

The Zweig Letter

the weekly management advisor for architecture, engineering, planning, and environmental consulting firms

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HOT FIRM 2001

Staying hot when it's not

"While profit is extremely important, you can't keep everyone headed down the road with you if that's all you're interested in."

THIS WEEK'S ISSUE of *The Zweig Letter* is devoted to *The Zweig Letter* Hot Firm 2001 List. For me, this is what it's all about—success. I love the Hot Firm focus and putting the spotlight on firms that are making it happen as evidenced by their sustained ability to grow. Plus, no matter what anyone says, committing to growth is really the only option. While profit is extremely important (and more now than ever!), you can't keep everyone headed down the road with you if that's all you're interested in. Growth is a lot more exciting!

That said, the business climate is definitely cooling. Pay increases are slowing down. We're hearing of layoffs in firms that haven't cut in a long time. The ZWEIG 100 optimism levels, both long-term and short-term, have declined from where they were last year. But this recession or slowdown won't last. Energy prices will come down as suppliers rush to meet demand. Interest rates are already down. Pricing pressures for labor will decrease. And then everything will slowly start to heat to a boil once again!

No matter whether the economy is good or bad, some firms will always do well. Why is that? Two reasons stand out above all others in my observations of these companies:

1. Hot Firms know that gloom and doom talk is for losers. Half of the time, firms talk themselves into trouble. Just because you can't sell snowballs to Eskimos right now doesn't mean that there aren't all kinds of people and organizations with all kinds of needs for what you do. They're out there. You've gotta go out and find them. You can't let yourself be negative, especially if you are the Big Cheese or one of the Big Cheeses in your firm. You have to project confidence, not negativity. There are plenty of folks out there who are negative. They don't need any encouragement from you! You have to be the one that sees light at the end of the tunnel. That's your responsibility as the boss. The firms on *The Zweig Letter* Hot Firm 2001 List have someone who is a super cheerleader. A cheerleader who points the way.

2. Hot Firms don't think selling is a dirty word. Most people have forgotten how to sell—they are all "above that." If we do our marketing properly, the phone will ring, and no one needs to do anything beyond filling out the order form. Sound nice? It can work out this way if you really build a brand name for yourself. Unfortunately, it's been working out like this for firms that don't really have brand names. That has resulted in many companies getting confused about what they did on their own versus what a good economy did for them. The end result in those firms is that once the demand is less than the supply, they crumble. No one knows how to pick up the phone and call someone to get work. And if they do know how to do this, there aren't enough of these people to support a machine that needs as much work as many of the mid-size and larger firms need today. Hot Firms build brand names for themselves in their chosen markets. But they also know →

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Some firms were omitted from this list because of space constraints.


**The Zweig Letter
Hot Firm 2001
List (see p. 4-5)**

HOT FIRM 2001

Staying hot when it's not

(CONTINUED)

their people have to sell in good times and bad, and they don't get complacent.

Optimism and the ability to sell go hand in hand. You end up with more work and a capacity that is 20% to 30% larger than it should be for a firm of your staff size because everyone works harder. That leads to better fees, higher profits, better staff morale, and longer-term ability to turn in good numbers year after year. Questions or comments? E-mail me.— **M.Z.** (mzweig@zweigwhite.com) 

HOT FIRM 2001

Growing by M & A


NINE YEARS AGO, management at **SmithGroup Incorporated** (Detroit, MI), #12 on *The Zweig Letter* Hot Firm 2001 List, made the decision to diversify and grow geographically to bolster the firm against potential regional economic downturns. Two-thirds of the A/E firm's business was concentrated in the Midwest, a region dominated by manufacturing. "We wanted to reduce that number to under 50% without shrinking our market share in the Midwest," says Arnold Mikon, the firm's president.

So the A/E firm decided to expand through acquisition. They didn't jump into anything. It took four years of careful discussions before the firm made the first of five successful acquisitions. Now, the firm has grown from 400 employees in 1996 to 1,100 this year, and has branch offices in Phoenix, Miami, San Francisco, Washington, D.C., and Manila.

SmithGroup's path to success is representative of a growing trend. *ZweigWhite's 2001 Merger & Acquisition Survey of Design & Construction Firms* recorded a record-breaking 101 transactions in the industry in 2000— a 40% increase in merger and acquisition activity from 1999.

