

Case Study

Readying Engineering Firm for Transition of Ownership to Employees

INTRODUCTION

Rory Causseaux, a founder of CHW, began serving as president of the company in 1997. In 2012, Causseaux decided the time had come for him to transition out of this role. Initial discussions with Velocity revealed that Rory Causseaux owned 55% of the company while the other two owners of the company, Robert Walpole and Kevin Hewett, owned the remaining 45% and both served as Vice Presidents. Causseaux recognized the potential value new leadership would offer the company. Due to previous experiences with unintentional and unplanned transitions, he wanted to make this transition as smooth as possible, so he enlisted the help of Velocity Advisory Group.

Goals

After years of work growing CHW, Causseaux had goals to leave the company sustainable while also reaping the financial benefits of a successful exit. In working with Velocity, it became evident that there was a need to decrease the company's dependency on his leadership and build strong leadership in others within the company. Causseaux wanted to preserve the company culture upon his exit while also poising the organization for ongoing strategic growth. In addition, he personally wanted flexibility regarding his ongoing involvement post leadership transition.

Results Snapshot

- **400%** growth from 2012 to 2021

- Acquired another firm and doubled the revenue since acquiring with close to **45%** EBITDA

- Growth outside core market over that period increased from **0% to 30%** of total revenue and growing

Approach

Discovery

Planning

Readiness

Transition

Post
Transition

Velocity began by working with Causseaux and other leaders to identify the value drivers most needing focus by evaluating the business's current operations and Causseaux's goals for himself and the company. Velocity determined that in the transition they would focus on improving leadership, maintaining a strong company culture, setting up the business for strategic growth, and establishing independence from the owner. Following this assessment, Velocity facilitated a planning session that resulted in a multi-step, multi-year transition plan focused on growth and improvement in key priority areas. During the five-year transition, Velocity acted as an accountability partner to ensure prioritization of the transition preparation needed to ready the organization. This included ongoing consulting and coaching for key members of the leadership team throughout the readiness phase as well as situational consulting and communication planning during the transition phase. Velocity continued post-transition to aid new leadership in addressing transition pain points and advising on situational issues as they arose.

Solution

It was determined that CHW would benefit from deployment of Velocity's Level 7 Ownership Transition System™ which is phased approach designed to grow transferable value across 7 key value drivers as well as sustainability within an organization, all while creating choice for the owner to be able to exit on their terms.



DISCOVERY PHASE

Velocity interviewed and communicated with key stakeholders to assess areas needing focus and participated in conversations with the CPA firm involved in the transition to help ensure the deal was structured correctly. While proper financial structuring was critical, addressing the organization's overdependence on Causseaux, establishing greater role clarity and setting the successor up for success were also identified as vital to the transition.

Challenges existed in structuring the transition so that it had minimum negative impact on stakeholders and made financial sense for all parties while simultaneously positioning the company for future success. Causseaux recognized that he would struggle to find time to devote to the process of readying the business and structuring a sound deal while also juggling deadlines and overseeing the company. Keeping this important project a priority would be difficult. In addition, he needed assistance knowing where to focus improvement efforts to ensure organizational sustainability post-transition.



PLANNING PHASE

Velocity recognized the need for a system of structure and accountability as well as sound planning. The timeline of five years was set to allow ample time for the transition and reduce strain on the culture of the organization. Coaching was implemented for key leadership members and a plan was crafted to restructure individual leadership roles. These changes would create more depth to the organization and implement a tiered leadership structure to absorb any strain Causseaux's pending absence would have on the integrity of the organization. In addition, Velocity interfaced with other key members of the Advisory Team including the CPA firm and wealth advisors to ensure the financial goals of the transaction were met. The decision was made to promote Robert Walpole to president, reporting to Rory Causseaux and transition responsibilities to Walpole.



READINESS PHASE

Velocity met at regular intervals with Causseaux and others to gauge progress on the strategic plan and pivot where needed. Velocity supported Causseaux in the handoff of responsibilities to other members of leadership through a Knowledge Transfer process. Velocity also facilitated discussion regarding the assessment of the other two owner's readiness for their new responsibilities. In addition, Velocity worked with leadership to delineate responsibilities between leadership roles to allow not only greater independence from Causseaux and sustainability moving forward, but also to lay the foundation for scaling the organization post transition. Training, led by Velocity, was implemented to assist in strengthening the organization's effectiveness, leadership, and culture. One on one executive coaching was provided to Walpole to ready him in developing his own leadership style and to provide support as he assumed leadership over the company.



TRANSITION PHASE

Velocity provided guidance and assistance in the development of a communication plan tailored to the audience that was executed over time through the transition. During the final transition, Velocity provided situational support and coaching as needed to Causseaux and the leadership team. Causseaux said that "It's easy to feel like you don't need a consultant, but the outside perspective Velocity gives adds value and ease to your transition".



POST-TRANSITION PHASE

After the transition, Velocity worked with the incoming president, Robert Walpole, to address pain points and maintain performance and employee engagement. Velocity has continued to assist in strategic planning and execution on an ongoing basis as well as leadership training and coaching services since the transition.

Results



The company has realized the following meaningful successes since engaging with Velocity on ownership transition:

- **400% growth from 2012 to 2021**
- **Triple employee count from 2012 to 2021**
- **Acquired another firm and doubled the revenue since acquiring with close to 45% EBITDA**
- **Growth outside core market over that period increased from 0% to 30% of total revenue and growing**

While the company saw a return on investment, so did former majority shareholder Rory Causseaux. The Level 7 approach seeks to allow owners choice in when and how they exit their business. Because of Causseaux's proactive approach to the transition and Velocity's assistance in providing focus, structure and guidance, Rory Causseaux reported he was very satisfied with the transition. He was able to meet his financial goals, achieved a greater level of independence and has been able to see the company he had worked to create continue on successfully after his departure. He was pleased to see minimal change in culture but significant improvement in growth. In addition, he has been able to remain connected with the company in his role as founder and still provides occasional consultation and resources to current leadership.

“Velocity Advisory Group played a critical role in CHW’s 2012 ownership transition...Velocity provided the necessary structure and guidance to ensure we created the right plan and more importantly that we executed that plan both internally and externally to CHW flawlessly. I credit that process for ensuring we were set up for the incredible success and growth that has occurred since 2012. As we face another transition of ownership in 2022, I am confident that with the prior work and Velocity at our side we are set up for yet another seamless and successful transition”

— Robert Walpole
President, Shareholder

Why Velocity Advisory Group?

Causseaux chose Velocity Advisory Group to develop and support CHW through their ownership transition because of Velocity's reputation and ability to provide both coaching, training and strategic planning. Velocity's proven approach works because of its emphasis on the owner and business as central to the process as opposed to the deal. The focus may be on preparing the company for sale to an outside party, preserving the owner's legacy, or readying the business for sustainability after the handoff to an adult child or sale to employees. The Level 7 approach represents a shift to understanding that each deal is unique. Velocity meets the business owner and business where they are, acts as an accountability partner, consultant and coach, guiding leaders and teams through what is likely one of the biggest financial transactions of their life.



For more information about Velocity's services, please contact:



Heather Parbst, CEPA, CPC
Director of Transition Services
Velocity Advisory Group
(352) 665-3561
hparbst@velocityadvisorygroup.com