

Smorgon is the top dog on and off the field

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David Smorgon, President of the Western Bulldogs football club. Picture: Aaron Francis Source: The Australian

DAVID Smorgon will never forget the day.

It was mid-summer in 1995 when he and members of the seven families that owned Australia's then-largest private company, Smorgon Consolidated Industries (SCI), were called to the Melbourne home of family patriarch Victor Smorgon.

His message was blunt. The \$1.5 billion business that spanned meat, paper, chemicals, plastics, electronics and steel, and had involved four generations of Smorgon family members in its almost 70-year history, would be broken up.

The then-47-year-old, third-generation heir was devastated.

As a grandson of Moses Smorgon, one of three brothers who arrived in Port Melbourne from Russia in 1927 in a converted cattle ship, David Smorgon had fought hard to keep the family business together.

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But he had lost the battle. "I didn't know how to cope with it at the time, like a lot of other family members for different reasons. It was front-page news, it was everywhere, it shocked people," he tells *The Weekend Australian* in a wide-ranging interview.

"They had tried to compromise but thought the best decision was we part company. It was soon obvious there was a division in the family and you knew then there was no chance of saving anything from it and it was then a question of best protecting my assets that my father and my grandfather and my brothers had worked so hard for."

Angry, he says, is the wrong way to describe his emotions at the time. Indeed, it is hard to imagine the always-affable Smorgon losing his temper.

"It was a feeling of extreme disappointment. Disappointment that my three sons would not have the same wonderful opportunity that I and my two brothers had," he says.

Indeed, Smorgon was so emotional he fled overseas with his wife for three months. Upon his return came the phone call that changed his life.

He was invited to attend a meeting with the Western Bulldogs AFL club, the team he had supported for decades, but was down in the dumps. Big time.

"They wanted to see if the club had a future," he says.

"I said 'What bloody future? We are second-last on the ladder, we have won four games this year and we are broke, from what I can understand'."

But by the end of 1996, Smorgon was president. Today he remains in the job, the longest-serving president in the history of the AFL, having orchestrated a stunning turnaround of the club's financial fortunes.

Its on-field fortunes have also improved dramatically, and while this season has been disappointing, the club is still in the running for a top-eight spot.

His presidency has made Smorgon, 64, a household name in football circles and beyond. But as he acknowledges for the first time, if the Smorgon dynasty had not been disbanded, it could never have been.

"There would be no way I would be at the Bulldogs. Under the way we worked (at Smorgon) I would not have even been allowed to be on the committee. It was business first, second and third; you didn't have time for

any committees, particularly with a football club. It would not have been allowed. Absolutely," he says.

What was the lowest point of David Smorgon's life also ironically set him up for his future in business. In the months before the break-up, he and his two brothers, Barry and Rodney, set up an investment company called DBR (the first initials of the three brothers), which invested in the sharemarket in stocks such as the James Packer-backed Seek and Perth company Tennyson Holdings.

Following the dismantling of SCI, he also established the private company Generation Investments, owned by Smorgon and his sons Dean, Ricky and Dale. And it is now looking at its next big move.

Smorgon declines to be more specific except to say Generation is in due diligence with one party on a major transaction.

He says the deal will get the family "back into an operating business".

"We are looking at where we can add some value to a business. A business that is a good, profitable business that might need some capital to take it to that next level," he says. "It might need some assistance around the board table, with networking and giving it a higher profile, as well as having a couple of young executives like my son being hands-on."

He believes Generation carries on something of the Smorgon tradition. "There is still the passion and ethos of what a family business is all about," he says.

Its biggest investment has been in private group Inmatrix, which provides banks with credit-risk analysis and business forecasting solutions.

Generation sold the stake in January last year to SunGard, one of the world's leading software and IT services companies. Dale is now working with SunGard.

Dean Smorgon is also a shareholder in stockbroker BGF Equities, of which Warwick Grigor is executive chairman. John McIntosh, the founder of McIntosh Securities, is the advisory board chairman.

Generation has certainly made some mistakes. In the two years following the break-up of the Smorgon empire, Generation looked at more than 200 propositions before deciding on buying the Australian and Asian distribution rights to the Italian-branded casual shoe and fashion range Superga.

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But it was a disaster. "My biggest failure was to go into a few businesses I knew nothing about," Smorgon says.

"I got involved in shoes and fashion. It was a failure. I should have realised earlier on, stick with what you know."

He has been far more successful with his sharemarket investments. "As someone who was never involved in buying stocks in the family business -- because we had a family office in SCI -- all of a sudden you had to learn the hard way. Fortunately in 1995 and 1996-97, we went into the stockmarket well and we have done OK out of that," he says.

But Smorgon has no intention of going back into running a business himself. If Generation can pull off this next deal, it will be son Ricky in charge.

"No, I am not going to be hands-on," he says.

DAVID Smorgon spent a mere five months in the legal profession after graduating from law school before the allure of the family business became too much.

