A SMOOTH SUCCESSION

TO UNDERSTAND WHAT WENT RIGHT FOR THIS BUSINESS, WE MUST EXAMINE THE WAY DECISIONS ARE MADE.

BY BRENT BANDA

"We're really a five-year-old company in a 40-year-old body," Jason Horner explains as he lays a page on his desk showing the company's organizational chart. "Our key people all have decades of experience. But many are new to Acadia. The systems are new. We're really just entering the next chapter of the company's history."

Horner holds two titles in Acadia Group of Companies. He is director of operations, which involves overseeing five operating companies, each run by a different general manager. He is also general manager of one of the operating companies, the civil construction business.

Acadia Group of Companies recently underwent a five-year ownership succession process. Along the way, this well-respected contracting business has evolved into a multidisciplinary engineering, project management, and construction firm. It has successfully completed large, complex, high-profile projects. It has also grown to five times its original size.

To understand what went right for this business, we must examine the way decisions are made.

PHOTOGRAPH BY ACADIA GROUP OF COMPANIES

THE PLANNING SESSION

At a recent planning session, 15 people holding various positions in the company were gathered in a meeting room at The Willows Golf and Country Club. A spirited debate ensued around the struggle to define Acadia's values.

People were struggling to describe Acadia's working relationships between staff and also with clients, suppliers, and peers in the industry. Some felt the team atmosphere defines how the company operates. Others felt the company's values are rooted in the collaborative nature of how problems are solved. Generally, everyone agreed both were correct. And then someone mentioned that everything comes down to the need to earn trust. Everyone nodded. They had come a bit closer to an answer, but the debate continued.

The most interesting part of that day was the way the debate unfolded. People listened to what others had to say. They were comfortable stating their opinions. Regardless of their position in the company, they were comfortable saying they didn't agree with others in the room. It was a healthy discussion. Nobody took it personally when they were challenged. Everyone knew that others had the company's best interest in mind.

PHOTOGRAPH BY STUART KASDORF

FRONT: JASON HORNER, DIRECTOR OF OPERATIONS AT ACADIA GROUP OF COMPANIES AND GENERAL MANAGER OF ACADIA CONSTRUCTION. BACK LEFT: DARREN ANHOLT AND DEREK TRISCHUK, PARTNERS. BACK RIGHT: SHERYL LUDYK, RECEPTIONIST.

HISTORY

Don Swenson and Bob Armstrong founded Acadia Armstrong Construction in 1976. The business was involved primarily with small underground water and sewer work. In 2001, Tom Ness, Michael Markowski, and Jordan Swenson (Don Swenson's son) bought out Armstrong. The name changed to Acadia Construction. The company took on more complex civil construction projects such as subdivisions, landfills, and lagoons for northern municipal and First Nations clients. The company also did some work for mines and other industrial clients.

In 2012, a few of the owners were considering how to exit the business. Although Acadia was successful, the most viable option seemed to be simply to close the doors and liquidate assets. Ness had another idea. Through a family connection, he had a strong relationship with an engineer, Darren Anholt. He approached Anholt about buying into Acadia. One day, Anholt met with a friend and co-worker who was also an engineer – Jason Horner. Anholt said, "I'm not going alone; you should come over to construction." The two engineers changed careers and bought into Acadia.

The company entered a period of rapid growth. Horner recalls, "When we bought into the business in 2012 we had about 30 staff in our peak season. Probably about 20 of those were seasonal staff, and they usually put in their 2,000 hours in a seven or eight month period. In 2017, we peaked at 200 employees and roughly 150 were seasonal. Revenue is now five times larger than it was in 2012."

THE PATH TO GROWTH

The previous ownership group had a great deal of success with Acadia. A strong economy had a lot to do with the rapid growth after 2012, but it is important to recognize the influence that new owners have on a company. Anholt and Horner had different skills and relationships in the industry. As new owners, they were also focused on the future.

"When we came over, we had no plan to grow for the sake of growing," Horner says. "But as new owners we asked ourselves, 'Wouldn't that be something if we doubled in five years?' We tripled in 24 months."

Although the economy was booming, northern work slowed after 2012 and Acadia had to look elsewhere. Growth came from a combination of new clients and new services.

