

## **Karl Chapman, CRT Group and AdviserPlus Business Solutions**

### **An Unexpected Caller**

Sir Douglas Hague says that one morning late in 1989, he was at his desk in Metapraxis Ltd when his telephone rang. He continues: It was someone I did not know, but who was very direct. "I want to buy your company", the caller said. "That sounds splendid", I replied, "but I can't sell it to you." As Chairman of Metapraxis, at that stage still finding its way, I thought that selling the company was worth considering because it would almost certainly be sold for more than shareholders would receive quickly in any other way and probably for more than it was currently worth. But the Managing Director owned more than half the shares. I was certain he would not sell them, and he did not.

### **Karl's vision**

So there was no take-over but I had spoken to Karl Chapman, a remarkable entrepreneur and the architect of a company called the CRT Group plc (CRT). The inspiration behind CRT was twofold. First, information and communications technology were about to enable countries across the world to deliver education and training – what Karl called learning for life - in new ways. Karl believed that the place of learning and methods of learning would change. Learning really would become lifelong and not largely confined to under-twenty fives. I had been writing about such developments before I encountered Karl. So, since we shared the same beliefs and since I was about to leave Metapraxis in any case, I joined the board of CRT to help to drive this development on.

The second inspiration was Karl's alone. In his previous job had been seeking investment opportunities for a London merchant bank and had seen that private sector training was very fragmented in the UK. He set up CRT to grow in part through acquisitions, believing that the company could soon become big enough to be an industry leader.

### **CRT – financing the start-up**

The most unusual feature of CRT, which sets it aside from most start-up companies, is the way it was initially financed. Because he had planned the establishment of CRT while working for the London merchant bank Guinness Mahon, Karl Chapman had daily access to the kind of financial and business advice which would not be available to most start-ups. Partly because of this, he formed an alliance with a West Midlands entrepreneur, Michael Griffiths, who had acquired Excalibur, an engineering company, by a reverse takeover. And Excalibur, too, had strong city links.

Moreover, the reverse takeover which had established Excalibur clearly intrigued Karl, and he became keen to do the same with CRT. So Karl and Michael identified an unprofitable East Midlands textile knitting company, Smallshaw, which was capitalised at £350,000, had net debt approaching £4 million, and where the family owned over half the shares. Then, in 1989, Michael and Karl, between them, bought £1 million of shares from the family and raised £7 million by making presentations in the City. These presentations persuaded city investors to invest in a 7 for 1 rights issue at 40p per share, while the family took none of their rights. Smallshaw was renamed CRT and so obtained a stock exchange quotation. Assets of Smallshaw that CRT did not need were later sold for about £1.5 million. Further rights issues to support acquisitions and cash generated from its own operations then saw CRT through until 1997.

### **CRT Group plc**

So CRT had assured initial funding and Karl's own clear vision which, in 1990, he said was to become "the McDonald's of learning". CRT did not achieve that but, under Karl, it did become UK market leader in its field, acquiring and developing two established training companies and becoming strong in IT recruitment as well. An early acquisition was Link, which provided training mainly in retail distribution, from over 100 centres spread across Britain. The other, Pitman, provided training in IT and office administration and had a world wide reputation. None of this was high-level training, but it was important to the UK.

It is interesting to note here that Karl decided that he wanted to become a businessman when he spent a year as President of the Students' Union at Birmingham University. He says he soon realised that in that role he was actually running a business, enjoyed it and wanted to continue – so business rather than the law attracted him post University.

CRT developed fast. From nothing in 1989, its turnover grew to £40 million by 1992 - largely through the acquisition of Link. Partly through bringing in Pitman, turnover rose further to £47 million by 1993, but then levelled off, mainly because CRT acquired a consultancy company which was a bad buy. It was quickly sold, growth resumed, and by 1996 turnover had doubled to £103 million in only two years, largely through organic growth. Operating profit struggled more, but rose to £8 million.

### **Doubling CRT's capital**

Then there was dramatic change, which taught a vital lesson. Karl was keen on even faster growth, talked of an annual turnover of £1 billion and sought funds to achieve it. In 1996, this led to a deal with a US company – Education Technology - which doubled the capitalisation of CRT by providing £109 million of cash for new CRT shares. The offer was accepted. It looked like a real coup, with the American company renaming itself Knowledge Universe, but it turned out otherwise.

The aim was to make CRT a worldwide company by making larger, international, acquisitions. However, the acquisitions proposed were not supported and CRT is now a less-dynamic British one. Renamed Spring, its share price was 115p at the end of 2003, compared with a peak in 1998 of 450p, and in November 2005 was 60p.

It was the end of an era. Having acquired half the capital of CRT, the Americans understandably insisted on strong representation, replacing me and other UK non-executive directors. And, because Spring did not develop as Karl Chapman had hoped, he left at the beginning of 2000 with the share price at over 200p.

### **AdviserPlus Business Solutions**

But that was not the end of Karl Chapman, entrepreneur. After only a fortnight's family holiday, Karl began work on a new venture. He had already decided that in future he would work wherever possible only with people he knew, liked, rated and trusted. The first dozen who joined him were relatively young and all attracted from CRT/Spring. Karl gave them jobs that developed them and they are performing splendidly. Recently, as the business has grown quickly, more-conventional recruitment methods have had to be used, especially for attracting specialists in law, HR, Health and Safety, journalism etc.

Stating the criteria for the new business took only one page. To establish itself in the right market at the right time the new company must follow the next big business trend. Karl and his team concluded that the next big trend was the 'commoditisation of professional services' – the ability to use clever, integrated, online and call technology to deliver legally reliable and useful commercial advice and information to organisations of all sizes. To simplify marketing, Karl also decided to provide a service that APBS could both own-brand for client companies, as well as deliver under its own name.

So, in late 2001, Karl set up a private limited company, AdviserPlus Business Solutions Ltd (ABPS), which provides professional advice for businesses, especially on Human Relations (HR), employment law and practice, health and safety, company law and taxation. Learning lessons from CRT, Karl decided that to keep down costs and to make control of the whole business simple there must be only one central site – and not the 200-plus of CRT. Costs were indeed carefully controlled, with all the staff working from home until modest premises were rented in Cheshire in July 2003. In late 2005, half the now 35 employees are still working flexibly from home and the business is just about to move into its own premises.

To short circuit online development time, the Bizwise website company was acquired for a nominal sum. Bizwise was presenting, in rudimentary form, the kind of business information Karl wanted to provide. However it was doing so 'free-to-air' and trying to rely on sponsorship to make money. The first things Karl and his team did were to make the service subscription only, remove sponsorship and advertising, and improve the quantity and quality of the information offered.

From this early platform APBS has developed a range of services that are either generic (largely aimed at small businesses with less than 500 employees) or completely tailored (aimed at businesses with many locations and hundreds or thousands of employees). The advice and information on all websites/intranets are continuously managed by AdviserPlus staff, with a major contribution from its IT specialists. The call support is also tailored to each client.

As the quality of the advice and support provided by APBS has become more widely known, large organisations have increasingly approached the business to seek support. They buy AdviserPlus services because they are legally reliable, improve performance and reduce costs.

As at November 2005 over 1,000 businesses use AdviserPlus services and the company is on target to achieve annual pre-tax profits of more than £1m in the next two to three years.

Again learning from CRT experience, Karl this time determined his exit strategy early, but he naturally keeps this to himself.

*Douglas Hague, November 2005.*