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Economy's Woes Are Chief Concern Among CEOs, According to New Survey

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By Debra K. Rubin

Industry firms, particularly in infrastructure sectors, may survive the turbulent times ahead by relying on record backlogs and the growing need for their services, but for more than 270 CEOs of small and large engineering firms meeting in New York City on Oct. 16, the economy displaced workforce issues for the first time in recent years as their No. 1 management worry.

That conclusion was borne out by speakers and attendees at the annual CEO conference sponsored by EFCG Inc., a New York City-based management consultant, and by results of the firm's yearly survey of industry business trends and business projections. According to this year's survey, based on about 200 CEO responses, 84 top execs cited economic woes as their leading concern, up from 56 in 2007. Personnel issues were cited by 61 CEOs, down from 80 the previous year. "We've given recognition to the white elephant in the room," said EFCG President Paul J. Zofnass. "Some will ride the elephant. Some won't."

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Zofnass delivered a litany of survey statistics that still reflected the past boom times as well as some optimistic projections by respondents. But there were other numbers that heralded changes in

such areas as company ownership and corporate stock valuation. One chart noted a 30% decline in valuation for EFCG's publicly owned companies in the last year, although those on the S&P 500 have lost 55%. Others pointed to growth challenges for employee-owned firms and those that remained too highly leveraged. That cash was king and worthy of conservation was voiced by several CEO panelists, but John Dionisio, CEO of AECOM, took it one step further: "Cash is God," he told the attendees.

New private equity investment interest may help. "Equity firms that didn't look at the engineering and construction industry before now are," said David Myers, a former Fluor Corp. executive who is now president and CEO of Executive Impact LLC, a Corona Del Mar, Calif., private equity consultant. But Zofnass warned, "They expect high returns and will put a lot of pressure on you."

CEOs of large industry firms were confident their firms would ride out the turbulence in 2009, although some thought the survey's projected 10% growth was too high. Ralph Peterson, CEO of CH2M Hill Cos., noted some project delays but said the downturn's effects so far have not been "traumatic." He noted potential for "buried opportunities" in the economic challenge.

John MacLachlan, senior vice president of Jacobs Engineering, said the firm was "taking cues" from the 1980s downturn, pushing quicker market responses from its line managers. Dionisio was the most upbeat, contending that stock-market gyrations are "not about performance; they're about investors' insecurity. Wall Street does not understand our business."



ZOFNASS

In a not too surprising straw poll, John McCain garnered 51% of votes by participating CEOs vs. 43% for Barack Obama. However, attendees asked to predict the likely election winner overwhelmingly chose the Democratic candidate, 87% to 13%.

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