

# The building blocks of a global empire [AU] <sup>[1]</sup>

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## AVAILABILITY

See text below.

## EXCERPTS

In little more than five years the husband and wife team of Eddy and Le Neve Groves have built from scratch the \$2.5 billion childcare business, ABC Learning, that now has 20 per cent of the Australian market. But, if anything, that initial success has given them a passion to expand even more rapidly.

And so by 2010, they plan to approximately double their current size in Australia and New Zealand. But chief executive Eddy Groves now reveals that he also plans to make the US bigger than Australia by 2010 - effectively a fourfold increase in size in four years. And for Groves, that is just the beginning and he has long-term dreams of an even larger enterprise.

Unless there is an unexpectedly big acquisition, the fourfold expansion can be funded by borrowings and cash flow because ABC's current gearing is low and, in two or three years, cash flow should exceed \$200 million.

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What can go wrong? The two biggest dangers are the creation of too many centres by a myriad of smaller players who force down the price, and the management issues of rapid growth. Groves admits that history does show that Australian companies have often performed poorly in the US.

"A lot of those companies have gone into very mature market places, but childcare over there is very similar to what it is here - it's very fragmented," he says.

"We have an excellent management team and highly skilled people over there. We know we can continue to do what we have done here so long as we have the right controls.

"IT plays a big part and you have to continue to increase your IT skills and standards to monitor all parts of the group."

He points out that managing childcare centres in Darwin or Perth presents similar challenges to the US. But earlier this year, ABC received a warning about what might happen if it makes mistakes in a remote market. A couple of accidents in Victoria prompted extensive bad press which harmed the brand, at least in the short term.

Groves says that the company's accident rate is very low and there is constant monitoring of complaints and the company has clear and well-established procedures when something does go wrong. But a major slip-up in the US would be a huge setback for the company's growth plans.

Groves says that if the company found that it didn't have the people to pursue the accelerated growth plan it would simply defer it. But he is supremely confident.

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- reprinted from the Australian

**Region:** Australia and New Zealand <sup>[2]</sup>

United States <sup>[3]</sup>

**Tags:** privatization <sup>[4]</sup>

spaces <sup>[5]</sup>

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