Using mergers and acquisitions as an engine for growth is a strategy shared by many of the 100 firms on *The Zweig Letter* Hot Firm 2001 List, and nearly all of the top 10 firms. What's driving this merger and acquisition frenzy? According to the leaders of these firms, acquisitions and mergers are a great way to achieve strategic goals such as expanding geographically, strengthening services and launching new ones, adding new employees and technical expertise, acquiring new clients, and penetrating new markets.

Tony Franceschini, president of 3,000-person engineering consulting firm **Stantec, Inc.** (Edmonton, Canada), says acquisitions have been a key to his firm's expansion over the years. Since it was established in 1954, the firm has enjoyed decades of uninterrupted profitability while posting an 18% annual compound growth rate in revenue. It's also grown from one person in the mid-fifties to 3,000 employees today and has successfully completed more than 40 acquisitions.

Beginning in 1991, Stantec entered the U.S. market with strategic acquisitions in the West, Southwest, and Southeast. Now the American arm of the firm, **Stantec Consulting, Inc.** (Phoenix, AZ), is #2 on *The Zweig Letter* Hot Firm 2001 List. For Stantec, growing through acquisition is much more efficient than establishing a branch office, hiring technical staff, and selling work from scratch, says Franceschini. And the firm plans to continue to make acquisitions both by geographic region and by its five core market segments— urban land, environment, buildings, transportation, and industrial. "We want to be one of the top three service providers in our service areas. We're not trying to be all things to all people," he says. CONTINUED ON PAGE 7 

W E E K L Y N E W S

COLORADO DESIGNERS WIN: Colorado Governor Bill Owens says he will allow a bill aimed at lifting practice restrictions on interior designers to become law without his signature. The bill (H.B. 1153) would change the state's architectural licensing law to allow interior designers who have met the profession's education and experience standards to prepare interior design documents for filing and obtaining building permits. To qualify, a designer must have a combined total of six years of education and experience and have passed the **National Council for Interior Design Qualification (NCIDQ)** (Washington, DC) exam. Owens called the state's current limits "unfair," saying they hinder the competitive marketplace and consumer choice.

FLYING THE WIRELESS SKIES: Wish you could check in with the office mid-flight? You're in luck. American Airlines, United Airlines, and Delta Air Lines are installing high-speed web service on some planes next year. The service, provided by Connexion, a unit of **Boeing** (Seattle, WA), would cost \$20 an hour for access to the Internet, e-mail, live television, data transmission, travel and destination information, and shopping. The service would initially be available over the continental United States, but international travelers might want to fly Singapore Airlines, Virgin Atlantic Airways, and Cathay Pacific Airways. All three will reportedly be adding a similar service created by **Tenzing Communications** (Seattle, WA).

Register now for *The Zweig Letter* Hot Firm 2001 Conference & Celebration October 18-19
The Argent Hotel
San Francisco, CA

Join the publishers of *The Zweig Letter* for two days of education, networking, and celebration. Subscribers can register for \$825, \$170 off the regular price. Call (800) 466-6275, e-mail info@zweigwhite.com, or visit www.hotfirm2001.com.



HOT FIRM 2001

How did we select the top 100 firms?

HOW DOES AN ARCHITECTURE, engineering, planning, or environmental consulting firm measure its success? Are the largest firms in the industry necessarily the most successful? The ones with the highest profits? Not always. In fact, to rank success by size or profit alone may eliminate some of the hottest design and environmental consulting firms in the industry.

So how did we come up with *The Zweig Letter* Hot Firm 2001 List? In March, ZweigWhite conducted a national survey of design and environmental consulting firms. We asked firms to share with us their 1997 and 2000 gross revenues. We received several hundred submissions from firms exhibiting growth over the past three years, then verified their revenue figures using financial statements or income tax returns reviewed by third parties.

The goal of *The Zweig Letter* Hot Firm 2001 List is to identify the most successful firms in the country by comparing revenue growth from 1997 to 2000. Last year's list ranked the 50 fastest-growing firms, but this year, due to incredible interest industry-wide in the list, we've expanded the ranking to 100 to recognize the success of even more firms. This year's contest was extremely competitive—we had submissions from hundreds of firms vying for the top spots. The result is a compilation of the hottest design and environmental consulting firms in the country.

