

## From an idea to an empire: the little recycling company that could

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### LOUIS

Does it always take a big break to turn an idea into a full-fledged entrepreneurial venture? I don't know, but without a doubt it's what happened to Ted Manziaris and me back in 1991 when our recycling and garbage collection business consisted of two guys and a beat-up K-Car.

In those days we both had full-time jobs in other industries but we used to hand out our Turtle Island business cards in Toronto during the day and collect scrap or trash at night. One Friday morning we dropped off our card with a guy named Bernie Fournier who was in charge of janitorial services at Maple Leaf Gardens. That night we got a phone call from him at around 11pm. Bernie said, "Look, I've got a problem. Do you guys have any trucks on the road?" I told him absolutely, and we'd be there in an hour.

The first obstacle was Ted had the car because he was on a date with his girlfriend (now his wife). These were the days when a pager was considered leading edge. I paged Ted and he put his girlfriend on the bus and came to pick me up. He was in downtown Toronto and I lived way out in Scarborough (a Toronto suburb).

Bernie told us Maple Leaf Gardens was full of trash and there was no one to clean it up. They couldn't use the incinerator because the Environment Minister had banned incineration. The next day the facility was hosting the Toronto Maple Leafs' most important charity event: the Bobby Orr Skate-A-Thon.

The Gardens had hosted a Jehovah's Witnesses event and all the concessions had been closed because they didn't expect to sell any pop or hot dogs. What they didn't realize was the majority of the 18,000 people who came to the event brought food in plastic or paper lunch bags and pop in cans. At the end of the concert the building was a complete mess.

Bernie didn't have a clean-up crew because he didn't think he would need one, and the garbage company they were using, Laidlaw, wouldn't pick up the phones because it was a Friday night. We looked around the place and told them "Go home. We'll take care of it."

Ted and I scoured the local streets, rounded up some homeless guys and spent the entire night cleaning up the Gardens. We grabbed bag after bag, can after can, and crammed all the garbage into the back of our K-Car and shuttled load after load to the dump. Then we swept the entire Gardens.



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## Get off your ass and wear out a few pairs of shoes.

Just as Bernie came in at seven on Saturday morning we finished the mopping and the place was spotless. We were totally spent. Meanwhile, the car was soaking wet and it looked and smelled disgusting. We thanked Bernie for the opportunity and took off to recover.

We got a call from him on Monday. He thanked us, told us we did a good job and asked for our invoice. Then he invited us to meet Ian Clark, the controller of Maple Leaf Sports and Entertainment. We gladly came in with our invoice and Ian told us how he appreciated what we did, how he thought it was kind of insane, and how he would like to offer us the opportunity to take over Laidlaw's contract.

Of course we were ecstatic. We agreed to the deal and within a week were pulling all the recycling and garbage out of Maple Leaf Gardens on a regular basis. We bought a van, then a cube van, and we leveraged the Gardens deal into contract wins with the Royal York and the Delta Chelsea hotels. We then went after some of the larger entertainment and hospitality venues, kind of introducing recycling to them, and our business grew by leaps and bounds.

At this point we moved out of my parents' garage and into a small unit in Markham, Ont. A year later we rented a bigger unit in Etobicoke (another Toronto suburb). It was a wild way to start, but that's how we got going.

Before our big break in 1986-7, Ted had gone to University and I worked in the financial industry. In 1990, I noticed Bell Canada was putting out its invoices on recycled paper, so I had developed a recycled paper/stationary line to sell at universities and gift stores. Around this time Ted got out of school and went to work at a large industrial real estate broker. He started noticing the high number of recycling companies leasing space.

The two of us had been friends since high school, so we started chatting. Next thing you know we figured out how to combine a recycled paper business with recycling pick up. We would offer photocopy paper to businesses, and when we delivered the paper we would pick up their scrap at no charge. It was pretty innovative at the time.

