ACEC Summit, Whistler, BC
CEO & Principals' Roundtable
June 26, 2009

Moderator: Ben Novak (Planmark Ltd.)
Reporter: Brian McAskill (CEBC)
Medium Firms (56 – 200 Employees)

Participants:

John Clark (Williams Engineering)
Rob Campbell (R.F. Binnie & Associates)
Brian Gray (Peto McCallum)
Walter Orr (FSC Architects & Engineers)
George Zukovs (XCG Consultants)

Topics:

Participants agreed to look at all of the potential topics suggested in the agenda. The order of topics was rearranged, in part to start with the highest priority topics, but also to facilitate natural flow and progression from one topic to the next.

1. **How does selling a company affect its employees?**

BN began the discussion by offering an example in which a firm partner is bought out at a price based on a multi-year moving average of past performance. If this were to occur shortly after a sudden drop in performance (e.g. due to sudden changes in the economy or market), the remaining partners would be forced to pay what may seem an excessively high price. So, buyout policies can lead to many interesting situations, not all of which can be anticipated. It is important to have a good policy in place.

Participants commented that a number of senior people often leave after a buyout.

Cultural differences occur when, for instance, a large company buys a small firm. From the other side – when buying a smaller firm, it is important to carefully look at corporate culture to determine if it will be a good fit. One participant gave an example of a buyout in which the entrepreneurship of the *larger* firm was combined with the discipline of the *smaller* firm, contrary to conventional expectations.

Acquisition by other than purchase is not uncommon (e.g. inviting a sole proprietor to join the firm).

Summary

- communication and career plan are important factors in keeping employees during transition of ownership - "what's in it for me?"
- corporate culture is an important consideration –matching/complementary.
- many employees can be lost.

2. **<u>Is your company employee-owned? What other forms of ownership models do you employ? Do you have a transition/succession plan in place?</u>**

A number of participants commented on the lack of mid-level employees (35 -50 years old) in their firms.

Typical models for shareholding:

Firm	Minimum buy-in	Employee shareholders
A	$50,000	9 of 80 (11%) - mostly senior employees
B	$25,000 - $30,000	
C	-	Shares in lieu of bonus. Internal financing.
D	$3,500 (multi-tier)	Younger professionals prefer dividend.
E	$1,500	About 25% - very aggressive in expanding the base.

Other common aspects of ownership models:

- Shares are issued from Treasury.
- Shares are often bought back from retirees.
- Qualify future shareholders on merit – determined by committee.
- Compatibility of shareholders with other shareholders is an important consideration.
- Shareholding patterns for control.
- Tiers of shareholders.
- Static model discourages young professionals.

With regards to the third point, BN gave an example of a firm with about 25% employee shareholders, who were required to pay in to cover a sudden cash crisis. This demonstrates the responsibility of shareholders to ensure the business runs smoothly.

One participant commented that their firm had a “no buyout” policy. As the value grows, it will be more challenging for young professionals to get involved.

3. **<u>How are you engaging your Young Professionals?</u>**

- Offer shares to young professionals (3 to 7 years)
- Doing so may create a risk of losing other staff.
- Should share offers be open to all? In some cases this may not be a good idea – communicate reasons!

4. **<u>How is the current economy affecting your firm? What, if any, impact has there been on employment?</u>**

Generally, the participants felt the economy is not currently an issue in Canada, but is an issue in the United States. Some expected to see the effects of a slowing economy in 2010-2011.

5. **<u>Have you seen any benefits yet from the government stimulus money?</u>**

- Stimulus may drop and affect volume in 2010-2011.
- Minority government is unstable.
- Resources will rebound.
- U.S. firms come to Canada to buy firms.
- Will “green infrastructure” arrive soon? Yes – it is already here.

6. **<u>QBS – Tarification des honoraries. How else can firms ensure reasonable payment and fees?</u>**

- Fees depend more on relationships and referrals.
- Some clients use QBS, or a modified 2 envelope system.
- Some “second tier” governments still use price.
- The APWA Report could be a useful tool for educating clients – get the word out.

7. **<u>Have you expanded internationally as a result of the recession?</u>**

3 of 5 participants commented that they were closing international (e.g. offshore) offices, though this was not necessarily connected to the recession.

8. **<u>Have your firms participated in any PPPs? What upsides and downsides do they bring? Can you still ensure quality work?</u>**

Participants generally felt there is “no choice but to face it”.

Positive aspects:
- If you are lead, can get a good fee.
- Good partnerships with contractors.
- Speedy project delivery.

Negative aspects:
- Bad contractor partner can create problems.
- Gestation of up to one year for project to begin construction.
- Owners must be knowledgeable.