To be eligible, firms must be based in the United States and derive the majority of their revenue from the practice of architecture, engineering, planning, environmental consulting, design & construction, or allied disciplines. Eligible firms also had to be in business as of January 1, 1997, and had to have gross revenue of \$1 million or more in 1997.

Our top 100 firms have widely varying backgrounds. Some are strictly architecture, engineering, or environmental consulting firms. Others are multi-discipline or full-service firms, offering traditional services and more. The winning firms had revenues from \$5 million to \$3 billion and everywhere in between. But the one factor that they all have in common is their outstanding growth over the past three years.

It's clearly easier for a \$5 million firm to double in size than it is for a \$3 billion firm, so our rankings are based on percentage growth and dollar growth. But when putting together the list, we wanted to give small and large firms equal opportunities to be recognized for their growth. We ranked all contestants by percentage growth, then by dollar growth. The sum of the two comprised the firm's final score. And the 100 firms with the lowest scores appear on *The Zweig Letter* Hot Firm 2001 List. By using both dollar growth and percentage growth, we were able to make sure that the list did not favor large firms over small or vice-versa. As is clear from the following pages, firms of all sizes are experiencing tremendous growth.

ZweigWhite congratulates the 100 firms on the following pages for their success over the past three years. And to those that didn't make it to this year's list, we wish you the best of luck for next year!— LAURA ROTHMAN (lrothman@zweigwhite.com)

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D E T A I L S

BEST MANAGEMENT DECISIONS: Hard work, favorable market conditions, and a great product or service are all important ingredients in the recipe for success. But it won't turn out right without some guidance from the master chef. So we asked leaders of firms on *The Zweig Letter* Hot Firm 2001 List to tell us about the best management decisions they ever made. Here are a few:

■ **Partnerships.** Wendell Wright, CEO of E/A firm **The Presnell Group** (Louisville, KY), #9 on *The Zweig Letter* Hot Firm 2001 List, says deciding to explore partnerships with other companies was a critical decision that has led to his firm's growth. "In the past, you would speak socially with the heads of other companies, but you wouldn't know about their businesses, and we weren't as successful," he says. "This has helped us say 'we're not the enemy,' and we can work together. By forming alliances, you can have a wider range of service opportunities."

■ **Management meetings.** John Bruck, president of **BHE Environmental, Inc.** (Cincinnati, OH), a 130-person environmental consulting firm ranked #14 on *The Zweig Letter* Hot Firm 2001 List, says holding periodic management planning meetings has helped propel his firm. "We identify issues and challenges that we face. Then we prioritize them. There are specific performance metrics that go to different individuals and groups," he says. "For example, right now our number-one priority is staffing. So what we've done in the last year since we identified that as our number-one priority is implement an HR program that's far more robust than we have ever had."

■ **Building a strong team.** Tony Franceschini, president and CEO of 3,000-person consulting engineering firm **Stantec Inc.** (Edmonton, Canada), the parent firm of **Stantec Consulting Inc.** (Phoenix, AZ), #2 on *The Zweig Letter* Hot Firm 2001 List, says that's the best decision he ever made. "The best management decisions were hiring the people who work for us and building the leadership team. In a business like ours, one or two people cannot do it alone. Qualified leadership is absolutely critical to our success," he says.

See *The Zweig Letter* Hot Firm 2001 List on pages 4-5





The Zweig Letter Hot Firm 2001 List: The 100 Fastest-Growing U.S. A/E/P & Environmental Consulting Firms