In the beginning, we'd go to our jobs during the day and at night we'd work on our business. Things didn't start out well. There were many times when we'd question whether it was worth continuing. Sometimes I think the secret of our success was we were just too stupid to quit. If anybody had sat down with us and pointed out how, from a practical perspective, we were picking up garbage in a K-car and trying to compete with full-fledged waste management companies, I think we might have seen the light.

But of course the great thing about a partnership is both of you almost never have these doubts at exactly the same time. Through the years this has worked out well for us. When Ted has been a little concerned I've been there to say 'Don't worry about it,' and vice-versa.

We were both raised in Canada but we're both Greek. We come from very loud families, so we have our issues and we get into it, but at the end of the day we definitely see eye to eye. The tension is actually pretty good, because it's a competitive tension. Throughout, we constantly focus on what the customer is looking for and on what it's going to take to grow our business. Today Ted predominantly does our commercial sales and I handle our plant operations and municipal and commodity sales. We're both salespeople at heart.

But when we started out we didn't have any capital, and we needed our full-time jobs to survive. The lack of resources was our biggest challenge. At the same time, we always tell people things happened the way they were supposed to happen. Frankly we probably would have lost the capital if we'd had it in the early days when business was slow.

Some of our other challenges included learning management and administration, including how to deal with staff. Neither of us had worked for a long time in an organization so the hiring and firing of our first employees were pretty traumatic events. We came from blue-collar families, so we understood how important it was for someone to come home with a paycheque. It was tough. And by the way, it's still not easy today when we make the wrong decision and have to let someone go.

And after we got Maple Leaf Gardens and those subsequent big contracts were signed, the popularity of our services soon outstripped our administrative capabilities. As a result, keeping on top of regulations and paperwork, payroll and all those important tasks became impossible.

We really had to start thinking about how to leverage our time, and how to find the right people to help us operate the business. Not just people with the right skills, but those who would fit our corporate culture. There are a lot of smart people out there who couldn't work in these spartan conditions, or work at a company that's growing by 50-60 per cent a year; you need to be a little bit off the wall. Getting the right people on board was a huge challenge.

I find if we can hire those fanatical people it's the one thing our competition cannot deal with. They can't hire or train absolutely fanatical people and they simply can't compete with a fanatical sales force. That's our goal.

Currently we have about 600 employees, about \$80 million in sales, more than 300 trucks and 10 facilities, nine in Ontario, with an oil-recycling facility in Edmonton. Over the years we have had many successes, but they have not come without risk and heartache.

For example, in 2005 we sold 50 per cent of our business to a private equity firm. We decided to bring in people who could help us grow our business. It wasn't an exit strategy, it was a growth strategy. We were looking for partners to take a little bit of money off the table and so Ted and I could divest of some of our holdings.

There were some hiccups, but the private equity firm is still our partner today. They really helped us understand business administration more clearly. They also helped us get better at finding the proper mid-management-type people to help the company grow, which was very important to us.

We have actually risked our business on a couple of occasions as well.

In 2000, we bid on a very large municipal contract in Toronto and if we had gotten it wrong we could have gone bankrupt. It was a very difficult time for us because we were having trucking issues and this was our first time in the municipal collection business. Right now we're the largest in Ontario, so it's been very successful, but we risked the business to become a municipal operator as opposed to strictly a commercial operator.

One the most amusing events in the history of our company – the move to our current facility – was also one of the scariest.

In September 1993 the landlord at our old facility in Etobicoke told us he was selling the building and we had to be out by April 30, 1994. It's very difficult to get permits to run recycling facilities and nobody wants to have a recycling facility near their property. We approached a guy named Len Vigoda, who owned Fibre Resource Recovery, the predecessor of Sonoco Recycling. We asked for just 5,000 square feet of the pier he wasn't using. We promised to give him any of the cardboard we collected in our daily pickups and to pay him rent of course.

He agreed, saying 'No problem, just move in.' Then we heard nothing. By December, 1993 I started calling Len to organize the signing of the lease. No response. January and February went by without a word, even with my multiple daily calls. By March we still had no response. Finally, there we were on April 30th without a lease and homeless. We had to vacate the old place, so we just packed up and moved in.

