trusted, external adviser to represent Cherie's interests.
- Tell Jake that arrangements are being made to transfer ownership. Invite him, without prejudice to the eventual outcome, to be present at the meetings, or at least to advise whether he wants to take part in the buy-out and eventual management of the firm.

Actions Rita needs to take in the MEDIUM TERM (6 months – 5 years), depending on decisions regarding the management of the firm and the ownership division:

- Help Noel and Cherie to create new roles for themselves in the firm, assuming their personal relationship allows for this.
- Create a family council.

- Create an external board of directors.
- Arrange for training in corporate board responsibilities for all family members on the board of directors.
- Undertake personal professional development in business.
- Examine the firm's strategic direction with a view to reducing the firm's exposure to the effects of tropical cyclones which are common in north Queensland.

Actions Rita needs to take in the LONG TERM (5+ years):

- Create mechanisms such as an annual family retreat and work experience opportunities for members of the fifth generation to share **information about the firm with them.**
- **Plan for the CEO's** own retirement and the next transfer of management and ownership succession.

EPILOGUE

Over two years, 2006-2007, Noel's three daughters, Amanda, Kay, and Rita, embarked on the process of buying the business from Noel, under the leadership of Rita, the formally appointed CEO. At the time of writing the case (2013), Rita still holds this role, overseeing a professional management team.

However the quick and straightforward financial arrangement that Rita and her sisters hoped for before the crisis did not eventuate. In 2006, following Noel's offer to sell, Rita sought advice about the value of the business and an 18-month process of negotiation followed, starting with a series of meetings between three sets of interests: a) Rita, Kay, and Amanda; b) Noel; and c) Cherie. Each set of interests was represented by lawyers. However these meetings led to resolutions which were later disputed, particularly by Cherie. Cherie said her share of the sale must be equal to that of the daughters. Rita believed this was because Cherie was angry with Rita for initially discussing the buy-out only with Noel, leaving her out of the discussions. Rita eventually asked a lawyer who had worked closely with the business in the past, and who was trusted by Cherie as well as other members of the family, to represent Cherie in the negotiations. Noel insisted that Kay, Amanda, and Rita pay a higher price for the firm than the three daughters thought was justified, in order to take account of a property-owning partnership that was part of the family firm. He also argued about the relative proportions of the settlement the three daughters should receive.

Ultimately, a sale of the business took place, in which Rita, Amanda, and Kay paid a sum of money to Noel, a specific proportion of which was designated to be allocated to Cherie. Following the buy-out, a new business entity was formed, Buchanan Family Group, of which Noel and Cherie owned 2.4% each, Rita owned 51%, Kay owned 34%, and the remainder was held by Amanda. Cherie's share of the firm was gifted to her as part of the transition. Jake was not awarded an ownership stake. This compromise turned out to be a workable arrangement. In Rita's view, Noel and Cherie are both better off financially than if Noel had remained in control of the business. Rita believes the business has suffered from cash flow restrictions because of the higher price she, Kay, and Amanda eventually paid to Noel, and Cherie still feels unhappy about her displacement from her previous important role in the business. While Jake said nothing about the final arrangement for several years, some years afterwards he expressed resentment towards Rita for leaving him out of the negotiations.

Financial information for 2007, the year the buy-out was finalized, appears in IM Exhibit 1 below.

Place IM Exhibit 1 about here.

Rita continued to grow the firm (using debt): in 2007 the asset base of the group had grown to almost A\$55M. She also shifted the business's focus to the ferries and tourism sectors and away from road transport.

After the transfer of ownership was finalized, Rita continued to lead the professionalization of the business, including establishing a board of directors. Rita and her sisters are members of the board, which also has two external directors, one of whom chairs the board. Rita undertook an MBA and supported her sisters' attendance at board directors' courses. She also instigated a formal system of performance appraisal for all employees and supplemented this with a Driver of the Month award scheme. She set out formal recruitment

requirements for family members, specifying that aspiring members of the firm must have obtained outside experience.

