

Comprehensive, Enterprise-Wide Software Solutions for the AEC Industry

CMiC
Expand Button (mouse over)

[subscribe](#)
[contact us](#)
[advertise](#)
[careers](#)
[events](#)
[FAQ](#)
[subscriber login](#)

McGraw Hill
CONSTRUCTION

ENR.com
Engineering News-Record

Subscribe to ENR Magazine for only
\$82 a year (includes full web access)

Search our site: 

[INFRASTRUCTURE](#)
[BLDGS](#)
[BIZ MGMT](#)
[POLICY](#)
[PRODUCTS](#)
[PEOPLE](#)
[VIDEO](#)
[OPINION](#)
[TECH](#)
[EDUCATION](#)
[ECONOMICS](#)
[TOP LISTS](#)

[BLOGS](#)
[EDITORIAL](#)
[VIEWPOINT](#)
[FORUMS](#)
[LETTERS](#)
[BOOK REVIEWS](#)

viewpoint

MANAGEMENT

Recession-Driven Changes Coming

11/12/2008

By Mick Morrissey

The slowdown many engineering and environmental firms are currently facing and the likely recession the industry will experience in 2009 will probably last longer and be more severe than the last two national downturns. The implications for many firms have already begun to play out, with declining revenue and backlog and eroding profits and staff reductions. Few firms will successfully navigate through these challenging times. Over the next twelve months, the strong will become stronger while many weak firms will shut their doors.



MORRISSEY

The importance of this recession is that it will be both an accelerator and catalyst for further significant change in the industry, and firm owners and principals should anticipate the coming trends that will impact their firms.

One trend will be a new golden age of public works. The next administration will likely pump significant dollars into infrastructure rehabilitation and development as part of an economic stimulus package. Given the fiscal challenges facing federal, state and local governments, there also will likely be greater willingness on their part to encourage private participation in infrastructure development and funding.

Combined, these initiatives will result in significant funding and work for firms that specialize in transportation and water and wastewater design. The main challenge for industry firms will be to find the right talent and navigate the nuances of working in a public-private delivery model.

Other opportunities will come from abroad. While the domestic commercial development markets will be weak over the next two years, the relatively higher growth rates of international construction markets will continue to provide opportunities for U.S. firms.

Many firms that sought opportunities in the United Arab Emirates or Qatar only 24 months ago already expect that more than half of their work will come from these markets within two years. Critical to being successful in these international markets is the ability to build teams of expatriate talent, on-the-ground expertise and U.S.-based managers.

Those in the latter group function as the bridge between the domestic and international operations and are largely responsible for fostering the trust necessary to be successful. The best candidates for these positions are senior managers who are empty-nesters: They have experience and lack the home constraints that inhibit travel.

The recent decline in the stock market from its 2007 highs—and the likely bottom-bouncing that it will experience over the next two years as it recovers—will change the way the industry consolidates. With shares of publicly traded industry firms now trading 12% to 79% below their highs of a year ago, there will be more selectivity and a slowdown in merger-and-acquisition activity.

These firms account for about a quarter of the deals that occur annually in the U.S. construction industry. Many ENR Top 500 design firms are dealing with far more uncertainty about their backlog and near-term future. Until the dust settles, many of the top firms will be hesitant to pursue mergers and acquisitions. It is worth noting that it took two years for such activity to recover after the last economic downturn.

The recent significant loss of wealth in the stock market and the ensuing state of uncertainty will hit particularly hard at the highly leveraged, next-generation owners and leaders in our industry. Already trying to figure out how to pay for their mortgages and their children's college tuition, this group will be less eager to make the investment needed to fund internal ownership transition.

Firms will look more to private equity players, many of which will be the winners in the new regulated financial landscape, to solve their capital needs. This shift will begin to separate the link between ownership and leadership transition that has been a major hurdle in so many firms' perpetuation strategy over the past 30 years.

While you and your firm are focused on the short-term challenges of this slowdown, be sure you and your team also are aware of the larger changes and transitions occurring in the industry. By positioning your firm to take advantage of these changes, you will

Viewpoints: Worth Another Look

[Keeping Your Green Project Out of the Red](#)

[Safely Managing Nuclear Remediation Projects](#)

[Combating Construction Fraud](#)

[View all Viewpoints >](#)

----- Advertising -----

Get the best
for less
22% less

A DIFFERENCE YOU CAN FEEL >



Editorial

[The Proposed Golden Bailout Has Fundamental Flaws](#)

[Public Works, Not Bailouts, Will Ease The Financial Crisis](#)

[Disasters Have a Way of Motivating Swift Action](#)

[View all Editorials >](#)

Reader Photos

Photos from ENR Jobsite Photo Showcase



R. Baker & Son All Industrial Completes Rigging Project at USS Intrepid Museum

In: ENR Jobsite Photo Showcase

By: [dkozul](#)



Welder on Meadowlands Stadium, New York

In: ENR Jobsite Photo Showcase

By: [sandy.roberts](#)



Skanska Safety Contest Award Winners May 08

In: ENR Jobsite Photo Showcase

By: [sandy.roberts](#)

[View all reader photos >](#)

Events: Best of Awards

Regional Publications Best of Awards



Showcase your support and honor the entire building team of the best projects in design and construction for 2008!

[Click here to learn more >](#)

increase the chances of success when the recovery begins.

Mick Morrissey is managing principal of Morrissey Goodale LLC, Newton, Mass. He can be reached at mmorrissey@morrisseygoodale.com, or (508) 650-0040

McGraw_Hill CONSTRUCTION ARCHITECTURAL RECORD GreenSource Regional Publications **Constructor** Sweets® Dodge

[website support](#) | [resources](#) | [editorial calendar](#) | [contact us](#) | [about us](#) | [submissions](#) | [site map](#) | [back issues](#) | [advertise](#) | [terms of use](#) | [privacy policy](#) | [my account](#)
© 2008 The McGraw-Hill Companies, Inc. All Rights Reserved