Rank	Firm	1997 revenue	2000 revenue	\$ growth	% growth
1	URS, San Francisco, CA	\$406,451,000	\$2,205,578,000	\$1,799,127,000	.443%
2	Stantec Consulting, Inc., Phoenix, AZ	\$12,181,406	\$66,454,514	\$54,273,108	.446%
3	CSA Group, Inc. San Juan, PR	\$8,462,433	\$42,400,436	\$33,938,003	.401%
4	Power Engineers, Inc., Hailey, ID	\$32,488,820	\$99,531,915	\$67,043,095	.206%
5	Raymond Professional Group, Inc., Chicago, IL	\$24,300,724	\$73,424,972	\$49,124,248	.202%
6	Carter & Burgess, Inc., Fort Worth, TX	\$118,188,032	\$313,427,670	\$195,239,638	.165%
7	Mulvanny G2 Architects, Bellevue, WA	\$11,408,788	\$38,416,866	\$27,008,078	.237%
8	The Keith Companies, Inc., Costa Mesa, CA	\$22,585,000	\$57,835,000	\$35,250,000	.156%
9	The Presnell Group, Louisville, KY	\$13,685,410	\$37,074,002	\$23,388,592	.171%
10	TolTest, Inc., Toledo, OH	\$14,791,970	\$38,405,847	\$23,613,877	.160%
11	The Sear-Brown Group, Rochester, NY	\$43,962,075	\$96,806,709	\$52,844,634	.120%
12	SmithGroup Incorporated, Detroit, MI	\$67,902,919	\$145,666,557	\$77,763,638	.115%
13	V3 Companies, Ltd., Woodridge, IL	\$8,988,722	\$24,743,535	\$15,754,813	.175%
14	BHE Environmental, Inc., Cincinnati, OH	\$6,466,959	\$19,784,820	\$13,317,861	.206%
15	Project Design Consultants, San Diego, CA	\$7,789,665	\$21,584,244	\$13,794,579	.177%
16	HMC Architects, Ontario, CA	\$18,553,557	\$42,423,298	\$23,869,741	.129%
17	Fields Devereaux Architects & Engineers, Los Angeles, CA	\$4,012,976	\$13,954,770	\$9,941,794	.248%
18	GKK Corporation, Irvine, CA	\$3,743,491	\$13,355,907	\$9,612,416	.257%
19	Life Cycle Engineering, Inc., Charleston, SC	\$11,558,993	\$27,829,463	\$16,270,470	.141%
20	Loureiro Engineering Associates, Inc., Plainville, CT	\$6,644,278	\$18,706,726	\$12,062,448	.182%
21	Dekker/Perich/Sabatini, Albuquerque, NM	\$3,292,266	\$12,651,030	\$9,358,764	.284%
22	SMRT, Portland, ME	\$4,489,664	\$14,325,643	\$9,835,979	.219%
23	Bowman Consulting Group, Ltd., Chantilly, VA	\$2,467,335	\$11,403,222	\$8,935,887	.362%
24	Mazzetti & Associates, Inc., San Francisco, CA	\$3,525,381	\$12,528,333	\$9,002,952	.255%
25	Chambers Group, Inc., Irvine, CA	\$2,241,921	\$10,853,339	\$8,611,418	.384%
26	LS3P Associates, Ltd., Charleston, SC	\$11,653,453	\$27,316,339	\$15,662,886	.134%
27	Woodard & Curran, Inc., Portland, ME	\$22,103,374	\$47,354,642	\$25,251,268	.114%
28	Sebesta Blomberg & Associates, Roseville, MN	\$9,511,038	\$23,061,413	\$13,550,375	.142%
29	PPM Consultants, Inc., Monroe, LA	\$2,845,622	\$11,165,800	\$8,320,178	.292%
30	Nolte Associates, Sacramento, CA	\$19,979,257	\$43,025,794	\$23,046,537	.115%
31	Atwell-Hicks, Inc., Ann Arbor, MI	\$8,192,000	\$20,704,000	\$12,512,000	.153%
32	Gensler, San Francisco, CA	\$139,949,721	\$276,976,093	\$137,026,372	.98%
33	Bloodgood Sharp Buster Architects & Planners, Inc., Des Moines, IA	\$6,983,196	\$17,967,442	\$10,984,246	.157%
34	Jacobs Engineering Group Inc., Pasadena, CA	\$1,780,616,000	\$3,418,942,000	\$1,638,326,000	.92%
35	Einhorn Yaffee Prescott Architecture & Engineering, P.C., Albany, NY	\$35,321,739	\$71,169,775	\$35,848,036	.101%
36	S E A Consultants, Inc., Cambridge, MA	\$11,535,996	\$25,812,267	\$14,276,271	.124%
37	Gorman Richardson Architects, Inc., Hopkinton, MA	\$2,177,116	\$9,428,804	\$7,251,688	.333%
38	OZ Architecture, Boulder, CO	\$10,721,132	\$24,165,783	\$13,444,651	.125%
39	ASI Advanced Structures, Inc., Marina Del Rey, CA	\$4,875,683	\$13,592,555	\$8,716,872	.179%
40	Parsons Brinckerhoff Inc., New York, NY	\$612,951,364	\$1,161,469,000	\$548,518,000	.89%
41	CUH2A, Princeton, NJ	\$21,537,351	\$44,635,525	\$23,098,174	.107%
42	Kaeyer, Garment & Davidson Architects, P.C., Mount Kisco, NY	\$1,557,806	\$8,172,372	\$6,614,566	.425%
43	Walter P. Moore & Associates, Inc., Houston, TX	\$15,180,457	\$32,372,183	\$17,191,726	.113%
44	ASCG Incorporated, Anchorage, AK	\$25,477,883	\$51,012,554	\$25,534,671	.100%
45	CRB Consulting Engineers, Inc., Kansas City, MO	\$19,347,834	\$40,046,597	\$20,698,763	.107%
46	Shooshanian Engineering, Inc., Boston, MA	\$6,242,034	\$15,483,719	\$9,241,685	.148%
47	Perkins Eastman Architects, P.C., New York, NY	\$19,993,804	\$41,310,154	\$21,316,350	.107%
48	ATI Architects and Engineers, Danville, CA	\$3,281,435	\$10,387,952	\$7,106,517	.217%
49	Farnsworth Group, Inc., Bloomington, IL	\$13,248,305	\$28,208,860	\$14,960,555	.113%
50	GDS Associates, Inc., Marietta, GA	\$5,845,060	\$14,709,914	\$8,864,854	.152%



