

## 2020 INTERVIEWS JOHN COWDERY, PRESIDENT AND CEO OF CASCADE ENVIRONMENTAL, ON STRATEGIC GROWTH THROUGH M&A, REBRANDING AND POST-DEAL INTEGRATION

*John Cowdery joined Cascade Environmental as CEO and President in April 2018. John has over 30 years of experience in the environmental industry with a track record of impressive successes. He brings to Cascade a focus on operational excellence, growth and organizational culture. John has an MBA from Saint Mary's College in California and a Master's of Science in Health from Southern Illinois University.*

*Interviewer Dan Spiers and 2020 Environmental Group. Dan is the Co-Founder and Partner at 2020 Environmental Group, a management consulting and M&A advisory firm focused purely on the environmental industry. Dan supports 2020's client engagements on strategic growth planning and the management of buy and sell-side M&A transactions. In the last eight years, Dan has led or supported over 25 M&A transactions working directly with sellers, buyers and private equity owners. Dan also heads up 2020's Pacific Northwest operations and Seattle office.*

**Spiers: John, first, congrats on your new role as Cascade Environmental's new President and CEO. Let's kick things off by giving us an update on Cascade Environmental and what you've been focusing on since joining the firm.**

Cowdery: Over the course of the last three to four years, Cascade has undergone a transformation from being a regional Pacific Northwest drilling company to being a national remediation contractor. In order to do that, Cascade made 16 acquisitions in a period of two short years, which has now given the company a full suite of both drilling and technical services.

What Cascade has done really well, is making the acquisitions that the company needed to get us a seamless menu of services of "combined remedies to address contamination on sites" that we can offer to our clients.

But what the leadership team and I are now focusing on, in terms of leveraging these capabilities relative to growth, is to integrate these various pieces into one seamless entity so we can go-to-market in much more efficient and collaborative way.

In the last four months, we have already seen some of the benefits of that integration. Our clients are less confused as to who we are and what we do, and more importantly, what we have to offer them. This is resulting in an increase in organic growth, which I anticipate will be somewhere between 4-8% over the next year.

**Spiers: As you mentioned, Cascade has grown significantly, both organically and thru a series of acquisitions. 2020 worked with Cascade on two of these M&A deals, with your acquisition of Vironex Environmental and Current Environmental Solutions (CES). What was clear to us at the time was the company's strategy of rebranding its image and service offering from Cascade Drilling to Cascade Environmental. How are the rebranding efforts going?**

Cowdery: What happens is that when you grow at the rate of 16 acquisitions over two years, the company goes through a little bit of "losing yourself" and you begin asking yourself, "who are we, and where are we going?" And this is a cultural question that any firm undergoing this process needs to ask.

In our case, we went from being the top-rated regional driller, to adding several ancillary services that are generating a comparable amount of revenue on a national footprint. We had to accept that we are now a different company from where we started.

We had to undergo a rebranding process, internally and externally, that covered our full menu of services and capabilities. In terms of implementing that rebranding, that's something that had been done in the past on a more ad hoc basis. But moving forward, we're taking a much more comprehensive approach.

**Spiers: As the new guy in hot seat, how is the post-deal integration process coming along with the acquisitions and what advice would you have for others out there looking at M&A and integration?**

Cowdery: Our last acquisition was in early 2017, so here we are late in 2018 still working on integrating. As new companies were brought into Cascade, many were not integrated regionally or by service primarily because there was no plan to do so. As we now analyze the market, our locations and our capabilities, it makes all the sense in the world to integrate internally so that we can go to market in a much more collaborative and seamless way. But integration is hard for all involved. I don't care if it's 10 people or 100 people, it's a lot of work to figure out how you're going to set up the new entity to operate within the parent company.

For example, you need to look at how the target has operated in the past and how that plays into your organization moving forward, understanding where the synergies are and what the branding strategy entails, knowing what you want to track, who the target's leadership team is and their role moving forward. All of these things need to be thought through before you even begin to identify acquisition candidates.

But most importantly, be clear on what your message is to the acquired company. When you acquire a firm, it's because  $1+1=3$ , so the target needs to know how and why they factor into that equation and what's expected of them in future as you move forward together.

The other thing to remember is that change is part of the acquisition/integration process. People sometimes want to hold on their old way of doing things and that can sometimes cause conflict. Don't be afraid to have those tough conversations, but also stick to your message and to your plan.

