

Thursday 10 November 2011



# European CEO Conference 2011

## As it happened

Demonstrating business integrity  
Engineers and the Arab Spring  
Opportunity or threat? – emerging markets



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**Agenda**

# European CEO Conference 2011



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ACE has staged its second European CEO Conference at the Westminster Park Plaza Hotel, London.

The two-day event brought together CEOs and other leading figures from engineering consultancies from thirteen countries across the continent to discuss a wide range of issues facing the sector.

The event marks the culmination of ACE’s yearly benchmarking programme and includes a detailed run-through of the industry overview. The development of the Benchmarking Lite programme this year benefited from a record number of participants, with more SMEs than ever before taking part to better assess their place in the

wider industry.

Talk focused on a range of international subjects, including the implications of the Arab Spring and prospects within emerging markets around the world. There was also talk of how the European market has fared over the last year and what might be expected in the future.

There were also vibrant discussions on mergers and acquisitions and how consolidation is changing the shape of the sector, and further talks about how firms can ensure and demonstrate integrity in their international dealings.

 **Conference feedback**  
[www.acenet.co.uk/ceofeedback](http://www.acenet.co.uk/ceofeedback)

Keynote speaker

# Changing world requires digital integration

CEOs told that technological developments underway have bigger implications than the financial collapse

Professor David Gann from Imperial College set out significant social and economic changes underway across the global economy, and the technological developments behind the change.

Speaking in the first session at ACE's European CEO Conference, he said that it was clear the global economy was struggling right now. He warned that the next few years would likely remain difficult. However, he stressed this was not entirely because of the financial crisis. Instead, Professor Gann suggested that the economy was shifting away from an energy intensive economy that had driven growth for generations.

He explained that changes underway would see cities continue to become more important in terms of political and economic power, and that this would have implications for the role of a nation state.

Professor Gann took a degree of optimism from this. He stressed that the present period of disruption would see the end of a very energy intensive economy over time. And he noted that cities would require major investment in huge standards of infrastructure, which should be positive news for engineering firms.

To emphasise the nature of the change, he highlighted the different vintages of London infrastructure, including the river as a one time major thoroughfare alongside the roads and rail systems built in different eras.

Just expanding additional infrastructure in the traditional sense is no longer an option. Technology and digital information will drive the integration and usage of such structures going forward. As such digital capacity would fully integrate into every area of infrastructure

so as to better inform the running, maintenance and development of all infrastructure.

Data analytics would, he said, prove crucial as cities face their primary challenge as they grow, that of overloading of infrastructure. He noted as an example that peak energy in cities required power stations on standby at non-peak times, a very costly practice. So he suggested that energy firms wanted better ways to generate and deliver energy within cities.

He then told CEOs that the biggest innovation was in innovation itself. Alongside traditional large scale research and development labs, better informed research and development at a smaller level was now common. Likewise he said another key influence on innovation was collaboration and diversity. While Silicon Valley started the internet revolution, it then filled up with “geeks”. He suggested this was not a diverse enough resource to generate and spur valuable new ideas and that the diversity of places like London, New York and Shanghai were key to new innovations in that sector.

So he told his audience that as they develop services using new technologies, people may see their business models change. He said that collaboration and talking with clients in a different way may cause different ways of making money emerge. He then warned that innovation was not a choice, and that cities could not meet their needs without engineers employing the talent and techniques to make it happen.

Asked from the floor about the view that engineering firms had failed to improve productivity, Professor Gann responded that the need for highly educated professionals made productivity gains difficult. However, he noted that there was likely to be a step-change over the next two decades in how knowledge is generated through improved computing power and better integrated systems.



## European forum

# State of the market across Europe

A panel of leading CEOs looks at how different markets across Europe are shaping up



Delegates benefited in a morning session of the CEO Conference from a discussion touring German, Irish, Spanish, Scandinavian and East European markets.

