

University of Wollongong

Research Online

Faculty of Business - Papers (Archive)

Faculty of Business and Law

1-1-2014

Case study: Transfield and Tenex: endurance and weakness in two migrant family businesses in Australia

Mary Barrett

University of Wollongong, mbarrett@uow.edu.au

Follow this and additional works at: <https://ro.uow.edu.au/buspapers>



Part of the [Business Commons](#)

Research Online is the open access institutional repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

Case study: Transfield and Tenex: endurance and weakness in two migrant family businesses in Australia

Abstract

Transfield is one of Australia's most prominent construction companies. The name itself: "trans" meaning across and "field", which suggests open spaces, reflects the firm's origins as a venture founded by two Italian emigrants, Carlo Salteri and Franco Belgiorni-Nettis, who crossed huge distances to Australia before establishing their own firm.

Keywords

study, case, endurance, weakness, two, migrant, transfield, family, tenex, businesses, australia

Disciplines

Business

Publication Details

Barrett, M. (2014). Case study: Transfield and Tenex: endurance and weakness in two migrant family businesses in Australia. In D. Halkias & C. Adendorff (Eds.), *Governance in Immigrant Family Businesses: Enterprise, Ethnicity and Family Dynamics* (pp. 112-116). Farnham, United Kingdom: Gower.
<http://www.ashgate.com/isbn/9781472402394>

monitors and reviews business activities to determine whether they put at risk family traditions, culture, values, and assets in the core family business. Among organizational theorists, the tactic of ideological commitment to the notion that efficiency considerations and bureaucratic rationality should prevail in the work setting often leads researchers to ignore how the family dynamics of the founder/current owner(s) influence managerial behaviour. In immigrant family business, the family, ownership, and management are inextricably intertwined.

The more that personal needs and career interests/needs are aligned with opportunities offered by the immigrant family business, the better the chance will be that good governance and long-term sustainability will prevail in the context of the immigrant family business. Immigrant family business members who put family needs ahead of business needs are more likely to remain involved with the family business than those who put the business's needs first. Needs alignment in the immigrant family business context is the alignment of personal needs with career interest in relation to opportunities offered through and by the family business.

Case Study: Transfield and Tenix: Endurance and Weakness in Two Migrant Family Businesses in Australia

Mary Barrett

Transfield is one of Australia's most prominent construction companies. The name itself: "trans" meaning across and "field", which suggests open spaces, reflects the firm's origins as a venture founded by two Italian emigrants, Carlo Salteri and Franco Belgiorni-Nettis, who crossed huge distances to Australia before establishing their own firm.

Carlo Salteri came from a well-to-do Italian family and began engineering studies before being called up in 1941. After the War he completed his engineering degree at the University of Turin, and then found employment in a large Italian electrical company. Franco Belgiorni-Nettis, by contrast, was born in a poor village. He was 24 when World War II began and joined the Italian army as a volunteer; but he was captured and spent three years at an allied prisoner-of-war camp in India. After the war, he too completed his engineering studies and began working for the same firm as Carlo.

In 1951, the firm contracted Carlo and Franco to build an electricity transmission line running from near Port Kembla on the south coast of New South Wales, Australia, to Homebush Bay in Sydney, Australia's largest city. The line would span about 100 miles. Carlo brought his wife and young family to Australia with him. Franco, scarred by his period of internment, had become estranged from Italy and his community there. Eventually, however, Franco was married in Australia by proxy to Amina, who emigrated to Australia in 1952 to join him.

The two men and their families were part of the wave of post- World War II European migrants to Australia, which allowed many war-weary Europeans to make a new life, and a new country to develop. When the contract ended in 1956, Carlo and Franco both chose to stay in Australia. Together they formed Transfield, a partnership that became one of Australia's largest companies, constructing the Gateway Bridge in Brisbane, the Sydney Harbour Tunnel, and many other large infrastructure projects. By the late 1980s, Transfield was the largest engineering firm in south-east Asia. It acquired the Williamstown Dockyard in Melbourne and, after winning an AUD 6 billion contract in 1989 to build 10 ANZAC class frigates for the Australian and New Zealand governments, it was also the largest defence company in Australia. Pope John Paul II's visit to Australia in 1986 included a tour of the Transfield factory at Seven Hills.

Transfield's founders were not a conventional business family: they were not related and they did not come to Australia to start a business. However, Transfield was a family business in less obvious ways. Carlo and Franco had vastly different temperaments but their shared experiences of starting Transfield in a new, rather alien land, made them as close as brothers. Franco, in an interview when he was an old man, recalled that freedom within his Italian family group "did not exist" and that as a member of the Italian army under Mussolini he had been "completely brainwashed". At the age of 16 he already wanted "release" from his family, something he achieved on his arrival in Australia. Release, though, was accompanied by alarming challenges: Australia appeared as "a total wilderness". Transfield welcomed many Italian immigrants to their first place of employment. Many arrived alone and Transfield offered family-like friendship and support.