Buchanan Family Group continued to expand. It now consists of a range of diversified businesses, all with a link back to the family's transport origins. Buchanan Road Transport, whose annual revenues were estimated by one transport industry brokerage firm at AU\$48.4M in late 2012, is the largest privately-owned transport company operating in North Queensland. It consists of a network of depots in Brisbane, Townsville, Mackay, Tully, and the Burdekin delta. Its fleet of trucks still specialize in transporting fresh produce from north Queensland to Brisbane. However following Cyclone Larry and the devastation of the banana industry, Rita resolved never to have the firm so exposed to any single agricultural product. The firm has moved into fuel transport, has a fuel and bulk liquid division, and is a Shell and Caltex-approved carrier.

Buchanan Road Transport has received acclaim for its safety track record. In 2007 and 2008, it received the Shell Health, Safety, Security and Environment Award, winning against all other freight carriers in Australia and New Zealand. A year later the company received a portion of the BMA mining company's contract for Caltex, the largest fuel transport contract in the history of the Bowen Basin.

The Moreton Island operations also continued to expand, although the Global Financial Crisis, which began in 2007, caused a downturn in this part of the business. The Moreton Island businesses, which began with the ferry and the Koorringal General Store, now include adventure day trips, SUV tours, and catered beach events. The vessel that Rita had purpose-built, the MiCat, runs from the Port of Brisbane to Moreton Island 365 days per year and is also used for evening river cruises for corporate and private events.

The latest addition to the Buchanan Family Group is the truck stop business, including the Caltex truck stop at the Port of Brisbane, a 24-hour site with a large restaurant and a purpose-built truck wash facility. Buchanan Family Group also owns a truck stop and fuel depot at Richmond in North Queensland which services farmers with bulk fuel and lubricants.

Buchanan Family Group now employs over 200 people, including Rita's two sisters and their husbands. Noel is still involved in the business, having resumed work as a truck driver after Rita became CEO. (Noel's truck is a Cummins Signature-powered Freightliner.) Cherie and Noel still live together. Cherie pursues a variety of activities and helps out in the business where she is able. Noel and Cherie were inducted into the Shell Rimula Wall of Fame at the town of Reunion in 2008. In 2012, Rita was awarded "Trucking Industry Woman of the Year" for many years of service to the trucking industry. In November that year, she was appointed Chair of the Australian Trucking Association's Skills and Workforce Committee. In that role she is working to streamline the heavy vehicle licensing process, and to reduce driver shortages in the road transport industry in the face of the high salaries offered by mining companies during the current mining boom.

Various members of the fifth Buchanan generation have been employed in the business, although none was employed at the time of writing. Two members of the fifth generation have oriented their post high school education towards a management role the firm: one is studying law; the other has qualified as an accountant.

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Research methods

The case originated in a project undertaken by the protagonist, Rita Schultz, as part of her MBA. Following this, the authors interviewed Rita at length at the headquarters of Buchanan Transport in the Port of Brisbane. One of Rita's sisters later provided additional information. Information was also obtained from the websites of the various businesses in Buchanan Family Group. Rita is an enthusiastic blogger, and additional quotes by Noel, Cherie, Amanda, Kay, Rita, and Jake were sourced from her blog, their previously published speeches, and previous press interviews with family members.

The researchers were provided with access to personal and business documents relating to the case. Information about typical profit margins in the road transport industry, competitive forces, technological change, federal law, local regulations, and other road and rail freight transport industry developments since the inception of both industries, was gathered from state and federal government data, academic research, industry organizations, and the websites of Buchanan Family Group and other firms in the road transport industry.

The names of the business and people in the case have been disguised, and some dates on the industry/business timeline have been omitted or estimated owing to uncertainties of memory, but other details are true to the facts.

IM Exhibit 1

Selected financial information for Buchanan Transport 2007

Thousands of Australian dollars

Assets	54,561
Equity	13,426
Non-Current Liabilities (NCL)	34,410
Long-term financing (Equity + NCL)	47,836
Debt	72%
Equity	28%
Profit (Loss) before Tax	4,169
Return on Assets	8%