For an explanation of how firms
were ranked, see page 3.

Rank	Firm	1997 revenue	2000 revenue	\$ growth	% growth
51	The Terracon Companies, Lenexa, KS	\$71,102,536	\$134,207,062	\$63,104,526	.89%
52	M/E Engineering, P.C., Rochester, NY	\$4,497,788	\$12,293,450	\$7,795,662	.173%
53	MBH Architects, Alameda, CA	\$11,261,526	\$24,304,000	\$13,042,474	.116%
54	Entranco, Inc., Bellevue, WA	\$20,761,182	\$41,895,863	\$21,134,681	.102%
55	Urbitran Associates, Inc., New York, NY	\$14,183,833	\$29,479,707	\$15,295,874	.108%
56	Essex Environmental, Inc., Half Moon Bay, CA	\$2,798,938	\$8,743,187	\$5,944,249	.212%
57	Balar Associates, Inc./AE Design Group, Shreveport, LA	\$2,249,927	\$7,771,486	\$5,521,559	.245%
58	CLC Associates, Inc., Englewood, CO	\$4,828,736	\$12,279,882	\$7,451,146	.154%
59	Henneman, Raufeisen & Associates, Inc., Champaign, IL	\$3,962,000	\$10,758,000	\$6,796,000	.172%
60	WD Partners, Columbus, OH	\$6,486,067	\$15,135,757	\$8,649,690	.133%
61	Hammel, Green and Abrahamson, Inc., Minneapolis, MN	\$36,380,968	\$68,238,882	\$31,857,914	.88%
62	The Thornton - Tomasetti Group Inc., New York, NY	\$26,435,348	\$50,142,420	\$23,707,072	.90%
63	Cambria Environmental Technology, Inc., Oakland, CA	\$2,659,057	\$8,149,154	\$5,490,097	.206%
64	Tectonic Engineering Consultants, P.C., Mountainville, NY	\$11,314,801	\$23,571,794	\$12,256,993	.108%
65	Environmental Compliance Services, Inc., Agawam, MA	\$3,668,726	\$9,958,541	\$6,289,815	.171%
66	Wilcox Associates, Inc., Cadillac, MI	\$5,304,648	\$12,547,819	\$7,243,171	.137%
67	TRC Companies, Inc., Windsor, CT	\$65,447,000	\$117,131,000	\$51,684,000	.79%
68	Jordan, Jones & Goulding, Inc., Atlanta, GA	\$30,530,537	\$55,951,258	\$25,420,721	.83%
69	KKE Architects, Inc., Minneapolis, MN	\$11,008,702	\$22,394,590	\$11,385,888	.103%
70	Pond & Company, Atlanta, GA	\$8,766,896	\$18,293,354	\$9,526,458	.109%
71	The C&S Companies, Syracuse, NY	\$15,998,660	\$30,904,697	\$14,906,037	.93%
72	Tilden Lobnitz Cooper, Orlando, FL	\$11,271,520	\$22,737,458	\$11,465,938	.102%
73	Degenkolb Engineers, San Francisco, CA	\$8,814,322	\$18,334,693	\$9,520,371	.108%
74	Chas. H. Sells, Inc., Briarcliff Manor, NY	\$12,863,091	\$25,618,042	\$12,754,951	.99%
75	Shen Milsom & Wilke, Inc., New York, NY	\$6,844,982	\$14,766,175	\$7,921,193	.116%
76	Willdan, Anaheim, CA	\$22,698,429	\$42,238,324	\$19,539,895	.86%