We were pretty worried. We were trying to be very quiet so no one saw us. Luckily it's a big place, and nobody did. Believe it or not, we just kept on working there without a lease.

Around the end of 1994, Sonoco came in and bought Fibre Resource Recovery, and management changed. A new guy named Jean-Pierre Poliquin took charge and still no one paid much attention to us. Now we were using 10,000 square feet, having doubled our requirements during six months as business grew. Our trucks would go back and forth. We'd always wave to JP as we drove in and he'd wave back. Meanwhile, the landlord to the City of Toronto, Doug Altman, was also someone we'd chat with or wave to when we went past.

One day I was driving in my pick-up truck and both JP and Doug were in the front building area. It was like having two girlfriends and walking into a restaurant and seeing them both sitting there having coffee. So while I knew this couldn't be good, I waved to both of them and they both waved back – just our standard greeting. Then, unbeknownst to me, they started talking about us. Doug said something to JP like, 'You know, it's awfully nice of you to rent space out to those kids. They work awfully hard. I see them early in the morning and they're often here late at night too.' JP looks up and says, 'I'm not renting any space to those kids. They're your tenants,' and Doug, shocked, said, 'No, no, no, they're not ours!'

JP immediately cut the power to our building. Not knowing anything serious was amiss, I knocked on his office door and asked if something might be wrong in the electrical room. I remember this clearly. He said: 'Either you're the stupidest guy I've ever met in my life or the smartest. I don't know yet.'

We hadn't paid rent in almost a year, and the reason was we didn't want to know how much it was going to cost. But we were even more afraid of approaching someone to offer payment, fearing they would kick us out because we didn't have a signed agreement. Without a facility we'd probably go out of business.

In the end we became really good friends with JP and he became my mentor. We cut him a cheque for the back rent that afternoon and became his sub-tenants. He taught us a lot about the business over the years. Ultimately, as he was winding down his operations at the pier in 1994, he sold them to us. That really, really helped and our business just took off. We were lucky he was an understanding guy.

Of course, another reason we're still here as a company is persistence.

The obvious way to be successful as an entrepreneur is to pick something to do and stick with it. You have to really work hard at it. You have to realize nothing is going to happen overnight. Almost all gains you make are incremental, so you must give yourself time. Don't give yourself 6 months or you'll fail before you even start. Give yourself 10 years and make sure you're prepared to make the commitment. Then look around you; take a look at your friends and your family because you're not going to see them for those 10 years. My wife and I have been together 25 years, since we were teenagers. I'm sure I've let her down. I can't remember the kids' first six birthday parties, I probably missed them all. It takes its toll on families. So marrying right is very important too.

## TED

We gave up everything: high school friends, my university friends, relatives. We just cut ourselves off and put the blinders on. The truth is if you have a lot of other possible careers to fall back on you've probably got too many options. Eliminate all your options. Tell yourself, 'This is all I've got. If I haven't got this I'm done.' Don't give yourself an out.

I have a billionaire friend I visit every so often. He's part of a great family. I love these people, and one reason is they're four generations into a business they run beautifully. No fighting, no sibling rivalry. If that was a Greek family they would have been at each other's throats. Their grandfather started the business many years ago.

At one of their charity functions I saw the heads of all their families sitting at the tables, and it was the grandkids. The grandfathers were dead, the fathers were dead and now the grandkids and their kids were still doing business together. I was so impressed. We were sitting down and my billionaire friend said, 'I really admire what you and your partner have done with Turtle Island. You guys have done a great job.' I said 'You admire me? What the heck are you talking about?' I said, 'What you guys did was ten times harder than what we've done.'

My point was that Louis and I had no pressure but we still excelled. The lack of pressure was exactly why I think it was easier for us. Our families are great middle class, blue collar people and they gave us a foundation, but if we had failed it would have been no disaster. No one said we had to put food on the table because we were living at home. No one said we've got to raise kids because we weren't married. No one said we'd better not mess up this business our grandfather started because it's worth \$100 million.

