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A Strategic Management Teaching Case

Acadian Companies – The Next 50 Years

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Acadian Companies – The Next 50 Years

A Strategic Management Teaching Case

with Discussion Questions

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Abstract: With 50 successful years behind Acadian Ambulance Service, now known as Acadian Companies, the focus was clearly on the future. The company had a history of steady organic growth and external growth through strategic mergers and acquisitions. The company now was comprised of six successful and profitable divisions, all synergistic but unique in their management and operations. The company possessed significant assets such as planes, helicopters, and some of the best ambulances in the country – perhaps the world. Innovative technology permeated every corner of the organization, and it laid the foundation for expansion beyond lifesaving to safety and security. The goodwill Acadian enjoyed over the years was an outgrowth of service to the communities in which it operated, beginning in southern Louisiana. But the real secret to Acadian’s success was the employees; all focused on the mission to improve the lives of its patients and customers. Strategic planning was believed to be another cornerstone of the company’s success. The remaining active founder wanted to pass along the responsibility for strategic planning. Thus, it was time to develop a long-term plan to ensure the company’s future growth for the next 50 years. This effort would rest squarely on the shoulders of the owners of the company, all 4,000 of them.

Topics: Strategy, Employee Ownership, Culture, Healthcare, Innovation, Technology

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This is a working paper case study. Additional versions of this case study may appear in print.

Background of the Case

With 50 successful years behind Acadian Ambulance Service, now known as Acadian Companies, the focus was clearly on the future. The company had a history of steady organic growth and external growth through strategic mergers and acquisitions. The company now was comprised of six successful and profitable divisions, all synergistic but unique in their management and operations. The company possessed significant assets such as planes, helicopters, and some of the best ambulances in the country – perhaps the world. Innovative technology permeated every corner of the organization, and it laid the foundation for expansion beyond lifesaving to safety and security.

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History of Acadian Ambulance Service

Prior to the 1970s, many of the vehicles serving as ambulances were owned and operated by funeral homes. This was primarily because a hearse was designed to transport a horizontal casket and wounded individuals needed transportation to medical care in a prone position. The vehicles were readily available, and undertakers had some basic medical knowledge. Because funeral homes were on call 24 hours a day, it made sense that funeral homes would make use of the hearses at times other than funerals. The primary problem with this convenient arrangement was the safety of the vehicles during excessive speeds. This led to oversight by states and the federal government. Eventually, most jurisdictions decided that special vehicles were necessary to navigate safely to medical facilities.

In Lafayette, Louisiana, three friends with entrepreneurial mindsets watched the industry closely and determined that if funeral homes ceased to operate medical transport, there would be a need for modern ambulances. Roland Dugas, Richard Sturlese, and Richard Zuschlag had a business plan in place, and at midnight on September 1, of 1971 when funeral homes ceased to operate ambulances, the three placed their plan into action. At 12:01am, Acadian Ambulance began operations.

The business plan included offering memberships to community households in several counties in lower Louisiana. Parish officials and banks approved and supported the effort, which enabled Acadian to invest in lifesaving equipment, technology, and training for medical personnel. This

foundation enabled the company to expand to surrounding areas while maintaining exceptionally lofty standards of care and service. One of the first and most important investments was in communication technology that enabled the ambulances to talk directly to emergency room personnel. At the end of the first five years in business, Arcadian had expanded operations to include nine parishes in Louisiana and a fleet of over thirty ambulances.

During the late 70s and early 80s, paramedics gained standing, and formal training became a hallmark of Acadian's value proposition. Partnering with the University of Louisiana, an EMS training program was developed which enabled the company to produce some of the best emergency medical personnel in the country. Along with advances in training and satellite communication technology, the company continued to expand geographically. It was in the mid-1980s that the company expanded offshore to provide medical service to the oil installations in the Gulf of Mexico. This necessitated transport by helicopter, and the air ambulance service was born.

Hitting a major milestone as it entered its 20th year in business, Arcadia transported its millionth patient. The ambulance service now served over half the state of Louisiana and continued to garner a national reputation for excellence. Air support then included winged aircraft in addition to helicopters. In 1993 the employee stock ownership plan, known commonly as an ESOP, was formed, signaling a turning point in the history of the company. By 1995 Acadian was the largest private ambulance company in the nation. Service to the oil industry continued to expand as telemedicine was introduced to serve medical needs in offshore locations. With the acquisition of a training group, the Acadian Comprehensive Education for Success (ACES) program was established. Just prior to its 30th year in business, Arcadian expanded into Mississippi.

In the early 2000s, Acadian grew through mergers into Texas while opening the National EMS Academy. Acadian opened a new division that monitored alarms, and Acadian on Watch (AOW) was formed by leveraging assets and expertise in advanced communication technology. In 2009, the company name was changed to Acadian Companies which supported the growth of its various divisions. Acadian Companies became a diverse but synergistic group of organizations specializing in medical transportation, pre-hospital and homecare, industrial health and safety, and environmental services. It also had successfully expanded into training, consulting, use of dynamic security equipment and monitoring for homes and businesses, charter flight services, and world-class emergency medical services education. Over the first 50 years, Acadian grew into an organization with a national reach and a mission of improving the lives of its patients, customers, and employees, all of whom were owners of the company through the ESOP.