77	OP.X, Washington, DC	\$3,050,089	\$8,092,855	\$5,042,766	.165%
78	Kimley-Horn and Associates, Inc., Cary, NC	\$101,638,596	\$170,980,541	\$69,341,945	.68%
79	Haley & Aldrich, Inc., Boston, MA	\$33,296,671	\$58,958,950	\$25,662,279	.77%
80	PMK Group Inc., Kenilworth, NJ	\$7,329,749	\$15,319,712	\$7,989,963	.109%
81	Wendy Lopez & Associates, Inc., Dallas, TX	\$3,925,327	\$9,297,827	\$5,372,500	.137%
82	Greyhawk North America, LLC, Woodbury, NY	\$1,412,455	\$5,126,600	\$3,714,145	.263%
83	Hanson Engineers Inc., Springfield, IL	\$24,887,641	\$44,683,819	\$19,796,178	.80%
84	BLDD Architects, Inc., Decatur, IL	\$4,134,006	\$9,573,248	\$5,439,242	.132%
85	EORM, Inc., Sunnyvale, CA	\$7,429,863	\$15,371,275	\$7,941,412	.107%
86	Corgan Associates, Inc., Dallas, TX	\$33,933,937	\$58,946,939	\$25,013,002	.74%
87	Moffat & Nichol Engineers, Long Beach, CA	\$28,135,000	\$50,100,000	\$21,965,000	.78%
88	VHB/Vanasse Hangen Brustlin, Inc., Watertown, MA	\$42,814,551	\$72,980,157	\$30,165,606	.70%
89	RNL Design, P.C., Denver, CO	\$15,909,643	\$29,600,651	\$13,691,008	.86%
90	Mid-Atlantic Associates, P.A., Raleigh, NC	\$1,519,946	\$5,145,163	\$3,625,217	.239%
91	David Evans and Associates, Inc., Portland, OR	\$56,801,760	\$95,041,183	\$38,239,423	.67%
92	L. D. Astorino Companies, Pittsburgh, PA	\$10,797,494	\$20,776,774	\$9,979,280	.92%
93	Burgess & Niple, Limited, Columbus, OH	\$39,225,101	\$66,751,154	\$27,526,053	.70%
94	England Geosystem, Inc., Irvine, CA	\$2,483,021	\$6,740,947	\$4,257,926	.171%
95	ARCADIS G & M, Inc., Denver, CO	\$159,988,000	\$257,824,000	\$97,836,000	.61%
96	Flad & Associates, Madison, WI	\$22,830,594	\$40,922,561	\$18,091,967	.79%
97	Fuller, Mossbarger, Scott & May Engineers, Inc., Lexington, KY	\$13,064,443	\$24,650,964	\$11,586,521	.89%
98	Pierce Goodwin Alexander & Linville, Houston, TX	\$19,562,857	\$35,176,941	\$15,614,084	.80%
99	Groundwater & Environmental Services, Inc., Wall, NJ	\$23,211,821	\$41,359,599	\$18,147,778	.78%
100	Carrier Johnson, San Diego, CA	\$11,721,534	\$22,202,161	\$10,480,627	.89%



HOT FIRM 2001

Making it last

IT DOESN'T NECESSARILY TAKE A LOT OF HARD WORK or a good business plan to make your business wildly successful. Sometimes it can be a streak of dumb luck that lands you the right contracts at the right time. But, as many former dot-com companies can attest to, that kind of success can be fleeting. What counts most is making it last.

