



VERSA_CARE LIMITED, SOUTHBRIDGE GROUP
versa_care limited, southbridge group

Reg Petersen

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actions speak the loudest."

Interview conducted on October 14, 2006
by Amy Buhler

The customers of the Southbridge Group are our acquired Business Units. We develop our employees, management systems, and processes, which allows these businesses to become better managed than their peers through participative management of strategic business growth, measurement of results, and accountability for results. This management begins with a belief in the potential of people and convictions about the gifts people bring to our organizations. It creates an environment where everyone has the right and duty to influence decision-making and to understand the results.
(from www.southbridgeinc.com)

BIOGRAPHICAL INFORMATION
biographical information

Reg Petersen

Position: Chairman, CEO

Companies: Versa-Care Limited
Southbridge Group

Website: www.southbridgeinc.com

Location: Versa-Care Limited Cambridge, ON
Southbridge Group Cambridge, ON

Type of Business: Versa-Care Limited Healthcare
Southbridge Group Service, Financial
Management/Holding Company

Number of Employees: Versa-Care Limited 5,000
Southbridge Group 500

Status: Private

Years of involvement: Versa-Care Limited 1967—1997
Southbridge Group 1997—present

Approx. Annual Revenues: Versa-Care Limited \$200 million
Southbridge Group \$200 million

GENERAL QUESTIONS

general questions

1. When did you start your first entrepreneurial venture, and what was it?

My first entrepreneurial ventures were probably delivering newspapers and shoveling snowy sidewalks when I was a kid.

On a grander scale, though, Versa-Care Limited ("Versa-Care") was my first major entrepreneurial venture. Versa-Care, which my brother and I started with 1 home and 30 employees in 1967, grew into a company that owned and operated 47 facilities for senior citizens and employed 5,000 staff members. That's quite a story. Throughout the years I have started several other ventures too, from leasing office equipment to growing a laundry business.

2. What motivated you to become an entrepreneur?

I didn't sit down and say I wanted to become an entrepreneur; it just happened. My background is in accounting, and I can remember driving by factories when I was in high school and thinking, "Wow, wouldn't it be great to be the cost accountant for that factory?"

Then I started thinking, "It would be even better to own and manage a company, so I could have some control over what happens." And that's how it all evolved.

3. Was anyone a model of inspiration for you, and if so, how?

In terms of entrepreneurship, I didn't have a model of inspiration. In terms of management, though, the first manager I worked for became one of my mentors. Just after high school, I started working for Canada Packers while I went to university, and this man was the plant manager.

I started off as a cashier at Canada Packers, but the accountant moved away soon after. The manager I mentioned before saw potential in me, and he knew

that I was studying accounting at university. He asked me if I would like to take the accountant's place. He offered to help me until I gained enough experience to do the job on my own. And that's what happened. He was an excellent mentor.

4. Was your educational experience (to whatever extent) helpful?

Certainly the accounting degree was extremely helpful. I don't do accounting today; I haven't done 'accounting,' as such, for years. But everything I do relies on accounting, from pricing decisions to production decisions. I use it every day in an informal manner.

5. How many different business ventures have you started in the course of your entrepreneurial career?

I've started about 12 to 15 different ventures.

6. How many of these business ventures were financially successful?

Out of those 12 to 15, probably only 10% were financially successful. I learned through my mistakes, which is an expensive way to learn.

QUESTIONS ABOUT YOUR BUSINESS

questions about your business

7. How did you identify the opportunity that preceded setting up your business?

What motivated me initially was the fact that my dad was in search of work. He had been a pastor, but he began having throat problems at age 55. His doctor advised him to find another career, but at that stage in life, my dad didn't know

what to do. He and my mom, who was a nurse, moved from the Maritimes to Ontario in search of work.

Soon after, my dad came to me with an ad he had found in the newspaper for a nursing home that was for sale. He told me about his vision for the project, and I started getting excited about it. I had finished my accounting degree by then, and I offered to provide the necessary business expertise for the venture. He agreed, so I went and negotiated a deal with the sellers, and bought the home. My brother became involved in the business as well.

8. What were the critical elements you assessed before you decided to pursue the opportunity?

I didn't sit down and do a proper due diligence review on the opportunity. My parents needed some form of work, and this was an option that would help them. With my mom being a nurse and my dad dealing with people all his life, it was a perfect fit for them. That was the main critical element in my mind.