Background on Employee Stock Ownership Plans (ESOP)

The original owners decided to sell the company to an ESOP trust to ensure its growth and to benefit its loyal employees. The ESOP was one of many forms of company employee ownership explored by the original owners. ESOPs were considered a 'defined contribution plan' by the

IRS and carried certain tax benefits. One was the deferral of taxes on profits. Similar to placing pre-tax money in a 401k retirement account, a company could place profits in a trust account, called a 401a, that contributed to long-term wealth of the owners. The trust owned the company (or a percentage), and the employees owned shares of company stock through the trust. The employee owners would then be represented by a trustee who had fiduciary responsibility to the employee owners. Employees would become vested over a period of several years and would receive an accounting of the value of their company stocks each year when the company was appraised.

ESOPs had various payout clauses, but generally, a person worked for the company until retirement then the shares were sold back to the company at market value on a schedule stated in the organizing documents of the ESOP. When an employee separated from the company, they had the option of moving the proceeds into another tax-deferred account or paying taxes on the withdrawal. Because the ESOP could place tax-free profits back into the trust, the Acadian employees' accounts could grow significantly over time. ESOPs were also known for being very profitable due to the 'ownership mentality' of the worker-owners. One of the reasons the original owners chose an ESOP was to provide for the long-term growth and prosperity of the organization while providing an avenue for retirement. The owners' equity in the company could be sold to a trust in the same manner it would be sold to an outside buyer.

About Acadian's ESOP

In 1992, the original three owners of Acadian decided to form an ESOP when one of the partners began thinking about retirement. The ESOP trust was formed and the cash necessary to buy out the retiring owner was loaned to the trust. The trust paid the owner cash that it borrowed from the bank. It also paid off the loan with interest over a period of several years. Because the owners of Acadian were so invested in the well-being of the company, the trust loans were guaranteed by the retiring owners, and the owners remained involved in the company to ensure that it was profitable and that the trust loans could be paid off. In the case of Acadian, this process was repeated twice, during which time two partners received some of the equity they had vested in the company.

Shares in the Acadian ESOP were allocated to employees according to their salaries, and each person owned a portion of the company based on their compensation. As the value of the trust increased due to profit contributions, the shares become more valuable. The longer someone stayed with Acadian, the more valuable the shares became. This was due in part to an increase in an employee's compensation over time and the value of the pre-tax profits placed back into the trust increasing its value. Employees took an active ownership role in the company almost from the beginning of the ESOP, and this spirit has continued and contributed to the profitability of the company.

Through this structure, the employees became owners and with it came a sense of pride. They were invested in their work, which resulted in superior service to their customers. The employees were able to function as owners, which had influence in the quality of their daily activities. The sense of pride and ownership among all employees strengthened Acadian's foundation and promoted continued growth. This empowered the employees, individually and in teams, to increase innovation, adapt to recent technologies, and implement new processes to aid the customer. Employees were always conscious about daily activities and how they could improve the bottom line, along with their individual net worth.

Leveraging Employee Ownership to Increase Profits

Initially, Acadian's upper management oversaw ESOP education for the employee-owners, by holding an annual meeting. During these meetings, the ESOP trustee would report on the company's overall health and explain the benefit statements. In 2000, CEO and Chairman Richard Zuschlag decided to leverage these annual events and invited employee-owners to join Acadian's first ESOP Committee. The 11-member ESOP Committee was tasked with creating an annual meeting that resembled a large-scale entertainment production. It was named the ESOP Meeting and Awards Show and was held in Acadian's hometown of Lafayette, Louisiana. Over the years, it became an extravagant event that featured skits and commercials all written, produced and performed by employees from all over the company. The goal was to make employee ownership engaging and entertaining while educating employees on the nuances of its culture and mission.

Although the event was held only annually, teams worked all year on contributions to the event, which became fully hybrid so that employees could attend in person, watch virtually, or see videos that were available all year long on the companies' intranet. The two-hour event featured awards and stories about successful employee owners, and it also included the "State of the ESOP Address" given by the ESOP trustee. It informed the employee-owners on the financial condition of the company as a whole and explained the current stock prices. Reportedly, this event empowered the employees and produced engagement at all company levels. As the company continued to grow, some of the mid-level managers with decades of tenure began to wonder which of the company's divisions contributed the most profits. Others pondered whether reinvesting some of the trust funds into one or more of the divisions might yield even higher profits down the road.