For companies on *The Zweig Letter* Hot Firm 2001 List, it was hardly dumb luck that got them where they are today, though these firm leaders aren't taking anything for granted. They're working hard to make sure the prosperous times last.

Power Engineers, Inc. (Hailey, ID), a 700-person engineering firm ranked #4 on *The Zweig Letter* Hot Firm 2001 List, has experienced a major growth spurt over the last few years, acquiring companies like **Advanced Power Solutions** (Billings, MT) and **TDEC** (Portland, OR). It also opened new offices in Georgia, California, and Texas, and landed its biggest contract ever for engineering, constructing, and managing 230 miles of power lines. President Jack Hand says keen strategic planning was one critical factor in helping Power Engineers become successful, and it will be one of the main reasons the firm's success will last. "What really opened the door for us was the desire for utility companies to be competitive," he says. "We positioned ourselves because we saw it coming."

Three-hundred-person A/E firm **The Presnell Group** (Louisville, KY), this year's #9 firm on *The Zweig Letter* Hot Firm 2001 List and a 100-person company just five years ago, has expanded as a result of a mixture of both acquisitions and organic growth. While one company cannot be all things to all people, the key to making its success last is diversification, according to firm CEO Wendell Wright. "We didn't put all of our eggs into one basket," he says. If your scope of service is too narrow and there's a downturn in that market, sticking around for the long term will be a challenge.

Eric Nielsen, president and COO of 650-person civil engineering firm **The Keith Companies** (Costa Mesa, CA), #8 on *The Zweig Letter* Hot Firm 2001 List, agrees diversification is important for long-term success. "Diversity is key," he says. "You have to be able to adapt to an up-and-coming market and change as service needs change." Nielsen's firm has grown significantly, having acquired five firms in just over three years. "It's also important, when you're looking to grow the company, that you grow with a good opportunity and you're not just growing to grow. You should look for growth that will complement or supplement your current business plan."

Forming strategic alliances and being on the lookout for mergers that can point your business in a new direction are also keys to lasting success, Wright says. "Acquisition is the easiest way to get people with 10 years experience on your staff," he says. "And we're always looking at alliances. Who knows what the business is going to be like 10 years from now."

Hot Firm leaders aren't just looking at what they should do to be successful, they're also keeping a careful eye on what they shouldn't do. "You have to make sure your high level of growth doesn't outstrip your ability to manage that growth," says Doug Chidley, president of the #5 firm on *The Zweig Letter* Hot Firm 2001 List, 520-person E/A firm **Raymond Professional Group** (Chicago, IL). "You have to have a good team and good →

D E T A I L S

FINANCIAL TIPS FROM HOT FIRMS: Are you hankering to be a Hot Firm? Here are some financial tips from the firms that made the top of *The Zweig Letter* Hot Firm 2001 List:

■ **Keep debt low.** Mitchell Smith, president of 320-person **MulvannyG2 Architecture** (Bellevue, WA), #7 on *The Zweig Letter* Hot Firm 2001 List, says keeping debt low was a big factor in his firm's explosive growth. "A key for us was not carrying any burdens of debt and working from our own capital to fund the expansion," he says. Michael Boyle, president of 380-person environmental consulting and engineering firm **TolTest, Inc.** (Toledo, OH), #10 on *The Zweig Letter* Hot Firm 2001 List, agrees. "If you keep your debt down, you'll look good to your board of directors and keep your accountant happy. As you pay your debt down, you are paying less interest on your loans, which improves your cash flow," he says.

■ **Don't undercharge.** When your firm is growing, you're putting an emphasis on increasing sales, getting repeat business, and delivering quality service. You can run the risk of losing sight of your profit margins and undercharging for your services. James Fei, chairman and CEO of **Life Cycle Engineering, Inc.** (Charleston, SC), a 250-person consulting engineering firm ranked #19 on *The Zweig Letter* Hot Firm 2001 List, recommends that you keep the focus on charging the right amount. "A growing company can survive on small profit margins, but you don't need to. There is value to what you're doing, and you should receive what you're worth on each and every job," he says.

■ **Pay attention.** Jack Hand, president of 700-person **Power Engineers, Inc.** (Hailey, ID), #4 on *The Zweig Letter* Hot Firm 2001 List, advises adopting a hands-on approach to your firm's finances. "Pay close attention to your financial information, and make sure you're paying the right wages. Make sure you're paying off your debts properly. It's boring work, but don't let the accountants be the only ones paying attention. They can't be the only source. You're the expert in what you do, and you need to be involved financially," he says.