The first thing Acadia did was start an engineering firm, Integrated Engineering. "It was a natural step to open up an engineering group and take on design-build work. We had clients that were saying, 'Here's my problem. Can you design it, give me some plans, and build it?'"

The launch of the engineering firm set a precedent for future expansion. Acadia began to evolve into an interdisciplinary company with multiple complementary services. "We were talking with Wayne Heaslip about working at Acadia as our fleet manager and it was clear in the discussion his heart was in paving because he'd done that all his life. We were thinking, 'Why not set up a paving company? We can make this work.'"

Paving was a natural fit for Acadia, as many of its construction projects involve roadway work. Acadia continued to add operating companies that work collectively on projects but also work for external clients. Acadia Construction Management operates as a general contractor. Acadia Pumping and Dewatering manages groundwater levels on construction sites and also provides water transfer and pumping services.

As Horner explains, these new companies were all formed around key people wanting to join the business. "We never had a plan to add companies," he says. "When we started the paving company, we had previously subcontracted out that work. Now we had the people available. The expertise was there. Anyone can go out and buy the equipment. You need the people."

Trevor Heide is one of those key people. In 2014, he was working in a different province for a general contracting construction management company as operations manager, reporting directly to the owner. He had helped build the company from $25 million to nearly $100 million in revenue. Ness approached Heide with the opportunity to start Acadia Construction Management. As Heide explains, employee ownership was what attracted him to Acadia.


PHOTOGRAPH BY STUART KASDORF

TREVOR HEIDE, GENERAL MANAGER OF ACADIA CONSTRUCTION MANAGEMENT.

"I flew out in the summer of 2014 to meet with the partners at Acadia. It was a different atmosphere with employee ownership. They all had a stake in the game and were committed to growing the company."

Heide accepted the offer, bought into the business, and works as general manager of Acadia Construction Management. He has seen how the ownership structure influences the people who work with him daily. "I have a project manager and site superintendent who bought in and they get dividends if the company does well. It's a world of difference when they come to work. When they are involved with business development or working on site they think about keeping clients happy and producing a good product. It's different than just collecting a paycheque every two weeks. They are more entrepreneurial. They look at the company like it's their business."

THE SUCCESSION PROCESS

Horner points to employee ownership as a key component of Acadia's recent growth and also of the smooth succession. "Darren and I experienced the benefits of employee ownership with our previous employer. When we were coming over we knew there were other long-term staff at Acadia who had been asking about ownership for a couple years. We did not want to set ourselves up for failure by creating a rift with staff. So we suggested setting up an employee ownership pool."

To Horner, succession needs common drive from all shareholders. "An entrepreneurial spirit is crucial, and for us that came from employee ownership. We look for a person who is currently a leader or has the potential for leadership. Maybe you are a leader in the field, you manage your jobs well, you interact with the client, and you set a good example for the other staff around you. Those are the people we want to have ownership."

The business does not lend money to employees to buy shares. In Horner's experience, funding ownership out of personal finances is a motivational tool. "One of the main reasons we wanted


PHOTOGRAPH BY ACADIA GROUP OF COMPANIES

employee ownership is for people to have skin in the game. People buy into the specific operating company they work for. If they are invested in the business, they have to make it work."

Acadia now has 30 shareholders representing staff from across the five companies, including mechanics, office staff, and front-line workers in the field.

Horner is quick to credit Ness with establishing a structure for a successful transition of ownership. "Tom could always see when it made sense to add companies that were complementary to our core business. He's also the driver in bringing in new owners. He's the visionary on succession."

This employee ownership model was customized based on the needs of the original ownership group, the business with its capital-intensive operations, and incoming shareholders. The model has served the company well, given that rapid growth meant bringing in staff who were not even part of the plan in 2012. But Acadia is not complacent. Horner is working with accounting and legal firms to ensure the corporate structure and ownership model evolve in a way that can support the business over the long term.

Succession is more than a transfer of shares. It involves the transfer of knowledge and management responsibility as well.

