

Comfort Systems USA - Governing Growth Without Losing the Local Edge

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Decision scope: Operating governance for large projects, labor sharing and acquired operations

Case convention: This is an author-created strategy exercise. The policy assignment and options are hypothetical; company disclosures are historical. No source indicates that management was considering a governance redesign.

The assignment

On July 1, Craig Sasser's appointment as chief operating officer took effect at Comfort Systems USA. President Trent McKenna continued in his role, and Briston Blair became chief strategy and innovation officer. The appointments created a timely classroom question about how a large contractor should govern operating decisions as its project portfolio and geographic reach expand. They do not establish that the company intended to change its operating model. [S1], leadership release, 22 June 2026.

Assume you are advising the CEO and newly appointed COO. Prepare a proposal for how the company should divide decision rights among local operating leaders, regional management and corporate leadership for (1) large or complex fixed-price projects, (2) sharing scarce crews and supervisors across units, and (3) integrating acquired operations. Recommend whether to keep the current model, introduce stronger center-led controls, or adopt a selective hybrid. Specify the policy, the evidence you would monitor, and conditions for revising it. Any proposed thresholds or scenarios are your assumptions; the public record does not disclose an optimal threshold, unit-level capacity, or project-level margin.

Use only information available by 5:00 p.m. ET on July 23, 2026. The company's Q2 Form 10-Q was accepted earlier that afternoon. Its July 24 earnings call and all later information are outside the case. [S2].

A network of operating businesses

Comfort Systems provides mechanical, electrical and plumbing construction and service across the United States. Its local operating companies work in different markets and serve customers with local relationships and operating knowledge. The company describes local managers as responsible for day-to-day decisions, with regional leadership coordinating performance and practices. Corporate functions include insurance, benefits, training, safety and cash management. The company also describes transferring fabrication, field and supervisory labor among operating units to serve work and improve utilization. [S3], FY2025 Form 10-K, pp. 3-8.

The operating model is decentralized by design. Local leaders may be close to customer needs, trade availability, subcontractors and site conditions. A wider network can also provide capabilities and personnel that a single unit may not have. The trade-off is that project selection, risk visibility and access to shared resources must work across a dispersed organization. Company risk disclosures identify fixed-price estimating, commitments that exceed available labor, project execution, labor and material shortages, backlog changes, the decentralized structure and geographically dispersed growth among the risks it monitors. These disclosures describe exposures; they do not establish that any one risk has materialized. [S2], Cautionary Statement, p. 32; [S3], Item 1A, pp. 10-17.

At year-end 2025, Comfort Systems reported 50 operating units and 190 locations. At June 30, 2026, it reported 51 operating locations, following the May 1 acquisition of R.C. Hunt Electric. The different labels and dates matter: an operating location is not necessarily an operating unit. [S3], p. 3; [S2], MD&A, p. 25.

A larger and uneven project portfolio

The company reported Q2 2026 revenue growth of 50.3% year over year. Its filing attributed 43.8 percentage points of growth to same-store activity and 6.5 percentage points primarily to acquisitions. Same-store is a company-defined comparison that excludes specified acquired operations; it is not a causal estimate of organic growth. In electrical construction, reported Q2 revenue increased 81.2% to \$969.0 million; \$301.7 million of the increase came from same-store activity and \$132.6 million from Hunt, Feyen Zylstra and Meisner combined. The filing does not isolate each acquired business's contribution in that passage. [S2], MD&A, pp. 25-26.

Management described technology and data-center demand as especially strong. Q2 same-store project bookings included \$1.00 billion in Texas electrical operations and \$510.2 million in Texas modular operations. The company also reported year-over-year same-store backlog increases across several other operations. These figures show where bookings were recorded, but do not disclose local labor capacity, project economics, or whether work can be shifted between locations. [S2], MD&A, p. 26.

Exhibit 1. Selected scale and growth indicators

Measure	Reported figure	Definition and caution
Q2 2026 revenue growth, year over year	50.3%	Company attribution: 43.8 percentage points same-store; 6.5 points primarily acquisitions.
June 30 construction backlog / remaining performance obligations	\$14.062bn	Includes mechanical \$10.059bn and electrical \$4.003bn. Excludes service agreements and short-duration work. Management estimated about 65-75% would be recognized over the next 12 months.
June 30 backlog, same-store year-over-year change	+\$5.58bn / +68.7%	Company-defined same-store comparison; acquired contribution is reported separately.
June 30 backlog, reported year-over-year change	+\$5.938bn / +73.1%	Derived from \$14.062bn less \$8.124bn; includes acquired contribution.
Active projects in progress	8,941; \$29.882bn aggregate contract price	A different measure from backlog/remaining performance obligations. It is not expected profit.
Projects above \$50m	125; \$15.336bn aggregate contract price	51.3% of aggregate contract price for all active projects, derived; not 51.3% of backlog or profit.

Sources: [S2], Note 3, pp. 10-11; MD&A, pp. 22-27. Dollar amounts as filed; derived percentages calculated from unrounded filing amounts.

Backlog represents remaining construction performance obligations under the company's definition. It excludes some work, including service agreements and short-duration jobs, and is not a guarantee of sales, margin or profit. The company says it provides a general indication of near-term revenue direction, not a forecast for several quarters. Aggregate contract price, by contrast, describes the full contract values for projects in progress. The two measures should not be substituted for one another. [S2], Note 3, pp. 10-11; MD&A, pp. 22-23, 26.