Starting with Europe's traditional powerhouse, the panel noted that the German market had been among the more positive markets in the Eurozone. It had measures put in place to support economic growth at a time of continuing uncertainty, though it has still had its difficulties.

One difficulty raised was that the construction sector faced struggles to grow throughout 2010, a year in which the only sub sector of construction to record positive growth was residential construction.

It was suggested that factors leading to this challenging environment include the fragmented nature of the engineering. Whilst middle-sized companies form the back bone of the economy there is significant competition, client demands to grow, and cost

pressures. These client demands and the need for a more client focused approach poses the challenge moving forward as the German engineering sector remains good at delivering on quality but is less successful in terms of softer skills.

Whilst the German government was keen to promote and encourage growth through capital investment, issues arose where public support delayed project delivery. This contrasted to France where there appears to be less disruption in terms of attaining public support. This is particularly so where a project also has significant political support. If projects are to provide growth efficiently and quickly, public support is essential.

Looking at the UK, the construction sector took a turn for the worse following the financial crisis in 2008, and liquidity issues remain. The new UK government has started to implement spending cuts which are feeding through

into the private sector. The panel suggested lower demand has made conditions challenging, especially outside of major cities such as London.

The Spanish market is five times the size of Greece, and the fifth biggest economy in Europe. The consulting engineering sector in 2007 accounted for €2.5 billion; however the market declined since then. The panel expected the sector to be 30% of what it was in 2007. Once again this has created difficulties for companies, and moving forward the markets do not expect much improvement in the next few years.

The panel discussed the Nordic region which has continued to grow. However, there were expectations for these rates to decline given the scale of the Eurozone crisis. In this region, the public sector has reasonable predictability in terms of spending. The continuing commitment to infrastructure, the historic performance of the public sector to deliver projects and low political uncertainty provide confidence to companies in the market.

In markets such as Ireland, the construction sector has gone from approximately €40 billion five years ago to one of €8 billion, showing the scale of the reduction. Given the bailout of Ireland there remains a degree of caution in the market. However, companies are working hard, watching costs and improving performance.

More generally across Europe the panel suggested that some sectors remain buoyant. These include the water, energy and waste sectors, especially given the transition towards a low carbon economy. This transition will offer significant opportunities in terms of earnings and employment. However, as mentioned previously, liquidity and reduced budgets are making meeting this low carbon transition a significant challenge.

## The Arab Spring

# Working in MENA

Political upheaval, women’s rights and administrative costs influence entering or leaving markets

A panel of international engineers have discussed their experiences of political unrest in the Middle East and North Africa.

The panel noted that the last year had seen significant change in North Africa. But they emphasised that the key events of the last year would have wider implications across the region in the years ahead. They also stressed that local idiosyncrasies in the way business is conducted will continue to influence business decisions.

It was emphasised that the question of entering or exiting a market is very much a decision for the CEO. It is not a decision that can be delegated without responsibility staying at the top.

On recent uprisings, the panel discussed operations within the countries most affected. Employment numbers were often small in regards to the number of ex-pat staff. In Egypt work carried on relatively well during the protests. In Tunisia firms evacuated staff very late but just before violence really took hold. In Bahrain CEOs heard about staff being detained by authorities as the government and protestors clashed.

Looking forward, it was suggested that the Egyptian revolution had somewhat lost its way at present, with the transitional government still in place. Meanwhile, Libya saw firms exposed to debts and CEOs were warned not expect any reward for firms from countries like France and the UK that supported NATO efforts in Libya.

As such, scenario planning for what might happen in the region was crucial, including provisions for evacuating staff. But CEOs

were advised to seek pre-payment for work where possible, and to maintain a watchful eye on risks as they arise.

Looking beyond the year’s unrest, the panel focused on Saudi Arabia as an example of local practices and regulations proving challenging.

Saudi Arabia was highlighted as a country with money to spend, and where environmental issues are



of growing concern. This makes it attractive to engineering firms looking for a growing market.