Swenson, Markowski, and Ness mentored incoming staff and took a gradual approach to transferring decision-making to the new management team. As Horner explains, the three partners showed growing confidence in the new owners. "In year one all three would still show up and stay on the management committee and were active in day-to-day operations, but as we got more comfortable with the business they got more comfortable with what we were doing. They gradually reduced their time in the business. By 2017, the three outgoing partners were no longer working every day."

SCALING UP

With an engineering background, Horner naturally prefers structure and efficiency. But a business that grows quickly can seem disjointed, like a house built one room at a time. For example, Acadia's physical operations, including offices, shop, yard, asphalt plant, and equipment storage, are currently scattered across four separate facilities.

Other areas of the business needed attention during the early stages of growth.

ACADIA STAFF AT WORK ON A CONSTRUCTION SITE.

As Horner describes it, "The biggest challenge was that our internal systems were not prepared. We did not have a human resources person until just recently. For accounting, there was one full-time and one part-time bookkeeper. We did not have a robust accounting software package and were unable to track detailed costs as well as we do today. With outdated computer systems, timesheets were still completed on paper, one per day. We saw right away we needed to make some changes."

It was difficult to manage the business without systems to support decision-making. As Horner recalls, "When we first came over, our external accountant prepared the statements and said 'Here's how you did for the year.' Now we go through every company's financials on a monthly basis. Profit and loss, cash flow, and the balance sheet. Then we project cash flow for each company and the whole organization."

As operating systems took shape, the ownership group focused on the roles and responsibilities of management. Horner explains, "In November of 2015, we knew we were not organized properly so we hired a consultant to interview a number of our staff and check on how things were and how it could be better. It was clear there was a lack of direction on who could make the decisions."

Changes were made. The ownership group designated Horner as director of operations with responsibility to oversee the various operating companies. There were some growing pains as people adjusted to a new decision-making structure and had to figure out which person should be making certain decisions.

The new structure has worked well. Once people became familiar with their defined area of responsibility, they took ownership for performance in their operating company. Horner's leadership style reflects the attitude of the ownership group. He explains, "We don't micromanage each operation. We hired competent general managers and we give them the freedom to run it."

The consultant that examined Acadia's organizational structure also acknowledged there were several support staff that were scattered throughout the organization but provided services to multiple operating companies. At the same time as Horner took on his new position, a support services group was established that included people from human resources, administration, accounting, and safety. This structure provided clear lines of authority, but more importantly the support staff became a cohesive group and could communicate effectively with each other.

Horner is careful to retain flexibility in how the business operates. "We are attracting staff from big companies that were too bureaucratic and too corporate. We have to be careful that we don't turn into a corporate environment as we put systems in place. We need to have the right controls in place, but we can't overdo it. So far we've not overstepped."

ACADIA STAFF SURVEY A JOB SITE.

After five years of constant change, Horner reflects on the future. "There is an excitement. Not about growth itself, but for what's next. We're planning a new central facility with shop, yard, and office space here in Saskatoon that brings the companies together. People are excited to improve processes so we can be more efficient and become better at what we do. That work will help us be ready to grow when the market says it's time."

MAINTAINING CORPORATE CULTURE

Not many entrepreneurs have experienced an increase from 30 to 200 staff in five years. This situation has provided Horner with a unique perspective on corporate culture.

"The bigger you are, the harder it is to maintain the culture," Horner explains. "If the flock is flying in the same direction and you have to bring a few back in, that's OK. But if there is no real flock and it's scattered, that does not work. You need a common vision and a common direction."

Thinking back to the planning session where 15 staff were debating company values, Horner reflects on what transpired after that meeting. "I was surprised at the impact the exercise of doing the mission, vision, and value statements had on our team. Almost everyone in that room came into my office individually and said that was a great experience. They told me, 'I was really glad to be part of that process. I like where we are going and what we discussed, and I look forward to implementing it.' It's great that managers have bought in to a common view of the company and its future. But will staff relate to the mission, vision, and values? Horner thinks they will. Acadia's management team has been careful to maintain its original corporate culture and now there is a direction to communicate.

"We went from 30 to 200 people and never said who we are and what we're doing and where we're going," Horner explains. "Many of us had come from different companies and many were asking, 'What am I going to be a part of? Who are we? What are we doing? Where are we going?' All we could say was, 'get on the train and you'll find out.' And now we know where we are going."