In addition to that, I knew there would be a need. I had heard from other people how difficult it was to find a good nursing home for their elderly relatives.

9. How much time elapsed between the day you saw the opportunity and your first day of business?

About five months.

10. Did you have business partners? If so, who were they, and how did you find them?

My business partner at that time was my brother. He was the logical guy to go to when I wanted to put the project together.

11. Did you have a written business plan of any kind?

No.

12. What type of financing did you have?

My brother and I both borrowed money for a down-payment on the busi-

ness, and then we thought we would probably need some working capital. We didn't know anything about the business, but we said to the real estate agent who was selling the home to us, "Look; if you want to make this sale, we need \$4,000 in working capital." He lent us the \$4,000 out of his commission from the sale.

In total, we borrowed \$20,000 as a down-payment for the venue. I borrowed two \$5,000 lots from two friends, and my brother borrowed two \$5,000 lots from two of his friends.

The venue also required a mortgage of \$70,000, for a total price of \$94,000.

In nine months we had that \$24,000 paid back. Granted, my parents operated on very, very meager salary at first, and my brother and I didn't take any money out that year. But after that, the company took off.

13. How much capital did your business require?

All of the required capital (\$94,000) was borrowed. We didn't put up any of our own money.

14. How long did it take for your business to reach a positive cash-flow position?

Our rooms were full on day one, and we were in a positive cash-flow position immediately. That was the nature of the business. If we had not been making money from day one, the situation would not have improved with time.

15. If you did not have enough money at the start, or at low points in the business cycle, what did you do to stretch your capital?

If we had run into trouble, we could have held payables back. But this particular business was so stable. Every month was the same: the revenues were always the same; the expenses were always the same, and so on. Payroll was the biggest expense, but that was every two weeks, and we knew exactly what it was going to be. We also knew how many hours we would put in every week.

16. What were the strengths of your venture?

One of our strengths was the simplicity of our business from a financial per-

spective. Running a seniors' home was unlike most businesses, which would have inventories, seasonal fluctuations, accounts receivable, and many other variables to worry about. We had a very basic system.

My own strengths that helped the venture were my accounting background and my focus on financial affairs. I was also able to put together deals, and that was critical because most of our company growth came through acquisitions.

17. What were the weaknesses of your venture?

In retrospect, we probably did not grow our company fast enough.

18. What was your most triumphant moment?

I can remember a number of triumphant moments, but buying a chain of nursing homes from the largest nursing home company in the world is one of my most remarkable memories.

One day my company heard that this particular company was selling its chain of nursing homes in Ontario. The chain was about two and a half times the size of our company at that time, and the other company had owned it for two years. When we heard they were selling it, I jumped on the opportunity.

Right away I phoned their head office and spoke with the secretary of the man who looked after acquisitions and divestitures. She told me he was in Toronto at the moment.

I knew that if the man was really going to sell, and he was in Toronto, then he was selling to our main competitor.

So I told the secretary, "I want to see him before he comes back home. Can you contact him and try to set up an appointment?"

I got a call from the man at around 5:00 p.m. on that Friday. He said, "I'm at the airport in Toronto, waiting for my flight. It leaves in half an hour." He continued, "My secretary said you wanted to see me, so what's the deal?"

I told him who I was, and I said, "I'd like to talk to you about my nursing home chain."

He replied, "I'll see what I can do, and I'll get back to you."

Fifteen minutes later, he called back and said, "Okay, I've changed my flight

to tomorrow morning, and I'm staying at the Wyndham Hotel in Toronto, at the airport. Come and see me." So I went that night and made my pitch—and I found out later that he'd had a purchasing letter of intent from our competitor in his pocket the entire time.

I said, "I'll tell you what: I'll book a flight down to your office for next Tuesday. I'll bring my lawyer, and we'll put a deal together." He agreed.

So Tuesday, my lawyer and I flew to the company's head office and put the deal together. We had finalized the sale before we went back to Toronto. That purchase more than tripled the size of our company.