In 1989, Carlo and Franco stood down from active management roles in Transfield Holdings (as the company was then named) in favour of their eldest sons, Paul Salteri and Marco Belgiorno-Zegna. (Marco's surname, Belgiorno-Zegna, incorporating his mother's maiden name, designated him as the family's eldest son and heir, in keeping with Italian tradition.) From then until about 1996, the company grew rapidly, changing from a construction business into a continuously diversifying entity, entering new

fields such as defence, shipbuilding, power technology, services, investment, and partnering with government instrumentalities in major public sector projects. But Transfield's expansion also led to new problems, including the need to properly finance its activities. Transfield was finally refinanced in 1992/93, bringing stability to its operations. The founders also successfully addressed the need for a structure that gave authority to senior management, and created an expanded advisory board with external directors. These changes transformed Transfield into a modern industrial organization.

Despite this success, Transfield was not immune to the financial and psychological costs of disputes that regularly occur between business partners, family members, and friends. In 1994, when the founders were in their 70s, they decided to retire and hand over control to their eldest sons, Paul Saltieri and Marco Belgiorno-Zegna. The founders moved to board roles where they could remain involved in major policy decisions. Paul and Marco, the two new CEOs, could not have been more different from each other. Like their fathers they brought contrasting skills, outlooks, and expectations to the company. Marco was widely acknowledged as the risk-taker of the two, while Paul was prudent, cautious, and not prone to rushed decisions. The differences created tension that spread beyond the CEOs. It finally found an outlet in an apparently trivial dispute between the founders. Franco claimed he was the sole founder of Transfield Holdings and that Carlo had only joined later as a partner. Mutual accusations of lies were made, damaging the partners' relationship irretrievably and aggravating the tensions created by their sons' conflicting management styles. The impetus to split the company became irreversible.

The families kept a façade of amicability and remained silent about the details of the split until April 1996, when Transfield announced the break-up of its defence, construction, and technology empire into two organizations, with the Belgiorno-Nettis family retaining the name Transfield. Under the terms of the split, the Salteris took the Williamstown Shipyard and defence contracts, renaming their new enterprise Tenix, from the Latin "tenere", meaning tenacity. The Belgiorno-Nettis family retained property development, engineering, infrastructure, maintenance, and construction. Compared to the original giant organization, Transfield, the result was two much more modest concerns, both of which had to re-establish themselves.

The Salteri family, through various acquisitions and partnerships, built Tenix into its current position as a major player in the utility and infrastructure services industry throughout Australia, New Zealand, and the Asia-Pacific. Only one major branch of the company, Tenix Defence, has ever been sold. Its buyer, BAE Systems Australia, a subsidiary of BAE Systems plc, acquired

Tenix Defence in June 2008, making BAE Systems Australia the largest defence contractor in Australia.

Soon after the split with the Salteris, during which Franco had resumed more active involvement with the company, Franco again became a director on Transfield's board, and Marco resumed his position as managing director. But a further problem arose. In ensuring Marco's position at the head of the company, Franco failed to make a succession plan that took into account the interests of his younger sons, Guido and Luca. That mistake led to clashes between Marco and his two brothers. They particularly argued about risky projects, including the Bakun Hydro-electric Scheme in the Philippines, which was finalized without Marco's approval. Guido negotiated the AUD 150 million project, but by 2001 it had registered AUD 50 million in losses, an outcome that Marco blamed his brothers for. Guido and Luca asked Franco, who had voting control, for help.

Asking Franco to intervene did not lead to a peaceful solution. Marco sought unsuccessfully to buy out his brothers in 2001, but the family united against him, trying to freeze him out of Transfield's operations. Marco sued his family on the grounds of oppression of minority interests, lost the case, and lodged an appeal. Finally, in March 2001, Marco abandoned the appeal in return for a settlement in which the family would acquire his 30% interest in Exben, Transfield Services' holding company. He received an estimated AUD 70 million for his shareholding in Exben and remained on the board until he was fully paid out. Later that year, Transfield Services was listed on the Australian Stock Exchange with Guido as managing director and Luca as associate managing director. Both remained non-executive directors of Transfield Services. Marco eventually established his own investment firm. He is currently managing director of Avesta Corporation, a building company, and executive chairman of Lidco Corporation Pty Ltd, which supplies commercial and high-end residential aluminium window and door systems.