Discussions looked at how the choice of registration as a professional services company or a trading company resulted in different requirements for a local partner under local laws. Registering can also prove very time consuming, taking years in some instances, especially with different regional rules and difficulties with registering for key sectors because some rules were designed for adapting existing firms rather than start-ups.

The panel raised questions as to how significantly the above process shifted the balance of the decision to enter such a market.

Asked from the floor about women in Saudi Arabia, the panel noted that rules can prohibit women from meeting men other than their brother, father or son. CEOs mentioned practices such as segregated workspaces with separate entrances and rooms for men and women.

Looking at conflict zones like Afghanistan and Iraq, the panel considered how firms operate when their own government is directly involved in projects.

Because the firm’s own government may pay directly for the

work, the money involved can be relatively secure and relatively plentiful. It was also suggested that there may be downside risks to refusing to work in a country under commission from its own government, given existing working relations.

However, with issues surrounding integrity in conflict zones and post-conflict zones, and with security difficult to ensure, this would remain a carefully considered decision for CEOs to make.

Business integrity

# Ensuring business integrity

## The Bribery Act opens up new procedures and expectations

CEOs heard from a panel of experts how, ten or fifteen years ago, compliance, ethics, and the prevention of corruption and bribery would have been considered an internal matter. The Bribery Act puts legislation in place to ensure companies make every effort to prevent bribery.

Stopping corruption is not easy, and corruption prevention can be as important as health and safety or environmental aspects of business management. However, it is unlikely that corruption will ever be completely eradicated, and nor can real progress be achieved by any single player. Banks, governments, industry and legal professionals are all required to do their part to ensure that corruption is minimised, not only in the industry as a whole but also within their own operations.

Following the implementation of the Act in July, the degree of information and the number of professional advice services have

increased significantly. In addition the panel noted there was also a significant increase in activity from clients in which companies and suppliers were asked to confirm that they were compliant with the Bribery Act.

The panel then considered in more detail the dissemination of information in relation to clients abroad. In countries such as India, clients are aware of UK bribery legislation, and so are actively involved in ensuring compliance. However, it was felt there are still a large number of markets where information and knowledge of the Act is not sufficient and so the risk factor is significantly higher.

In order to minimise corruption, internal communication is critical. For example, companies have set up internal audit teams to monitor and ensure compliance, and in some cases further external and independent resources are employed to flag issues as soon as they occur.

It was felt that generally employees were aware of the Bribery Act and the implications of non compliance both personally and for the business as a whole.

The key to reducing risk and ensuring compliance is to educate staff. As part of this they should be able to identify, and raise where possible, business partners that pose a potential risk in terms of compliance.

In regards to the breadth of education on the Act, the panel suggested this must span from the very top to the very bottom of companies. As part of this it was suggested that the development of material and guidelines that outline a business' principles and ethics is important. This can then be used as part of forming new business relationships.

In terms of the cost implications for industry, whilst regulatory compliance was felt to have a high cost to industry, behavioural compliance does not need to carry a heavy admin burden and cost.

Soon, BSI will publish an anti corruption standard. As such companies will be able to implement these in a way they currently do for other standards. Given the formation of the standard, it is likely to be a feature of procurement going forward. This standard has been developed to ensure that systems are in place to ensure effective vetting within procurement, finances and contracts. It will also see improved efforts to educate staff, monitor compliance, assess risks and provide a 'whistle blowing' procedure whilst minimising the burden to business.

Overall it was felt that the response to the Bribery Act from industry and clients had been positive. However, it was also noted that there has not yet been a case that has put the legislation to the test in terms of actual compliance.