19. What was your worst moment?

Each of my company's nursing homes had a laundry department, and it was inefficiently run because the workers weren't properly trained or experienced. One day I saw a nearby laundry business for sale, and a plan formed in my mind. I noticed that the laundry's trucks drove past our nursing homes on the way to various motels, so I decided to buy the laundry business and operate it for the nursing homes. The trucks could stop at the nursing homes to pick up all of the dirty laundry, and then they could also deliver clean laundry.

With that in mind, I bought the laundry business and hired the previous owner's daughter to run it. I didn't know anything about the business, so I trusted her expertise. Unfortunately, she did not manage the business properly. We operated it for two years almost to the day and lost money every single month, without fail.

I found out later that the truck drivers were selling clean linen to motels on the side, and the laundry was also engaging in other underhanded business practices. Thankfully, I soon found a prospective buyer who operated a laundry in Hamilton, a neighboring city. He only had \$5,000, but he agreed to make payments over five years, completing the balance at the end of those five years. I brought him into my office and we wrote up an agreement, and then the next day we went to my lawyer's office and finalized the sale.

This man never missed a payment, and he completed the balance after only two years. So, that was a good ending to a bad story.

20. What were the most difficult gaps to fill (or problems to solve) as you began to grow your company?

Most difficult, unquestionably, was the fact that our nursing home couldn't grow unless it had a license from the province, and the province wouldn't give any licenses out! The obvious reaction to that reality would be to say, "Well, I guess we can't grow."

Instead, my brother and I decided to start building retirement homes. The nursing home business was highly regulated by the government, but the retirement home business was not. It was our window of opportunity. From there, we eventually started building regular apartments.

Then we came up with the idea to put all the levels of living together in one building and have a continuum of care, from independent living in the apartment to semi-dependent living in a retirement home to fully dependent living in a nursing home, all in one complex. That was revolutionary in Canada at the time.

21. What were the key attributes you looked for in people (partners, advisors, managers) as you grew the company?

We looked for people who had a passion for the well-being of others—that was the key issue. Each of our staff also needed to have a caring heart and a passion for service.

REFLECTIVE QUESTIONS
reflective questions

22. What have you found most personally rewarding and satisfying as an entrepreneur?

I have found it personally rewarding and satisfying to see positive results

from my hard work. I always seem to take the tough road, the road that everyone else rejects, so being able to see success in that journey is rewarding.

People would often say to me, "Why do you want to get into the nursing home business? You can't grow!"

But I saw two critical ways to grow: we bought out our competitors, and we also grew sideways by developing a continuum of care, as I described earlier. Those goals required dedication and creativity, but they set us apart in the industry.

23. With respect to starting and running a business, what are the three most important lessons you've learned and hope to 'pass on'?

First, know your costs. You can't know too much about your costs, because they drive all of your decisions.

Second, choose people around you who are wiser than you, so you can delegate and grow. I've seen so many entrepreneurs who can't hand over responsibilities to other people, and their businesses stay small as a result. You can only do so much by yourself.

The third most important lesson, related to number two, is to find balance. Pick the right people, and trust them to do a good job. But also know when the company needs you to step in and solve problems.

FAITH IN THE MARKETPLACE QUESTIONS
faith in the marketplace questions

24. What does the word "calling" mean to you?

Calling goes back to creation itself. Psalm 139 talks about God knowing us before we were born, even to the extent of knowing the days that we would

live and building all of our attributes into us. He has had a plan for us from the beginning.

Most people never grasp that in their lives, or if they do, then they don't apply it to everyday realities. The housekeeper in the hospital is called to her position, and her role is important in God's kingdom. Calling doesn't lead all people to become pastors or overseas missionaries; it leads to every place in life. From the janitor to the Prime Minister, we're all created for a purpose. It is foolish to think one calling is more valuable or Godly than another.

25. Do you feel "called" to entrepreneurship? If so, what does that mean to you?

Yes. Entrepreneurship is my passion, and God created that passion in me for a purpose. I am called to fulfill that purpose.

26. Who, if anyone, affirmed that calling?

I don't think any specific person has affirmed my calling. Mostly, I believe the everyday events in my life affirm it.

When I see the positive results of my labor, I'm confident that I'm on the right track. If I see a door close, however, then I know I'm not fulfilling God's purpose and I need to try a different door.