In contrast, those guys are damned if they do and damned if they don't. If they lose the business, people will criticize them for their incompetence and if they make it big everyone will say, 'Well, it was your dad's money.'

What we did was easy. We did everything on our own so we didn't borrow from anybody. We didn't have any burden on us. We were free to think. We had no mentors. What we learned we learned from each other, and that's why we trust each other. We didn't have our fathers looking over our shoulders questioning our every move. We were lucky enough to have free reign and make our own choices.

When I hear some young kid say something like 'I want to get some experience right now, do something fun because at the end of the day I know I'm going to go work for my dad's company,' I lose it. I once heard this sentiment from a young guy who was asking me for help to get him a job. He was university educated, good-looking, smart and a terrific athlete, and I told him to his face: 'You're being deliberately mediocre, and it's because you've got this family thing to back you up!' Here's a guy with looks, height, education from the best universities and he wants to be mediocre! I think you have to give your children the ability to go out and make mistakes and to learn the hard way. They'll feel better and they'll feel prouder. The last thing you want is to be known as 'daddy's kid.'

In our case, our parents were always proud of us, but they were very concerned their kids wanted to pick up garbage for a living. In the first couple of years it looked like they were right. It was just brutal. There was no money and there were sometimes 20-hour workdays. They said 'Give it up. Stop. You guys are smart. Go find jobs someplace. You can't compete with big trucks by running around with a van.'

So when we made our first profit, \$80,000, we both decided for all the grief we'd caused our parents over the last few years we'd take the money and buy them each a car. Our parents never had nice cars so we bought them identical Mercedes. That's where our first profit went. Each car cost \$33,000; this was in 1995. They stopped saying those types of things because they knew our hearts were in the right place.

## LOUIS

I think the key to success is to always focus on your core competencies and on your customers. When someone cancels our service it's the biggest wake-up call because it's like getting a divorce. If this happens a lot you've got problems. You have to quickly figure out what went wrong and try to improve. Sometimes it has happened because of a bad driver and sometimes because of a better price. Either way it probably happened because we forgot about the customer. You really need to be on edge. If you're on edge you'll be okay because you can react swiftly. When people tell us it's not working and they throw us out, we regroup and hit back fast.

Remember, we're in a place where we're allowed to make mistakes. We're in the greatest country in the world. You can get right back up and keep trying again and again. There are some countries where you don't get the chance to set up a bank account. So we're happy to take those risks. Sure, there are times when you have to listen to a person who

might say 'Listen this might not be a smart idea,' but when you've been doing something a long time, and we've been doing this for 21 years, sometimes you just know. You can't put it on paper, you can't budget for it, it's just a gut feeling you have about what the customer wants. A lot of it is intuition, and it's hard to budget for. It's also hard to articulate to investors and shareholders, so sometimes the only way you can do it is to act; just show them.

## TED

Being an entrepreneur takes hard work and a little bit of luck. People say if you work hard you create your own luck. I don't believe that. There are millions of people who work hard and don't have luck. To me luck is relationships – meeting the right people and treating them right. And by relationships I don't mean knowing the presidents of dozens of companies. No, it's about knowing the shoe shine guy. I can't tell you how many people call me who are cleaners, repairmen or garbage men, right up to the chief executive officer (CEO) of the company. So when a guy calls me and says "My brother-in-law is opening a restaurant, go see him." It's like the president or CEO is calling us. We're going in there with no bid, no competition, and we have a great shot at providing the service. That's something you cannot take for granted and it's something you should try to reciprocate if you can. That's called a relationship.

## LOUIS

I think the majority of entrepreneurial businesses fail because people can be very myopic. You might be a great engineer who built something great, but just having something great doesn't mean you're going to be able to sell it.

There are three key ingredients you have to be on top of all the time in order to fly. You need to get the right people, you need to have the right product, and you need good marketing. But if one of those things is accelerating ahead of the others your plane will be a little lopsided, so you better start working on your service offerings and making sure you have the right people on board to execute. All three have got to be moving at the same speed. If operationally you're doing fine but your marketing team can't sell the product, what good is it?