 **Bribery Act guidance**  
[www.acenet.co.uk/preventingbribery](http://www.acenet.co.uk/preventingbribery)

## Mergers & acquisitions

# Mergers & acquisitions

The incentive and level of M&A activity remains buoyant



Currently, the level of M&A occurring in the US and Europe has been higher than in the previous few years, a panel of experts explained. Whilst the industry has often spoken about global consolidation over the past 15 years, it has never really occurred to a large extent. However, following the financial crisis, recession and with continuing economic uncertainties companies are continuing to suffer.

Alongside this the slight improvement in the financial sector and the general move away from debt towards cash positions has helped to fuel M&A activity.

To explore in more detail the subject of M&A the panel started by discussing a number of the key drivers behind M&A activity. These

included diversification, internal rates of return, economies of scale in the provision of services, the need to mobilise at speed globally, and the integration of supply chains.

Demographics, international positioning and the ability to deploy resources were considered important as part of a company's corporate strategy and as the internal growth rates of companies have slowed; M&A activity becomes a more attractive as a means of ascertaining this corporate strategy and growth potential.

Looking more specifically at the value of M&A deals, and investor's expectations it was found that:

Currently M&A activity is occurring with investors looking at and EBIT of approximately 10%.

However, it was felt that this is unlikely to remain sustainable, as investors expect higher returns going forward. More specifically there were some discussions as to how the UK reports as part of M&A deals its pension liabilities, as these appears to lower the UK's earnings ratio.

For public companies where share trading values are important, a US was provided to give insight into the expectations of investors. Given this 9-10 EBIT value, would a company acquire above this rate?

It was discussed and it was felt that it may still be efficient given that the current trading value does not consider the long run performance and strategy of the business. Generally when long run performance is taken into account the value of the company is closer to 19 EBIT which makes the deal efficient given a price above the 9-10 EBIT performance.

This excess above the current market rate, was felt to occur as part of the commitment to the investment and as such forms part of a strategic differential which is difficult to quantify.

However, it was noted that given the number of M&A's that fail price to some extent can become less important, with strategic value subsequently being considered the important factor.

When mergers do occur it was asked how companies can assess the effectiveness of mergers. But this is becoming more difficult as recently companies have tended to integrate acquired businesses into the operations rather than retaining it as a separate entity. Although some benchmarks can be put in place this makes the post acquisition analysis very difficult.

Given there still appears to be more buyers in the market than seller creating some disparity. As such buyers are looking across a wider variety of markets increasing cross boarder acquisitions. But equally this scarcity, to some extent may currently be inflating prices.

ACE Benchmarking

# Benchmarking 2011

Andrej Avelini and Nelson Ogunshakin OBE, present the results of Benchmarking 2011



The 2011 European CEO Conferences continued on the second day with delivery of an in depth analysis of the benchmarking programme. This sessions saw presentations provided by both ACE and EFCG's to provide participants with a view of the UK, European and US market.

Andrej Avelini provided an update on the recent American programme. He revealed that the median level of internal growth was 5% up from 3.1% in the previous years. This currently means that the industry is outperforming US GDP growth.

In terms of profitability companies achieved a rate of 10.6%, unchanged on the previous year, with 80% of firms indicating that they felt their company's profitability compared favourably to its peers. Interestingly, five years from now it was felt that 71% of firms would be involved in design and build

projects and 46% would be working on PPPs. He then went on to discuss current market values, price earnings ratios and the subsequent level of mergers and acquisitions in the US market.

Nelson Ogunshakin CEO of ACE then provided an overview of the UK and EU findings. The companies that took part in this years initiative had total revenues in excess of £5 billion, and employed over 56,000 staff. Companies covered sectors such as defence, education, utilities and transport - to name a few.

Most of this revenue continued to be generated in the company's domestic market (84.5% for UK firms and 66% for EU firms). Internationally the UK's largest areas of work were the Middle East (6.1%) and EU, whereas in Europe the largest markets included North America (23%) and South and Central America (5%).

