

Engineering Firm Bucks a Trend by Expanding

The Howard R. Green Co. moved up more than 160 spots on *Engineering News-Record's* annual Top 500 Design Firms list this year thanks to two big acquisitions.

But don't expect many of the country's design firms to be following suit: The still-weak U.S. economy has caused a downturn in merger-and-acquisition activity in the past two years, a trough that is only now starting to turn up slightly, say experts from an M&A analysis firm.

H.R. Green's moves in the Chicago and Houston markets were part of a five-year strategic plan aimed at growing in those areas, says NSPE member and company

President Rick White, P.E. That plan also includes focusing heavily on the renewable energy and public contracting markets and offering clients multiple services, not just design work.

"Even when the economy was a bit questionable, we felt so strongly [about the strategic plan] that we got ahead and executed it," White says.

Economic downturns have affected many of the country's top firms, according to the *ENR* report. Overall, the 500 firms listed reported an 11.47% drop in revenues from 2008 to 2009. All major markets reported losses, with industrial process



H.R. GREEN, WHICH JUMPED 160 SPOTS IN *ENR'S* LIST OF TOP DESIGN FIRMS, DESIGNED THIS LANDFILL GAS-TO-ENERGY FACILITY IN LAKE MILLS, IOWA.



"Even when the economy was a bit questionable, we felt so strongly [about the strategic plan] that we got ahead and executed it." —Rick White, P.E.

AEC Industry M&A Activity, 2000–Present

2000	104
2001	129
2002	132
2003	113
2004	105
2005	141
2006	169
2007	252
2008	305
2009	232
YTD	100

SOURCE: MORRISSEY GOODALE

designers seeing the largest, a 40.2% falloff in revenues.

That questionable economy will likely prevent many firms from making the same bold moves as H.R. Green, says Mick Morrissey, managing principal of Morrissey Goodale, a management consulting and research firm that tracks M&A activity. Green's moves are out of the ordinary for the current economy.

"M&A follows the economic cycle," Morrissey says. "When it's good, you get a lot. When it's not, it declines.

"They're bucking the trend," Morrissey adds.

M&A activity in the design realm peaked near the end of 2008, just as the economy started to go sour, Morrissey says, though there's a chance it will pipe up again as the economy starts to pick up.

H.R. Green's moves in Illinois and Texas (the firm is headquartered in Cedar Rapids, Iowa) do match what little M&A is going on right now, though, Morrissey says. During leaner market times, firms that do move forward do so to solidify their existing

geographic positions on a broad scale: less than 60% of all U.S. design firm deals that occurred during the recession took place across state lines, down from the typical 67%–75% that usually occur during a good economy. Even then, the buyer has lots of resources to work with and can find bargain firms to add to their fold.

White believes activity in the design market will increase among firms focusing on private design work. As the economy improves and more government design work is required, that sector will start to expand again, he says. It's for that reason H.R. Green is trying to expand the private share of its design business along with its emphasis on renewable energies. It's a strategy White expects to see employed elsewhere as H.R. Green is able to grow.

"I think more firms will do what we do," he says.