27. What do you believe your gifts are as an entrepreneur?

One of my gifts is the ability to envision possibilities. I am a big-picture person, so I tend to see opportunities from a 30,000-foot level. I'm also able to provide a reality check from the ground, but I'd prefer to be the dreamer and say "This is where we should go." I like motivating people to step out in faith and pursue their dreams.

28. How do you integrate your business expertise with your Christian faith, and how are they complementary?

I integrate my faith by acknowledging God in everything I do and by continually remembering that he has created me for a purpose.

29. How have you been involved in your local church?

I've been a Sunday school teacher, chairman of the building fund, chairman of the pastoral search committee, and involved in two building projects. I enjoy serving in my church.

30. Have you been involved with your church denomination?

No, I haven't been involved beyond the local church.

31. Have you been involved in para-church organizations?

I have a unique situation in that I have a foundation into which 100% of the profits of Southbridge flow. Through the foundation I am involved in several para-church organizations. We support them financially, but we also work with the recipients to help them manage the gifts wisely.

For instance, we have an annual award that we give to one charitable organization we have supported during the past year—it's called the RL Petersen Innovation Award. We challenge organizations that apply to show us how they have been innovative in carrying out their mission. The award creates additional incentive for organizations to be creative and resourceful.

32. How have you integrated Biblical principles into your business practices, thus acting differently than a non-Christian would?

I try to view all of my decisions in light of God's perspective and His purpose for my life. For example, one of the most difficult situations I have faced is being in a position where I needed to fire somebody. At that point, I asked myself how God would want me to handle the issue. The person didn't fit in our company, but I provided him with a contact who could help him find a different job. I did my best to fire him graciously.

33. What lessons would you 'pass on' to Christians pursuing entrepreneurship?

Don't think you're going to be automatically successful in business because you're a Christian. Sometimes young people tell me they want to go into business

to make money for God. My response is, "Wrong calling!" Don't go into business with that purpose in life—you'll fail! You go into business to be successful on a financial basis; then, what you do with that success is your next call. In other words, you can use the proceeds of your successful business to help Christian charitable organizations if that's your personal goal, but that should not be your sole purpose for going into business. You have to make a profit first!

Secondly, if you want to influence people for Christ, you do it through your actions, not your words. People are looking for a real faith, and you can say whatever you want to say, but your actions speak the loudest.

I know a man who is very vocal about his faith wherever he goes, but he doesn't back up his 'beliefs' with the way he lives. His hypocrisy builds barriers between him and other people; he discourages the gospel rather than spreading it. So don't lie: if you're not living a Christian life, don't call yourself a Christian.

Lastly, look for opportunities to build positive relationships with people. By doing that, you earn the right—at some point—to speak to them about Christ.

34. How could your local church congregation support you as an entrepreneur?

The church could stop looking at entrepreneurs with a negative, almost distrustful attitude. Many Christians think all people in business are devious and selfish. They may not admit that, but I can tell they believe it because of the way they act toward me. They don't perceive the business marketplace as a mission field or as an area people could be called to serve in. Basically, if the church would stop judging its businesspeople, that would be a great help.

35. What have been the biggest challenges for you as a Christian in business?

My biggest challenge has not been a challenge 'in business' necessarily, but rather a challenge in all of life. It is the challenge to be submissive to God's guidance—to follow wherever He leads.

36. Who has been most helpful (and why or how) in addressing these challenges?

Books have helped me more than anything or anyone in particular. I've read numerous books on God's leading, and I've gone to different seminars to learn more about the topic.

37. Have you hired people from your church? If so, has that been a positive or negative experience?

Yes, I have hired people in my church. It has been both a positive and a negative experience, because they're human just like everybody else. You win sometimes and you lose sometimes.

38. Have you done business with other people in your church? Please explain.

Another member of my church and I bought the old building from our church years ago, when our congregation wanted a new building. We turned it into a day-care center for kids.

39. Have your relationships with those people been positively or negatively affected—from a business and spiritual standpoint—by doing business together? How?

That experience was very positive; we had a great time. Our venture wasn't financially successful, but at least we were able to help our church.

40. Are any passages of scripture particularly meaningful or inspirational to you?

I've always liked the passage, "I've come that you may have life, and may have it more abundantly" (John 10:10b). You could preach a whole sermon on that verse, as to what it might mean.