Nelson Ogunshakin stressed that the financial crisis, recession and continuing uncertainty in the Eurozone has had differing effects on the balance of private/public work amongst EU and UK companies. UK firms have undergone a slight increase from 57.9% to 59.2%, whilst EU firms have seen private work fall from 52.6% to 45.5%. He said this may result from differing political approaches, with the UK government heavily focused on the private sector stepping in to drive investment, whereas European countries tend to favour some expansion in public capital expenditure as a form of stimulus.

Given this, he looked at how the comparative growth of companies performed. He suggested looking at an index of revenue, quarterly on previous year, and a 12 month rolling average. This found that EU companies have been better at maintaining growth since Q1 2009. They have outperformed the UK during 2009 and early 2010, with the UK tracking EU performance in late 2010, before once again falling off in early 2011.

Whilst revenue was important, a key area of focus for companies was that of profit margins. Nelson Ogunshakin explained that UK company margins were 4.6% compared to 7.8% for European competitors. However, he also be noted that UK companies are forecasting margins of 5.7% in 2011/12 compared to EU firms' estimates of 5.9%.

Costs, he said, were obviously a key factor in determining profit margins. This year's benchmarking had explored a number of areas in detail including fee earner costs, support and temporary staff costs, expenses and overheads, travel and other direct costs. In the case of fee earnings and support staff this was related to their revenue generation ability.

For more on ACE Benchmarking  
[www.acenet.co.uk/benchmarking](http://www.acenet.co.uk/benchmarking)

“I was impressed with the willingness to widen talks to new issues”

Delegate feedback

As it happened

## Talent

# Attracting and retaining talent

The industry faces a number of challenges in providing the engineers of the future



In the industry, the demographics of the workforce can be considered at three levels. In each of these areas the panel said there are employees and employers markets.

Graduates are finding it difficult, with oversupply and reduced demand making it an employers market. Alternatively, graduates with two years experience are in demand, creating an employees market. Finally, further up the chain up there are those that can leave to if they wish, but have the skills required by companies. This creates an employees market.

The newer generations of graduates have new creative ideas and aspirations when compared to those entering the industry only ten years ago. The challenge to industry is taking these skills and developing them to ensure the most efficient output.

The experts agreed that

companies should employ and develop graduates from an early stage, so that they can develop their skills and tailor them to their ethos. As part of this, individuals generally feel much more personally involved and responsible within the company environment. However, there may be some disadvantages given the lack of experience elsewhere in the industry.

Above the graduate entry level recruiting can be difficult with limited supply and individuals unwilling to move given uncertainties within the market. This middle layer of a company, if left unchecked, becomes inactive, inflexible and demotivated as individuals feel their career prospects are not sufficient. Whilst in smaller companies this band is easier to monitor, larger companies can find this difficult.

The panel suggested that to help companies improve in this area, mapping staff to asses a

company's talent base is essential. This assesses not only where areas of weakness exist, but also where their competitive advantage and expertise lie. Once priorities are identified it is important to maintain and adapt learning and development programmes to ensure staff development is at its most efficient.

Methods of engagement with those of up to five years of experience is also changing, with individuals likely to be linked into social network sites. As such these individuals will be used to higher levels of social and online engagement.

In addition, when considering recruitment, these social sites provide employees with the tools to research the opinions of existing employees' within a company before joining. These individuals are also more likely to assess and evaluate their employment based on the employers' flexible working policy, pension provision, family schemes, interesting projects, employer awards and training schemes.

Whilst companies can improve their internal process to assess, develop and reward staff, there is the wider issue of attracting the younger generations and current graduates into the engineering and consultancy sector.

Given the recent announcement of higher tuition fees there may be issues with skills moving forward. As such, the panel suggested that the industry needs to look in more detail at its programmes and its ability to take on 16 or 18 year olds and provide alternative development opportunities.

Finally, the panel discussed the need for companies to ensure succession plans are in place within a company, in order to drive performance going forward. It is this planning that ensures that those individuals that work efficiently and consistently, but that wish to remain in place, do, whilst still providing incentives and opportunities for those who want to move up the chain.