The company recognizes construction revenue over time using a cost-to-cost input method: costs incurred to date relative to estimated total costs help measure progress. Estimates of total costs and completion are subject to change; revisions can affect recognized revenue and profit. A project's booked value therefore does not reveal its final economics. [S2], Note 3, pp. 10-11; [S3], revenue recognition and critical accounting estimates, pp. 29-31.

Coordination, autonomy and capacity

The portfolio presents both coordination opportunity and execution exposure. Central or regional reviews could make cross-unit dependencies more visible before a large commitment is made. Shared forecasting and resource planning could help leaders see competing demands for a specialized crew or supervisor. Common project-control routines could make estimates and emerging risks easier to compare.

Local leaders, however, may possess customer, workforce and site knowledge that a distant approval process cannot easily reproduce. More gates can add delay, obscure accountability or

allocate labor based on incomplete information. Moving employees between units may help one project while disrupting another. The public filings do not quantify these trade-offs or identify a current labor shortage at a specific Comfort Systems operation.

Acquisitions add a related design question. A common platform can support coordination, shared practices and risk visibility. Preserving an acquired operation's leadership and routines may protect its local relationships and capabilities. The company's Q2 filing identifies acquisitions and their grouped financial contributions, but does not disclose acquired-manager retention or post-deal integration outcomes. No integration result should be inferred from the growth figures.

Research offers a way to frame the choice, not a company-specific answer. A study of 458 acquisitions of small high-tech firms found that interdependence was associated with greater structural integration and leadership change, while related knowledge and prior ties could moderate that need. The study examined organizational form, not acquisition returns, and its setting differs from a US contractor. Construction survey research finds reported skilled-labor constraints associated with project cost concerns, but it does not estimate a Comfort Systems effect. Neither study supports a company-specific margin, productivity, retention or schedule forecast. [S4]; [S5].

Exhibit 2. Three hypothetical governance designs

Design	Project authority	Labor sharing	Acquisition integration
Local-led with exception escalation	Local leaders retain routine and most major-project decisions; exceptional cases go to a regional or corporate review.	Units negotiate directly, with regional coordination when conflicts arise.	Preserve local leadership and operating practices; central functions provide support.
Center-led portfolio controls	Common approval process for large or complex fixed-price projects, with standardized risk and capacity review.	Regional or corporate portfolio view allocates designated scarce resources across units.	Common operating controls and reporting applied broadly, while customer-facing decisions remain local.
Selective hybrid	Local authority for routine work; review triggered by transparent, hypothetical measures of scale, complexity, fixed-price exposure or cross-unit dependency.	Maintain a shared capacity view and resolve conflicts through a named regional process.	Integrate practices where work is interdependent; preserve local routines where they support distinct capabilities or relationships.

These are classroom alternatives, not disclosed company proposals. You may recommend another design or combine elements, but specify decision rights and costs. Any numerical gate, pilot size or target is hypothetical and should be labelled as such.

Decision memo

Recommend a governance design for the CEO and COO. Address:

1. Which decisions belong locally, regionally and centrally? What should trigger escalation for a large or complex fixed-price project?

2. How should the company identify and resolve competing demands for scarce trades, fabrication, project managers or supervisors without assuming a company-specific shortage?
3. How should integration vary across acquisitions? Which routines should be common, and what local capabilities or customer ties might merit autonomy?
4. What information should management collect to evaluate the policy? Consider estimate revisions, labor commitments versus planned capacity, project schedule and cost trends, safety, customer measures, resource transfers and acquired-unit continuity. Explain what each measure can and cannot show.
5. What would cause you to revise or reverse your recommendation? How would you keep new controls from slowing decisions or masking local accountability?

Make a choice and address its strongest counterargument. You may use clearly labelled hypothetical thresholds or scenarios, but do not present them as reported company data. The case provides no unit-level labor capacity, project margin, bid-rejection, integration-retention or escalation-delay data. No financial model is required.

Sources and conventions

S1. Comfort Systems USA, [leadership transitions release](#), 22 June 2026. Craig Sasser’s COO appointment and Briston Blair’s Chief Strategy & Innovation Officer appointment effective 1 July 2026; Trent McKenna continued as President.

S2. Comfort Systems USA, [Form 10-Q](#), quarter ended 30 June 2026, filed 23 July 2026. SEC accession index records acceptance at 4:06:53 p.m. ET. Note 3, pp. 10-11; project portfolio, pp. 22-23; MD&A, pp. 25-27; Cautionary Statement, p. 32.

S3. Comfort Systems USA, [Form 10-K](#), year ended 31 December 2025, filed 19 February 2026. Business and operating model, pp. 3-8; risks, pp. 10-17; MD&A, pp. 29-36.

S4. Aghasi, Keivan, Massimo G. Colombo, and Cristina Rossi-Lamastra. “Acquisitions of Small High-Tech Firms as a Mechanism for External Knowledge Sourcing: The Integration-Autonomy Dilemma.” *Technological Forecasting and Social Change* 120 (2017): 334-346. [Accepted manuscript](#). Full accepted manuscript read; see source register for page-specific methods, results and limits.

S5. Elbashbishy, Tamima S., and Islam El-adaway. “Assessing the Impact of Skilled Labor Shortages on Project Cost Performance.” In *Construction Research Congress 2024*, 361-371. [Full paper](#). Survey and correlation evidence; no company-specific estimate.