

SUCCESSING AT SUCCESSION

BY PAUL KNOWLES

Menno S. Martin moves to a third generation of owners...but not without a struggle

What is the key to success? For a lot of businesses, it's not simply a healthy bottom line or a happy customer base, although both are obviously important. In many cases, success is directly linked to succession. Passing a business from one owner to the next is too often an insurmountable hurdle that reduces a thriving business to a shell of its former self. Most of us know of stories where businesses went from healthy to horrible over the course of a botched succession.

The Menno S. Martin story is not one of those. This St. Jacobs contractor has been a continuous success story since 1942. The company is in its third "generation", having just completed its second successful succession plan.

The company started when Menno S. Martin strapped his carpenter tools to his Model A Ford in 1942. During the 1950's, staff size varied from 12 to 20 people.

Laverne Brubacher joined the company in 1965, on his 21st birthday. Two years later, Brubacher bought his first share of the company, implementing a succession process that stretched through almost two decades.

More recently, Brubacher launched discussions with three staff members with the goal that they, in turn, would take over the company. After months of intense negotiations, the talks fell through – only to be revived by two of those employees, Trent Bauman and Art Janzen, two years later. Today, those two men are taking over the company in a re-jigged and successful succession plan.

Trent Bauman, left, and Art Janzen, right, are buying the business from Laverne Brubacher.



Something good happened between the first, failed round of negotiations and the second, successful run.

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The golden rule

A lot of things have stayed consistent, through the long history of the company. It was founded to do home renovations, and that continues to be the heart of its business. It was also founded on a specific and well-understood set of values. Brubacher recalls, "In 1942, Menno Martin started doing small jobs throughout the community. It wasn't long before his entrepreneurial skills and his belief in the golden rule took over and Menno S. Martin Contracting was growing and thriving."

Martin passed away in 2005, at the age of 94, but his values live on. Posted on the wall of the office, and available as a handout for every customer, is the Menno S. Martin mission, vision and values statement. The values? "Integrity, stewardship, care, team play and encouragement." And Bauman and Janzen are as committed to those values as was the founder, almost 70 years ago. Bauman notes that "we have a responsibility to our employees and also to our clients."



It took two, long succession planning processes before Bauman and Janzen were able to start the actual corporate acquisition.

Success led to succession

It may be ironic that the first of the two succession plans implemented at Menno S. Martin Contractors came about because the company was almost too successful. Brubacher says, "In 1965, I started working for Menno. After two months in the field as a labourer, Menno asked me to work with him in the office. I

rate. Menno was 33 years older than I... He was concerned about who might carry on the business that he had started. I guess he had developed some faith in me... That \$5,000 commission eventually became my first shares in the new corporation. And that was the beginning of our first succession plan."

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started as a gofer and gradually got into sales and design. Two years later after a successful year, I was making \$3500 a year, and with a commission plan that we had devised, I had a promise of a \$5000 commission."

That was a problem. "Menno said, 'I can't afford to pay that.' So, after a lot of discussion and advice from our accountant and lawyer, we decided to incorpo-

In 1968, Martin and Brubacher agreed to an open ended buy/sell agreement which would carry on over the next 16 years. Brubacher's wife, Ella, became a silent partner, owning 39% of the company while Laverne acquired the other 61%.

It took a long time, but that was not a problem to any of the principles. By 1976, the Brubachers had acquired 40% of the company; that year, they bought another

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30%, and over the next eight years, as Martin gradually retired, the final 30% changed hands until the Brubachers were 100% owners.

Third "generation"

As the new millennium dawned, Brubacher thought it was time to consider the future. His first step was to move away from sales. Two key players in the company – cousins Trent and Mark Bauman – picked up those responsibilities.

In 2005, Trent, who has been with Menno Martin since 1987 (hired after a co-op term in 1986), recruited his long-time friend, Art Janzen, to fill a new position, that of Operations Manager.

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Janzen, who had followed a multi-faceted career path, says that long before the job offer came, "I always thought that Trent had the best job in the world."

Brubacher recalls that these changes in staffing and responsibilities were not without challenge. "We had quite a time trying to figure out what all of our roles in the operation entailed and how we could work together in the most effective way. There were some initial misunderstandings.

"We then hired Dave Schnarr [of the Centre for Family Business] to work with us to do some strategic planning and to help us to figure out how we might be most effective in working together. He helped us to set some goals, worked with us as a team and also individually. Through those meetings, we were able to clarify where we wanted to go and how we would get there. It was very helpful."

But working well together was not the only thing on their minds. Says Brubacher, "It was no secret that Art one day hoped to own his own business, and that was part of our initial discussions before he came on board. During our strategic planning sessions it came to light that Trent and another long time employee, Mark Bauman, were also interested in looking at buying the company as a team of three."

The three spent the latter half of 2007 putting together a detailed purchase proposal, working with Jim Harper of BDO.

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But the four men could not reach a final agreement. Says Brubacher, "That proposal to purchase was turned down. While there was no doubt in my mind that these three dedicated and loyal employees would carry on the legacy that Menno himself created, I wanted the sale of the company to be in the best interest of all parties and I didn't feel this specific proposal was."