## Emerging markets

# Emerging market threats and opportunities

Specialist knowledge and understanding clients can open up opportunities, say engineers



A panel of international engineering business leaders has set out opportunities presented by major emerging markets. However, they also noted the long term competition that was emerging.

Some countries, like Saudi Arabia, were held up as nations with good prospects as markets but that show little indication that they have an engineering capacity to compete in global markets. Meanwhile, Chinese and Indian firms were more likely to compete in foreign markets as well as in their large domestic market.

CEOs also considered the prospects for purchasing and partnering with engineering firms from emerging markets. However, prices quoted were often high and some deals risk exposing engineers to ethical skeletons in the closet.

There was also a degree of agreement that good government, high quality work and innovation were

the key advantages that European firms have in global markets. It was also felt that some use of emerging markets as a base for some corporate activities could help bring down costs for European engineers.

The panel noted that some emerging markets have to some extent already emerged and no longer offered significant advantages to firms that had not already entered them. This was not the case with Africa however, where issues around water, agri-business and minerals offered a range of strong opportunities.

Africa also has a strong level of development aid attached to its markets. The transition over decades towards better use of local private sector development has offered opportunities, as have the growth of renewable sectors and minerals in parts of the continent.

The panel spoke about models

by which firms bring their work back to their domestic market. This sees them win work abroad but keep the engineering expertise within their domestic market.

There was also discussion of how firms can follow multi-national clients, such as oil companies, around the world. This can enable firms to develop key understandings about how to minimise risk, including the use of some pre-payment for work.

Russia was held up as a significant emerging market with a great deal of engineering work available. It has GDP growth last year of 4%, public debt is under 10% of GDP, and GDP is worth around \$2billion dollars.

There was some recognition that regulation can be hard to overcome when setting up operations in Russia. It was also suggested that care must be taken about which clients to work with and where business risks lay.

When looking to work in emerging markets it was suggested that being present in international markets can take different forms. A company can look to establish itself with a regular presence in a market, or it can act abroad on a project by project basis.

There was also a message about flexibility from the panel. While it may make sense to approach a particular market or type of market – such as English speaking markets for UK based firms – this should not prove a hard and fast rule. Instead, where risk is manageable and work is available, this should be considered fully.

An example of this was Kazakhstan. The country has GDP growth of 7% and has a population of just 15million people in the world’s ninth largest country for land mass. Along with significant natural resources and significant cash for investment, there was also an opportunity to work alongside the British based architects that have built up a lot of work in the country.

Technology

# Building Information Modelling

Engineers stress that BIM is growing and will continue to enhance the industry’s prospects



Engineers have discussed the extent to which BIM may revolutionise engineering and suggested that moving to BIM may prove akin to the change from drawing board to computer.

CEOs accepted that BIM was a growing part of their business plans, but that it was still unclear how this would contribute to the bottom line. Indeed, it was suggested that much like CAD, it would simply become implausible to work without it whether it added to company profits or not.

The panel also noted that BIM was now being used well by other sectors and not enough by those involved in consultancy and engineering.

It was hoped that further adoption

would improve efficiencies through better communication, fewer field co-ordination problems, better presentation and easier design processes. The panel said there was a natural follow through for improvements in asset management over the long term, and that clients would demand BIM if they recognised its capacity to enhance the future life of their building.

However, there was a warning that none of this would happen without changes in the way clients procure. It was suggested that leadership would be needed to foster technological, behavioural and social change across industry. Likewise it was suggested that significant government backing for BIM would be needed to drive

change more quickly.

A comment from the floor noted that in complex projects with well integrated contractors, the real benefits are starting to emerge in the contractor’s efficiency. With that in mind it was agreed it would become a natural way of working for the industry. It was also pointed out that even small projects demonstrate real benefits to BIM, especially where work must be done to fit building work around existing structures.