## TED

So many entrepreneurs invest without the means. Don't invest capital. The only capital you should invest is your sweat, your human capital. Don't invest money unless you know you can sell the thing. We used to sell and then figure out how to make a dime on it.



People will sit and study forever, and there's so much information out there it can hinder your ability to make any decisions. They become paralyzed. If you go on the internet, for every argument that says garlic is good for you, there are another 14 pages that say it's bad for you. But there's nothing like being out in front of a customer to really tell you what the pulse is. You want to know how your grocery store is doing? Go out there and sit in the aisles and see what they pick up and what they put back. Or go and speak to customers. If you're starting a business, talk to prospective customers first. What a concept!

It's easy to write checks and be theoretical, looking at numbers and projections. You know what? Get off your ass and wear out a few pairs of shoes. I've got four pairs of shoes in my car right now and they're all worn out. I'm going to go get them resoled. I'm not on my butt behind a desk and neither is Louis.

I think what really drives us, besides the thrill of hiring good people and watching them thrive, is the way our services benefit the environment. We save 10,000 trees a day just through our recycling efforts. We love going into new buildings and showcasing our efforts. We love to take a building, for example the Hudson's Bay head office at Bay and Queen in Toronto, and completely eliminate their waste. After we did this they got a third-party audit and then they invited reporters and TV crews and told their recycling story to the world. And all that just really makes us want to do this more.

There are so many more ideas that could help save the planet, such as cutting carbon emissions, pollution and water consumption. There's so much more we can do. We're doing our part, which is a pretty significant part, but in the grand scheme it's very, very small.

## LOUIS

The recycling industry is in its salad years. We see us being more involved in making things in the future; being able to turn peoples' belongings into useful products and eliminate landfills, which are old and antiquated. We don't need them anymore.

We plan on being a force for many years. Of course it's not easy to stay on top. In 2008, when the credit markets got crunched, we had millions and millions of dollars of materials being shipped all over the world – scrap, cardboard, metal. A lot of it never reached its destination because letters of credit wouldn't flow. We lost millions. We're semi-insulated because we have a lot of different services, including our

recycling services, waste services, plant operations and transfer stations. If you are somewhat diversified in our industry, with a healthy balance, these downturns can be the greatest thing to happen for your business. The guys that survive pick up the spoils.

It's been tough for us though. We are coming out of the downturn a much leaner, meaner company. We were able to react fairly quickly. We have also made some important acquisitions over the past four years.

Clearly the worst thing about challenging economic times is you can't predict them. Entrepreneurs have to understand you make it in this business through those small incremental advances. Businesses are built over long periods of time. This instant success phenomenon people talk about? I haven't seen it.

We talk to young people all the time and they ask us about running a business. We tell them it's extremely important to realize you're not the boss. You might be steering the ship, but as soon as you start thinking you're the boss it's the end of your business.

Employees are part of your team, but the boss is your customers. You have to be approachable enough that your employees can come in and talk to you – really talk to you – and have difficult discussions and meetings; that's real collaboration. The way I know we've had a good meeting is if people are upset at the end. If that's happened, people have said things not everyone agreed with. That's okay. Surrounding yourself with people who tell you only what you want to hear is a trap. They won't bring you their ideas and you're above everyone. Both Ted and I are surrounded by people at work; we don't have offices and our meetings can get pretty loud. It doesn't matter if you're the guy running the fork lift in the plant, when you're in a meeting and you disagree or you've got something important to say, in this place you say it.

A lot of our ideas come from the front lines, which helps make those people feel part of the team. A boss is more of a figurehead than anything else anyway. Who's at the front lines? Our customer service people, our sales team, our Environmental Department members, who go out and talk to businesses about how they can reduce waste. These are the people we need to take care of. Our job is to support them. If we can do that, our customers will be delighted, and if we're delighting our customers there's always more business coming down the road.