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Ruekert • Mielke

Engineering firm finds a *new structure* that benefits all

Produced by Mike Schoch and Written by E.C. Gregg

As companies grow larger, there is often a danger that employees will feel disconnected with upper management.

“I think everyone needs something that motivates them to come to work and be part of an organization,” says Stan Sugden, president of Ruekert & Mielke Inc. (R/M), a 71-year-old civil engineering firm with offices throughout Wisconsin and one office in Chicago. “We wanted to find a way to spread the leadership of the firm and push down some of the decision-making to involve more staff.”

So in 2015, the firm that specializes in infrastructure management, water supply, wastewater and storm water management, GIS development, green infrastructure and site development, formed an employee stock ownership plan, or ESOP, and added action teams to the organizational structure. While these action teams still report to the executive staff, they are led by the employees.

Since the transition, Sugden has noted an increased air of responsibility and overall performance.

“There is this accountability that I am working to help improve a company that [employees] own a piece of and vice versa, not only as the president, but as another owner,” he says.



Opportunities for input abound at Ruekert & Mielke, an employee-owned civil engineering firm that redesigned its leadership structure along with its finances.

Call to action

The journey to become an ESOP began in 1995, when the then-president Bill Mielke, son of the company's co-founder John Mielke, decided to transfer 30 percent of the company's stock to the employees.

Sugden, who at the time worked as a senior project manager, says the move allowed the firm to dip its toes into an employee-ownership structure to see how it would affect performance and engagement.

In the ensuing 20 years, he says employees have felt more appreciated for their work and more directly connected to the future of the company. This motivated R/M to begin the process of transferring 100 percent of ownership to the company's 90 employees in 2013.

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To help the firm through the transition, R/M brought on Prairie Capital Advisors, an employee-owned, boutique investment bank based in Chicago, that offers ESOP advisory services.

“They are a fairly large player in the ESOP world, which was very valuable to us because they were able to provide that institutional knowledge of the process and what some of the hazards would be,” Sugden says.

Vice President of Prairie, Matthew Drake, believes transitioning to ESOPs is becoming a trend in architectural and engineering firms, such as R/M.

“In these competitive environments, there’s a lot of interest in using ESOP as a recruiting and retention tool,” says Drake. “Of course, ESOPs aren’t for everybody, but for many of our clients they have noticed that [employees] take more ownership and have a sense of pride with the company above and beyond what you would normally see with a non-ESOP company.”

As Prairie helped R/M through the tax structure and paperwork, the firm also saw the ESOP as an opportunity to re-think how the company was managed.

After attending a strategic planning retreat organized by Chief Operations Officer Steve Wurster in October 2014, Sugden and other C-suite executives decided to distribute the company’s employees into action teams as a way to involve them in the company’s decision-making.





Each action team represents a cross-section of the company, involves a member of the executive team and appoints a lead facilitator, or chairman. Sugden says the company organized the teams so that the executive cannot be the leader of the action team.

“We’re trying to give leadership opportunities to as many people as possible throughout the firm. So opposed to a few people coming up with ideas that can help the company improve, we have input coming from all areas of the firm,” he says.

In February 2015, Bill Mielke also passed the torch of president to Sugden, and distributed more leadership duties to other executive members of the firm. “These were based on our executive teams’ individual interests and strengths and has been good for the firm all the way around,” Sugden says.



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All-levels ownership

While Sugden says it can be difficult to quantify exactly how the employee mindset and culture has changed since 2015, there's no denying positive results.

"The structure we have really encourages dialog that is centered around the employee and creates more feedback by opening up lines of communication," he says, referring to the action teams and new leadership roles. "This has encouraged more participation across the board, and has ultimately led to better results on projects and internal operations."

To ensure that this same level of buy-in continues in the future, Chief Financial Officer Kenneth Williams and the finance action team developed a series of videos, explaining the benefits and structure of an ESOP.

"What's nice about doing it in this fashion is that as you hire new people you constantly have to retrain and share this information—it's not a one-time activity. We also did it in segments so that we aren't trying to share everything all at once, but over time so they really understand," Sugden says.

This is important to Sugden because he believes customer satisfaction can only grow once employees feel they have a stake in building the company around them.

"When I talk to clients, especially new clients, I say, 'when you're talking to one of our staff, you're talking to an owner of the company,'" Sugden says. That is motivation enough for a job well done. •