An example offered of the potential for automation through BIM came in the use of the I-Pad 2, and how applications run through it have enabled staff to identify and communicate a range of on-site issue. While this would serve as just one example, it was noted that the development of BIM would take a range of forms. But with that came a further warning. While aspects of BIM are not expensive and can save engineers money when used in a certain way, the value to the client should be priced properly so that engineers do not lose out on a generational opportunity.

The panel suggested that the engineering sector was a little further ahead with this innovation than some people recognised. In particular, it was suggested that rather than going through the disruption experienced with new technology, the industry was further along the line and was starting to benefit from it directly.

CEOs agreed that a disciplined approach would be required to ensure that BIM secures greater certainty in engineering design. This would enable quality design without engineers effectively designing and building prototypes for live projects, which causes the high costs and delays that prototypes naturally involve.

It was also noted that BIM would enable large companies to audit their changes as they are made, so as to recognise who has made what changes and at what stage in the process.

Communications

# Selling the industry

## Engineering needs to inform decision-makers across platforms with a clear and simple agenda

A panel of engineering representatives told CEOs that the engineering industry must stop waiting to be asked for answers. Instead the sector needs to speak up for itself and drive its message through the press and to politicians pro-actively.

The panel stressed that by taking a leadership role in driving efficiency, sustainability, low-carbon delivery and social responsibility – engineers can harness strong communications with clients that need to be convinced of the value of design work, and with a wider audience.

However, while focusing on clients and politicians can be crucial, a wider audience matters too. The industry needs to communicate its value and help meet public needs if they want to impact on a political agenda, as politicians prioritise votes.

The panel set out that different audiences need to be approached in different ways. With stakeholders and politicians, marketing of competence is not a productive use of time and visibility can prove difficult.

Politicians like to play at journalism, the panel said, much as clients like to play engineer. So when politicians think engineering, they want a simple story of economic growth. At the same time engineers want politicians to make engineering easier and simpler too. However, politicians think in electoral cycles while engineers think in decades. So establishing common ground requires long term effort.

The panel accepted that the sector can succeed in very quick reaction to bad legislation or negative articles. However, it can

only do so because of a pro-active approach to build contacts and trust over many years.

The panel noted that while firms focus on their marketing developments over time, a much wider focus is needed to build trust across stakeholders and decision-makers. This often requires an association to speak for many companies rather than many companies all speaking.

Experts then considered how the industry communicates to those

far more highly than salary level, which was ranked as low as fourth. As such, the message that industry must communicate to students is that the nature of the work will enrich their lives, and this can only be done by engaging with schools and universities directly.

The panel emphasised the value of working communications to help change the conditions of the industry for the better. An example offered was a proposal to introduce a form of framework to public procurement that would have effectively excluded nineteen in every twenty firms from winning work.

By contacting key friends within the national press enabled the wider story to be got across. By emphasising the wider context in which the new system would have damaged procurement and the economy, the press ran front page stories on the subject.



who would one day join the sector. They noted that communicating to young engineers and to students was crucial to help them understand the direction of the industry and feel positive about joining or staying.

With students, they noted a survey showing their first priority in choosing a career was a positive working environment. This was rated

That triggered proper negotiations about how the rules should be developed to the benefit of engineers. But it can't be done without a long term strategy. The panel noted that the media want value. They need to see the industry and its representatives as a valuable resource, with real expertise and important stories.

“It is pleasing to see CEOs so open and honest with their contributions”

Delegate feedback

As it happened

## Ownership structures

# Diversity in ownership models

Engineering benefits from a flexible array of corporate structures, each offering different advantages



A panel of CEOs discussed the different dynamics of different ownership structures across engineering.

CEOs noted that there could be real incentives for staff efficiency, and a good sense of corporate community, where all staff own a stake in their company. However, with company valuations fluctuating with the market, it was also important to smooth extremes through corporate strategy.