"I could have stayed as a lawyer. Dad was ambivalent. But once I joined the family business I loved it, I was 100 per cent committed," he says.

At 23 he embarked on a three-year apprenticeship with the family meatworks, starting on the gutting floor, then working his way up to the slaughter room and eventually to the boning room.

"I had to start down in the guthouse again as was the tradition for all the family members that went into the family business. Although I had worked in those areas as a teenager during vacations, I still had to go through that area again," he says.

His first real boss in the meat cannery was none other than Victor Smorgon himself. Complete with his legendary temper.

Did he see it often? "You are kidding," he says with a great wry smile. "I used to get it sometimes at 7 o'clock in the morning!"

Victor Smorgon's grandson Peter Edwards, who now runs the Victor Smorgon Group with its diverse range of investments in fashion, biofuels, tuna, plastics and tomatoes, once called it "the injection".

"I wouldn't call it the injection. I think we were all on the receiving end," David Smorgon says.

So, was it hard not to take the beratings personally?

"For some people, yes," he says. "But I never took it personally. It used to affect me but I never took it personally because I thought I understood it was in the best interests of your development and there are different ways of doing it. That was his way of doing it, and if you didn't like it, you didn't hang around."

In 1995, 17 members of the family from three generations worked with Smorgon companies.

Smorgon says the best thing he learnt from SCI was "trying to do the right thing all the time".

"To try to be transparent and open and talking as you feel, putting things on the top of the table and not leaving them underneath. And knowing that two heads are better than one," he says.

"In terms of major, important decisions, you make them as a group. So in terms of major decisions in our business today, it will happen if my sons say we should be doing it. It won't be because Dad says 'Let's do this'. They have to agree as well."

Or as third cousin Jack Smorgon once put it: "We were imbued with that family spirit right from the beginning; you work for the family, not yourself, and each person that came into the business felt like that."

Board control of SCI passed from the second generation to the third in 1994 when Victor Smorgon vacated the chairman's position in favour of his nephew, Graham.

Months later the business was broken up. The only asset the family retained was its interest in Smorgon Steel, which was subsequently floated on the ASX.

It was reported in 1995 that each of the family's seven branches received \$100 million in the break-up.

Asked how much he received, Smorgon brushes away the question with his trademark smile.

"I couldn't even tell you," he says. "Wouldn't have a clue. There were some articles at the time but they were so wrong."

The latest BRW Rich List estimates the total wealth of the Smorgon family at \$2.69bn.

Victor died in Melbourne in July 2009 aged 96.

If they are judged on degrees of difficulty, David Smorgon would take running any small to medium business in Melbourne over running a football club in the city any day.

"I would maintain it is harder to run an AFL club like the Bulldogs, generating annual revenues of around \$30m, than it is to run a \$30m business today in Melbourne," he says looking out over the wide expanses of the Whitten Oval from the Bulldogs boardroom.

"Just think of the stakeholders you have to deal with as an AFL club compared to a business."

He lists the board, the chief executive and management team, coach and football department, sponsors, local, state and federal levels of government, the AFL. And, of course, the media.

"Then there are your competitors," he says. "Your competitors in the AFL are tougher than any other competitors in business because we are all after one thing. In AFL, if you don't win the flag, it doesn't matter how much money you have made, how many members you have, fundamentally you haven't succeeded for the year. That is the way we all look at it."

AFL chairman Mike Fitzpatrick says Smorgon has been a "terrific president".

"He's taken the Bulldogs from nowhere-land and part of that has been the development at the Whitten Oval," Fitzpatrick says.

"That's a challenge for a smaller club."

Fitzpatrick has also been impressed with Smorgon's business nous.

"He's been very good on some of our subcommittees because he presents a very thoughtful and commercial line," he says.

He says Smorgon's trustworthiness, and that of his board, has been beyond reproach.

"The AFL has always felt you could talk openly with the Bulldogs," Fitzpatrick says.

"David has always been able to run a very disciplined board."

Indeed, Smorgon says he is proud of the fact he has never had to deal with a board leak.

His current great passion is to get more Melbourne companies to recognise the leverage provided by the Bulldogs into the growth of the inner west of the city.

In September last year, KPMG partner Bernard Salt launched the findings of a five-month study commissioned by the Bulldogs that found the western region's astounding growth was the fastest in Australia.

"The opportunity for our club is to capture some of that growth and work with those organisations that want to get business out of the western region," Smorgon says, claiming the opportunity is as great for the AFL in this region as it is in western Sydney or on the Gold Coast.

"We have got some very encouraging discussions ranging with some large and medium-sized organisations that do see that opportunity," he says.

Its biggest coup so far has been a sponsorship deal with Global giant Mission Foods, which has built its first major manufacturing facility in Australia in Melbourne's northern suburbs.