The deal was dead, but the company continued to thrive, with all of the players remaining in their roles. Brubacher says that the year 2008/2009 was the best year, financially, in the history of the company.

Everyone involved in the abandoned negotiations believed they had reached a conclusion, albeit a disappointing one.

Trent Bauman says, "I didn't really think of taking another run at it." Janzen adds, "In my mind, I was done... We needed to just focus on the work."

However, while "the work" was thriving, the future was cloudy at best.

Enter the moose

Waterloo Region writer Jim Clemmer wrote a book on business communications – and communications failures – called "Moose on the Table." Laverne Brubacher has long been in the habit of leaving helpful books on the desks of his co-workers, and he dropped the moose on Art Janzen's desk.

Janzen told Exchange that the book struck home. He realized that although succession negotiations had ended, the

future of the company – and the careers of himself and the other Menno S. Martin management team members – was the "moose on the table" they were ignoring in every management meeting. He says, "Every time Laverne poked his head into my office, it felt like he was bringing five moose with him."

Two years after the original negotiations stopped, the senior managers didn't even know if other potential buyers had taken their place at the negotiating table, or if their jobs were secure.

So Janzen – an outgoing extrovert, by his own admission, while Trent Bauman is more introverted and detail-oriented – talked about the moose in the next meeting. He says, "I shared my thoughts on the Moose with our management team

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The Menno S. Martin team: from left, Mark Bauman, Trent Bauman, Trudy Leahey, Art Janzen and Laverne Brubacher. The team is committed to the values espoused by Model-A-driving founder Menno Martin.

and after many a discussion, Trent and I realized we were both on the same page with respect to buying into the business. With more experience and knowledge of the process and a lot more confidence in our ability to run the company we were ready to explore a transition with Laverne."

A new reality had emerged – it became clear that Mark Bauman was no longer interested in ownership, although he continues as a key member of the leadership team. Trent Bauman and Art Janzen

time, although it was a little hellish."

A new deal replaced the moose on the table. And by February, 2010, an agreement was signed that sees the ten-year transition underway.

Art Janzen underscores the fact that working out a succession plan is not a walk in the park. He says, "Succession isn't an easy task. As Laverne and Trent can attest to, it's an emotional roller coaster. It brings forth stress on the part of the party wishing to sell and on the part of the buyer."

Says Trent Bauman, "we do everything from \$200 to \$500,000." Brubacher adds that their largest contracts have totalled half a million dollars – "so we'll do anything from zero to three quarters of a million." But Janzen chips in that they try to avoid the "zero dollar" contracts.

were, though, and had the support of their wives, Juanita Metzger and Barb Janzen. And Brubacher continued to want to formulate a successful succession plan.

The men agree that something good happened between the first, failed round of negotiations and the second, successful, run. The Menno S. Martin company has always prided itself on its transparency, but somehow, that was lost in the board room during their first go-around. The new negotiations saw a return to the familiar corporate openness; the process was working. Says Bauman, "there was a huge amount of trust."

Janzen also notes that the first round had taught them a lot... as had the interim between succession plans. "Timing is everything," he says. "We needed that

However, the team agree that the effort has been more than worth it, and that the company is the better for it. Clients, old and new, will continue to see the kind of service that Menno Martin built his reputation on; Brubacher describes the transition to next-generation ownership as "seamless".

Brubacher's commitment to the company that has been his workplace for almost 46 years is very evident – but he's delighted to be able to spend more time skiing and playing golf, and more importantly, in volunteer activities that take up about 20 to 25 hours in an average week. The values he has espoused corporately are the foundation to his private life, as well – he ticks off a long list of charity, community and church organizations he gives time and effort to.

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And while he is doing volunteer work, his successors are continuing along the path blazed in a Model A by Menno Martin. They will take on commercial projects, but their "bread and butter" has always been home renovation. Says Trent Bauman, "we do everything from \$200 to \$500,000." Brubacher adds that their largest contracts have totalled half a million dollars – "so we'll do anything from zero to three quarters of a million." But Janzen chips in that they try to avoid the "zero dollar" contracts.

Zero dollar contracts aside, business is looking good, in 2011. Says Trent Bauman, "We're very encouraged for the spring... we're looking at a lot of projects." He stresses that being in Waterloo Region is a big plus. "We couldn't ask for a better spot to be situated."

Management team

The company is led by a five-person management team, says Janzen. The "Winter 2011" Menno S. Martin publication called "Renovation Review" lists Art Janzen as co-owner/operations manager; Trent Bauman as co-owner/project manager; and Mark Bauman as designer/project manager. Brubacher continues

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to play an important role as Chairman of the Board, and the management team also includes Trudy Leahey, as finance/human resource manager. The company website includes a photo of about 20 employees, although that varies by season.

All of the managers involved in the company understand that this is a unique situation. Brubacher acknowledges, "There are not very many renovation companies that have any value after the owner isn't there. I am confident that the values and legacy of Menno S. Martin – which I have tried to carry on as the second generation – will be carried on under the new leadership of the third generation for many years to come."

But the new owners know that it doesn't stop here. Trent Bauman told Exchange, "Our next succession plan will be totally different again." X