Being privately owned by shareholders has provided some companies' staff with a profit and this can help with retention,

especially when looking back at the height of the boom when employees were more likely to move than at present.

Staff ownership can come about from a range of restructures, and CEOs discussed how a shift from sole proprietor to partnership, or from partnership to employee-based shareholders, could strengthen growth if done well and under the right conditions.

The means by which shares are distributed to staff can be crucial. Staff often have to work for a firm for a period before qualifying for shares. Others may run an invite-

only system for staff shares. There can also be issues in some countries where regulations must be applied after the number of shareholders rises above a certain level.

With staff-owned companies, the need for first refusal on the sale of those shares can be very important to a company hoping to avoid ownership passing to those outside of the firm.

CEOs discussed partnerships. Some felt a limited liability partnership was a better option than an unlimited liability partnership because it would be a more attractive prospect for new partners. This was especially so during tough economic times.

The panel also noted that difference in structure may have to reflect the size of the firm. Small firms were often able to be flexible in their practices and could foster direct engagement between staff and the CEO. However, they often suffered to some extent from being very focused on a key sector or region, which may then be hit hard by a downturn.

Listed companies perhaps had an advantage, CEOs said, when it came to mergers because they could pay with shares.

A public limited company, the CEOs suggested, had some advantages in opening up significant funding that can in turn allow a company to expand more rapidly. As a privately owned company that could prove harder when it came to raising capital.

CEOs discussed whether partners fret about how they are going to be bought out, and if this was not managed correctly it could cause a business to stagnate. This was an issue some firms had encountered and was offered as a reason why some firms float publically.

But while CEOs agreed that going public could put a firm in a strong position, this may prove less true where a company holds significant levels of debt, especially during the downturn.

As it happened

“Views have been both very insightful and very stimulating”

Delegate feedback

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## European CEO Awards

# CEO of the Year named

Flemming Pedersen named as the inaugural European CEO of the Year



ACE has announced Flemming Pedersen as the European CEO of the Year at a special dinner as engineering CEOs from across Europe gathered at ACE's European CEO Conference.

Flemming Pedersen became CEO of Ramboll in 1992, having joined the company in 1976. As president and CEO he has been deeply engaged in all aspects of general management, developing strategies and models for business leadership,

and for acquisition and mergers of domestic and international consulting companies.

ACE chief executive Nelson Ogunshakin OBE said: “My congratulations go to Flemming Pedersen for this fully deserved award. Flemming’s leadership of Ramboll demonstrates that, in times of economic turmoil, good leadership is vital to deliver excellent results and some phenomenal feats of engineering. The consultancy

and engineering industry has a wealth of talented leadership, but I am sure that Flemming Pedersen is a worthy recipient of this inaugural award.”

Flemming Pedersen has developed Ramboll’s value-based concepts of holistic operation and holistic accounting. He has been a member of the FIDIC executive committee (2004-2008), and since 2009 he has been a member of the Confederation of Danish Industry’s permanent committee on business policies.

The awards dinner also saw Chris Cole recognised with a special lifetime achievement award.

Chris Cole joined WSP at its inception and took the company public in 1987. Since then, WSP has grown from around 100 employees to a global staff of around 9,000. Chris Cole’s leadership of WSP has enabled the business to expand into a well-balanced global business. He is a high-profile business leader who is highly regarded across the sector.

ACE chief executive Nelson Ogunshakin OBE commented: “My congratulations go to Chris Cole for this deserved award. Chris is a leading figure in the consultancy and engineering industry. He and his fellow partners founded WSP in 1969 and he has overseen their rise as one of the most significant engineering companies in the UK and around the world.”

The European CEO Awards recognise individual business leaders within the European consultancy and engineering industry that have demonstrated outstanding qualities of leadership throughout the year. Candidates were assessed on factors including their companies’ financial performance, fostering of innovation and creativity, leadership of people, contribution to the wider industry and society, and wider recognition.



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