The Mexican group, which manufactures the wraps used around the world by fast food restaurants KFC and McDonald's, is into its third year of its sponsorship of the club.

Appropriately, Mission products line the wall of the Bulldogs boardroom.

This year Mission, a subsidiary of Gruma Corporation, agreed to extend the deal for three years with an additional two-year option, making it the longest major partnership in the club's history. The Mission name now appears on every part of the Bulldogs jersey and on the match ball for home games.

Smorgon says the chief executive of Gruma's Asia & Oceania division Juan Gonzalez, a motor racing enthusiast who visits Australia several times a year, is very passionate about AFL. "He loves it," Smorgon says.

So, too, does Prime Minister Gillard, one of the Bulldogs' biggest fans. Smorgon has sat with her at several matches.

He says he prefers not to talk politics with the PM. "I am not a political person," he says. "I don't have any agendas. I leave that to others."

And what about the PM's knowledge of the game? Does it impress him?

"She is learning, yeah, she is learning," he says diplomatically.

"She is certainly passionate about it and she doesn't like it when we lose."

Being such a passionate supporter of the Bulldogs, Smorgon must surely have been tempted over the years to give the coach and the team a piece of his mind after a heavy defeat?

His patience was surely tested over the running battle he had with the outspoken Bulldogs forward Jason Akermanis.

While he admits he has been asked by the coach to speak to a player "on several occasions" over the past 15 years (he doesn't name Akermanis), he stresses his presidency has been governed by a strict rule.

"There is one fundamental question I have asked from day one and it is the only question I have to answer and the only question these board members have to answer is what is in the best interests of the Western Bulldogs football club? You have to separate your own feelings and passions and emotions from answering that question."

On several occasions he has been asked to address the players after poor performances, but it has always been at the invitation of the coach.

Smorgon was late last year elected to another three-year term with the Bulldogs. But he says this one will be his last. While there was speculation last month of a coup against him led by several former players, Smorgon called on them at the time to "put up or shut up". So far the silence has been deafening.

SMORGON'S other great passion outside football and his private business interests is public speaking and mentoring.

He often speaks on the subject of family business.

"The other call I got in that week I got back from overseas in 1996 was from a group that had an idea to form a family business association to represent family business. It was a bit ironic. Here I am just coming from a well-known family business that was busting up to be asked to please champion family business!" he says again with a wide smile.

Smorgon became the inaugural chairman in 1997 of Family Business Australia, a position he held for five years.

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It provided a vehicle for lobbying on behalf of the 300,000 or so family businesses in Australia.

Today, he does a large number of speaking engagements for ICM, which calls itself Australia's premier speakers and entertainers bureau with offices in six states.

In his addresses, he often talks of his experiences at SCI.

Smorgon has just completed an engagement with mining giant Xstrata.

"I was asked to speak to their top 90 general managers," he says. "I had excellent feedback from that.

"If you feel you have been able to inspire people to do things a bit better, then it is a nice feeling to have."

He regularly speaks of his own recipe for success, which is summarised in five key points.

- 1) Have a dream: push yourself beyond the boundaries
- 2) Plan: write it down
- 3) People: work with do-ers rather than blockers
- 4) Hard work: success only comes before work in the dictionary
- 5) Back yourself: don't sit on the fence

He says everyone must learn from failure in life.

"Is failure defeat or a detour? If you treat it as a defeat you are going to go nowhere," he says. "If you treat it as a detour, as a learning exercise to move on to bigger and better things, then it can be invigorating. I haven't met any successful person who hasn't had a failure."

As well as experiencing failure, Smorgon has also battled tragedy.

In January 2008 his wife, Roslyn, passed away after a five-year battle with cancer. She was 59.

"It was shocking, terrible," he says. "We were happily married for 40 years. We had a lot of fun together, we achieved a lot together. You realise that life sometimes isn't fair and bad things happen to good people. It happens too often."

Roslyn was awarded an AM in 2006 for her services to the community, through her fundraising and support for a range of Jewish, women's health, arts and sporting organisations.

Smorgon says he dealt with her death by trying to be as physically active as he could, and by throwing himself into his business interests and his work with the Bulldogs.

"It was a good distraction," he says.

He also reads a lot.

"By that I understood that life does move on," he says.

"Roslyn didn't want me to sit and wallow. I was a young active 61-year-old at the time with a lot more to contribute and do. I have been lucky to meet a lovely partner in Kathy Rosner and we are now planning our life together. That is the way it is."

But Smorgon will also have that question answered in the back of his head -- just what if the Smorgon family had been able to compromise? Could the new generation have cut it?

To him the answer is still a resounding "Yes". But in reality, he will never know.

"To this day I am still disappointed. I have got over it and been able to do a whole range of different things that I really enjoyed doing," he says.

"But to me it is second prize compared to if our family business was still there, especially if you look at the great opportunities there have been in the Australian business community over the past 15 years.

"It was a pity that we couldn't compromise."