The founding partners reflected on events in their old age. They had been successful beyond their wildest dreams but by 1996 their joint creation had grown beyond their capacity to effectively control it. Moreover, while their shared experiences as migrants had helped them to manage their personality differences, they failed to combine the interests of their respective families. Later, the Belgiorno-Nettis family struggled to merge the interests of just one family's members. Nevertheless Transfield in its early years served Australia by creating jobs for the many Italian immigrants who arrived in their new country not speaking English and without pre-arranged employment. After the break-up of the original Transfield Pty Ltd and, later, the dispute between Marco and his family, Transfield and Tenix

both contributed enormously to developing Australia's infrastructure and utilities. As entrepreneurs, Carlo and Franco created a bigger family than either of them could have imagined.

Case Study: It's a Sweet Life: An Indian Daughter Successfully Manages an Immigrant Family Business in the United States

Meenakshi Rishi

The traditions of Indian immigrants in the USA are an affirmation of their ethnic identity, which is a critical psychological aspect of the minority individual in society (Dasgupta, 1998). Ethnic identity not only sheds light on attitudes and behaviours of the post-1965 Asian Indian immigrant community in the US, but also explains intragroup variations. The Asian Indian community in the US is an ethnically diverse one, with subgroups that follow distinct customs and religious beliefs. Of all the Asian Indian religious communities, the Sikhs are the oldest, originating from the Indian state of Punjab, and tend to be the best organized in terms of religious activity.

Sikhism is a monistic religion founded in 15th-century Punjab on the teachings of Guru Nanak Dev and 10 successive Sikh Gurus. Sikhism teaches its followers to embrace compassion, truth, contentment, humility, and love. In addition, it is every Sikh's duty to control and subdue lust, anger, greed, attachment, and ego. Sikhism unequivocally recognizes equality for all human beings and specifically for both men and women. Consequently, Sikhism advocates active and equal participation in congregation, academics, healthcare, and military among other aspects of society. Female subordination, including practising rituals that imply dependence, is shunned within Sikhism (Mann, 2004).

Census data show that 81.8% of Indian immigrants arrived in the US after 1980. They received no special treatment or support and faced the same discrimination and hardship that any immigrant group does. Yet, they learned to thrive in American society. In a *Business Week* article, Wadhwa (2006) compiled a list of Indian cultural values to illustrate the successful marrying of Indian-American entrepreneurial success and Indian cultural values: education, upbringing, hard work, determination to overcome obstacles, an entrepreneurial spirit, recognizing diversity, humility, family support/values, careful financial management, and forming and leveraging networks.

Scholars claim that Asian Indian immigrants have transplanted old-world gender ideologies and clearly dichotomized gender roles in their adopted country of residence (Dasgupta, 1998; Kar et al., 1995/1996). In her study of immigrants and their children, Agarwal (1991) states that although "several [first generation] women said their immigration to the United States brought them independence and liberation from the institutional repression of women in India ... the second generation Indian woman feels that old-world gender roles are still rigidly being upheld for her" (p. 52). This phenomenon can perhaps be explained by examining the gender-specific role that daughters of immigrants are given in the preservation of Indian ethnic/cultural identity.

Punjab Sweets is a family owned vegetarian Indian café in Kent, Washington, that has been in operation since 2001. In its early years, Punjab Sweets was a small bakery/snack shop that prided itself on selling fresh and appetizing Indian snacks and desserts. This family business was the original brain child of Iqbal Dha, Gurmit Dha, and Jasbir Rai. Iqbal and her husband Gurmit Dha immigrated to the US in 1980. Iqbal was a skilled cook and wanted to share her passion and excitement for experimenting with food and creating new recipes with the community. She initially catered small events but began to dream big as people complimented her on her culinary skills. In 2001, Iqbal Dha and Gurmit Dha founded Punjab Sweets in a joint effort with Iqbal's brother, Jasbir Rai.

In 2006, Harpreet Gill, the daughter of Iqbal and Gurmit, became co-owner of the family business and since then Punjab Sweets has come a long way from its small, dusty beginnings. Harpreet has used her considerable artistic talents to completely redesign the restaurant. The menu has been expanded to accommodate vegan preferences and "eggless" cakes that appeal to the large Indian immigrant community. Punjab Sweets has a Facebook page and a loyal fan following. It receives glowing reviews in the local press and boasts a growing clientele of customers. *Seattle Weekly*, a widely read source of information on restaurants in Seattle, featured Punjab Sweets on their 2006 Dining Guide cover and a 2007 review in the *Seattle Magazine* called the homemade fare at Punjab Sweets "hard to resist". Under the daughter successor's guidance, it is clear that the restaurant has indeed "arrived".

Harpreet's own entry into the family business was as dramatic as the success of Punjab Sweets has been. In 2004, while helping her parents manage Punjab Sweets, Harpreet decided to study for an MBA. Her original plan was to work part-time at the business, get her degree, and then seek a career as a business consultant. Her life changed with the cover story on Punjab Sweets that was featured in *Seattle Weekly*. She interpreted this as a sign from God and decided to stay in the family business and help it grow.