**Spiers: One of the big M&A themes we've seen emerge with both our buy and sell side clients is the importance of cultural fit in getting a deal done. Culture can mean many different things to many different people, so give us your take on what a cultural fit means to you?**

Cowdery: It encompasses many things. I think many people initially look at culture and think, are we going to get along? Are my employees going to be ok in a bigger organization?

And while that's a part of it, it has to play into the larger question and message of why is the acquisition taking place? And that message has to be something that folks can rally around. Is this acquisition happening because we want to expand our service offerings? Does this company have capabilities that we currently don't have and/or our clients want? Will this move us as a company into a certain geography? By combining our capabilities, are we able to move forward together in a much more productive way against the competition?

After looking at the strategic elements behind the rational, then there's the pragmatic day-to-day components. For example, does the target have low utilization but are billed out at higher rates? Is that something you can reconcile? Is their back office run in a loose fashion or are they highly disciplined? All of these things are critical when assessing culture.

It's also important to remember that these are things that can lead to frustra-

tions, if you don't have these conversations upfront and resolved.

**Spiers: We're in a people business and as the saying goes, "the assets walk out the door every night." From an M&A and post-integration perspective, what are your recommendations to retain and possibly incentivize non-owner or non-shareholder employees of companies being acquired?**

Cowdery: We have to look at it from a pre-close and post-close perspective. From a pre-close perspective, you have to set the stage for what life is going to be like post-close to the non-owners in the organization, and also how they are going to benefit from the transaction happening.

If there are non-owners who are critical to the organization, one thing I like to do is sit down with the owners and determine if we're going to have some form of a hold back or a performance based earn out in the deal structure, ask them to consider that these folks get a chance to participate in that. After all, they helped you build your company to get to this point, and it's only fair that they see some kind of benefit.

Another mechanism to consider is to offer these people a stay-bonus. I like to pull them aside and ask them to just give us as the acquiring company a chance. I'll tell them that if they stick around for a year, we'll give them a bonus. But most importantly, that we want to prove to them that they are going to be a part of our team

going forward and that they are going to have a seat at the table.

Also, when you're in Due Diligence, you need to make sure that you speak to people who manage people, and people who manage projects and understand who owns the relationships with the team, and with the clients. Then sit down with those people and have a good discussion about what they can expect post-close.

The last thing to remember is that immediately following a deal close, the first 120 days are critical. Make sure that you live by everything you said pre-close, and make sure those things happen as fast and smoothly as possible. You want to stuff all the problems and frustrations that come with integration into the first 120 days. That way, there's a settling period right after the transition and then everyone can sit back and acknowledge that everything turned out just the way it was planned.

**Spiers: Give us your overall take on the M&A landscape out there. All the indicators suggest that times are pretty good right now. Economic conditions across the country are strong with most companies reporting 2018 as their best**

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**financial performance in years. As a result, valuations continue to be high with buyers eager to acquire a strategic market position, and sellers are looking to take advantage of higher purchase prices. Would you agree, or is there something in the offing that gives you a source of concern?**

Cowdery: I think the current economic situation across the country is very good. Based on everything I'm seeing, hearing and reading, I think it's going to be this way for at least the next 18 months. Everyone keeps talking about the bubble bursting and I just don't see it.

The beautiful thing about Cascade is that 85% of our clients are environmental consultants, and because we're a field services contractor we're pretty agnostic as to who we work for. And over the last four months I've met with 50 of our clients, and the information that I've gained, is

that there is a very positive feeling about the future, regardless of what sector they're in. Whether it's federal, state, local, private sector, power, transportation, infrastructure, all of them are feeling good about the state of the industry.

That's also good news for the M&A market and I think that it's going to continue to be hot, valuations are going to continue to be high and there's going to be a lot of activity on that front over the next 2-3 years.

**Spiers: Any final thoughts?**

Cowdery: As I said earlier, the economy is really strong right now and part of that is that the unemployment rate is the lowest it's been in decades. And when you start looking at niche skill sets within the environmental sector, companies really need to take a hard look at what they're doing to retain their employees. With the cur-

rent conditions, anyone whose any good at what they do can walk out the door today and have a new job tomorrow. These folks are really going to have their pick as to where they're going to work, so companies need to think long and hard about how they're not only going to keep people around, but also about how they're going to attract new talent from competitors. ■

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