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Sme Engineering Firm Bucks Trend With an Employee Share Ownership Plan for Business Succession

Locally grown and owned engineering plant C-Mac in Girraween, in Western Sydney, NSW, has bucked the growing national SME trend to wind up on owner retirement ('The Exit Generation Needs Help' - Featherstone T, The Venture blog, SHM.com.au 19 September) with the introduction of an employee share ownership plan (ESOP) offered to all its employees. The engagement of employees as owners has already seen an 18% hike in productivity at the plant.

More than 80% of Australian small and medium business owners aged over 55 are trapped in their businesses – struggling to work out how to escape and at the same time extract their wealth from the companies they have worked so hard to create.

Recent surveys by a number of the Big Four banks and several accounting firms identified succession planning as the number one issue among business owners as they approach the end of their careers. But like so many management buzz words coined to capture complex trends in simple phrases, "succession planning" fails to address so many of the problems the owners of SMEs are grappling with. For example, those in the manufacturing sector find themselves looking for a viable exit from their businesses at a time when markets for their products and services are disappearing offshore. Unable to find buyers prepared to pay a fair price for the value they have created or family members willing to take over the reins, more and more face the terrible alternative of simply turning out the lights and walking away.

38% had a lack of awareness of employee buyout as an option for succession, with a further 44% considering employee buyout as unlikely or very unlikely.


The Australian Employee Buyout Centre facilitated the ESOP implementation and funded all the advisors' costs for C-Mac Industries. The funding was provided through a Federal Government Grant under the now completed Rudd government initiative, the Jobs That We Own program.

ESOP designer Craig West of Succession Plus stated "this plan has been a great example of the combination of enthusiastic employees (who have now elected two employees to represent the new group of owners on the company board) and owners who can see the benefits of increased participation and who are prepared to create a win-win environment for all stakeholders. It is unusual to see such a high take up rate amongst employees and it's encouraging to see the improvements in performance even at this early stage."

Steve Grylak, manufacturing manager for C-Mac said that since the introduction of the employee share plan, "People are now saying 'us' instead of 'me' and asking, 'what do you want us to do?'. Job security is a key motivator at C-Mac and we do not want to lose employees with skills. There are now charts in the lunch room so everyone can see how the business is doing. The change has been truly unbelievable from all staff. I have directions and targets from the elected board (the plan involved the members electing two employees to represent them on the C-Mac board) and I have all the support I need

from all staff. Our meetings are open for discussion with great ideas from all staff to improve efficiency. As a manager with job security and a share in the business it's a great pleasure to manage a team who want you to lead with ideas".

The company's founding family members are the principal shareholders but see the benefits of a gradual sale of shares to employees based on profit share as well as the increased involvement of key staff within the management team.

The plan – a Peak Performance Trust designed by Succession Plus specifically for small to medium privately held businesses that are looking to attract, retain and motivate key staff by involving them in both the equity and control aspects of succession planning – has been used successfully by a growing number of business owners throughout Australia looking for an innovative approach to succession planning. 

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