The Divisions of Acadian Company

Acadian Ambulance Services

Acadian Ambulance grew from roots in southern Louisiana, an area known for a rich culture steeped in family traditions and strong communities. The exceptional work ethic of its founders and the original employees, coupled with the mission of helping the community when it needed

it most, laid the foundation that would later become the most respected company of its kind. Commitment to community continued to be the guiding force of Acadian Ambulance through years of growth across several states. Employees remained proud to care for family, friends, and neighbors. Employee ownership played a key role in the growth of the organization as each community produced the emergency medical professionals that would care for its most venerable members. The hallmark calling, to treat the whole person rather than just those in need of immediate medical attention, led to the other various divisions within the company. Throughout the history of the company, daily pride taken by the employee-owners in their work was credited with the steady and profitable growth.

Air Med

Louisiana's diverse geography of swamps, bayous, marsh lands, and vast rural areas gave growth to medical transport by air. Acadian launched Air Med in 1981 enabling the company to offer faster response times in rural areas and to serve offshore operations as well. The program grew into a fleet of medically configured EC-135 and EC-145 helicopter ambulances strategically stationed for departures throughout Louisiana. In addition to rotary-wing aircraft, Air Med also established medically configured turboprop and jet aircraft for local, regional, and international transport.

Acadian Health

Acadian Health was founded to deliver the last mile of healthcare by bridging the gap between patient and provider, offering high-quality home health care. Leveraging five decades of mobile healthcare experience through its ambulance division, the Acadian Health team were able to arrive at a patient's location with the knowledge, skill, and equipment necessary to create an effective and efficient home-health environment. As with the other divisions within Acadian, the community focused personnel, all owners, made a powerful impact on the quality of life for its customers. The division provided acute care for 'sick but stable' patients who would typically need hospitalization or institutional rehabilitative services. The health division provided follow-up care and education for patients and caregivers, along with 24-hour comprehensive care.

Acadian Total Security

Acadian Total Security grew from the fundamental premise that technology saves lives when used appropriately. This was evident in the early years of the ambulance service during which communication technology provided superior and timely collaboration between Acadian dispatch, the mobile units, and hospital personnel. This technology led to the development of one of the leading commercial security companies in the country. In addition to incorporating the most advanced and reliable equipment and technology available, the team was comprised of highly trained technicians, system designers, installers, and sales representatives. The company was able to offer residential and commercial security and monitoring equipment that provided

customizable and cost-effective solutions. As with the other divisions of Acadian, Total Security was founded on the premise that protecting the community it served was an honor taken by each of its employee-owners daily.

Executive Aircraft Charter Service

With experience in air medical transport, a new division gave rise to the Executive Aircraft Charter service. They served customers traveling for business or pleasure locally, regionally, and nationally. Their fleet grew to include a Learjet 45 capable of traveling thousands of miles and smaller craft planes that offer regional air transportation 24-7.

Safety Management Systems (SMS)

Established in 1981, SMS's mission was to ensure that everyone in the energy industry had a safe work environment and the knowledge to perform their duties safely. Much like the communities within which Acadian operated, the offshore oil industry was known by the employee-owners at SMS as industrious people with homes, families, and stories. SMS prospered due to a desire to see each employee return home safely.

National EMS Academy

In 2005, the National EMS Academy (NEMSA) received the Lantern Award from the Louisiana Department of Economic Development for its work in alleviating the ongoing shortage of EMTs. The following year, the Academy achieved Organizational Accreditation status with the Continuing Education Coordinating Board for EMS; this accreditation confirmed gold standard content material and was recognized by the National Registry of EMTs. NEMSA was also one of only six schools in Louisiana to have its paramedic program accredited by the Commission on Accreditation of Allied Health Education Programs.

Since its inception, NEMSA has remained on the forefront of innovative technology. In 2010, Online NEMSA was introduced, giving medics around the world access to first-class EMS continuing education, via the Internet. The Academy was part of a select few of EMS training providers in the U.S. that are accredited to present online content for recertification that is accepted by state and national regulatory agencies as live training credit hours. Managed by virtual instructor-led training, students and instructors were able to simultaneously view content and communicate in real-time, allowing medics to obtain all required continuing education credits from any location.

Summary

Since 1971, Acadian has been committed to providing the highest level of emergency medical care and transportation possible. In the past decade, the company expanded to include a diverse suite of services in health, safety, and transportation. Acadian's six divisions, Acadian

Ambulance Service, Acadian Monitoring Services, Air Med, Executive Aircraft Charter Service, National EMS Academy, and Safety Management Systems had each grown into profitable organizations. However, the growth enjoyed in the first 50 years was supported and guided by the original founders. The future of the company now rested on the 4,000 employee-owners who would become the next generation of leaders. With such a diverse workforce, how would the substantial number of owner-operators move into the next area or responsibility, capable of managing decisions at the team, department, and executive levels?

Discussion Questions:

1. How can over 4,000 employees in six divisions (and three states) learn the basics of business finance so they can contribute to the profitability of the organization? And to the strategic planning process?
2. Can Acadian leverage the robust communication of the ESOP meetings to provide a more frequent and formal education in ownership values?
3. What strategic planning process can be used that will involve all levels of the organization?

Sources: Aside from the case challenge, which is purely fictional, all portions of this case were written from accounts that are publicly available, including the company's website <https://acadianambulance.com>, social media, news accounts, and other readily-available sources.