HOT FIRM 2001

Making it last

(CONTINUED)

systems in place, and lay out your guidelines for growth. You have to get in sync with what you're going to do. Sometimes you have to learn that the hard way, so you better be careful."

Though currently dwarfed in the power market by giants like **Bechtel Corp.** (San Francisco, CA), Hand says Power Engineers should have little problem continuing its success. "We're like Avis car rental: We're number two, and we try harder," he says. "We're not driven by growth; it's just a result of what our guys are doing. We only hire top-notch staff, and the key to keeping these people is to keep projects challenging and fun.

"To make it last, you've got have a good grasp on the marketplace," he says. "Get the right information, listen, and position yourself. If you do all that, and you get a lucky break here and there, you'll stay busy. If you can win clients over, you'll always have work. The secrets of success haven't changed in the last 30 years. You just have to go out and do it."— **MARK J. GRADY** (mgrady@zweigwhite.com) ■

HOT FIRM 2001

Growing by M & A

(CONTINUED FROM P. 2)

But growing through acquisitions poses a challenge beyond due diligence and closing the deal. The real obstacle is absorbing another firm, which may have a different culture and values, into your organization.

URS (San Francisco, CA), the hottest firm in the country (#1 on *The Zweig Letter* Hot Firm 2001 List) for the second year in a row, has made the integration of its five most recent acquisitions a priority. The 15,600-person E/A firm, whose revenue exploded by 446% from \$406.45 million in 1997 to \$2.2 billion in 2000, formed a management team comprised of representatives from URS and from each of the firms it acquired to help the process along. David Nelson, URS' corporate treasurer, says the goal is to meet with as many employees as possible to ease the transition and communicate URS' strategy and vision, which allows local branch offices to be semi-autonomous yet use the extensive resources of URS to provide services that aren't offered locally. But despite management assurances that they wouldn't lose all autonomy, there have been small shakeouts after some of the acquisitions. "There were some employees who preferred to work for a smaller company," Nelson says.

Like URS, **ToITest, Inc.** (Toledo, OH), #10 on *The Zweig Letter* Hot Firm 2001 List, found integration a challenge. Michael Boyle, the firm's president, says the real work began after it acquired 20-person asbestos abatement firm **United Enviro-Tech** (Brighton, MI) and the federal services division of engineering and construction management firm **R&R International Group, Inc.** (Reynoldsburg, OH). "You have to make your new people feel like they're a part of the organization as soon as possible. People coming on board are skeptical. They're worried about job security. They're the new kids on the block, and they're wondering whether they'll be on the block in a month or two," he says.

Mitchell Smith, president of **MulvannyG2 Architecture** (Bellevue, WA), ranked #7 on *The Zweig Letter* Hot Firm 2001 List, says his management team makes a point of meeting every new employee and treating each of them as if they had always been members of the staff. The firm has made five acquisitions since 1995. "Giving them respect and credit from the get-go is extremely important, so they don't feel like they're losing ground," says Smith. "The leadership has to make it happen."—

JASON PRING (jpring@zweigwhite.com) ■

TRANSACTIONS

CAP, CSA COMBINE: Engineering firm **CAP Engineering Consultants** (Miami, FL) has merged with E/A firm **CSA Group** (San Juan, PR), #3 on *The Zweig Letter* Hot Firm 2001 List, forming one of the largest Hispanic-owned firms of its type in the United States, with more than 550 employees. CAP will operate under the name CSA Group/ Southeast. CAP President Carlos Penin will be a senior vice president of CSA and will supervise the firm's six Florida offices. ■

BROWN & CALDWELL BUYS: **Brown & Caldwell** (Walnut Creek, CA), a 1,000-person environmental engineering firm, acquired **Moffa & Associates** (Syracuse, NY), a 15-year-old engineering firm specializing in wet weather and combined sewer overflows (CSOs). Founder Peter Moffa is now senior vice president and CSO technical director for Brown & Caldwell. ■

MANCINI-DUFFY MERGER: The Washington office of interior design firm **Liminality, LLP** (Palm Springs, CA) has merged with architecture and planning firm **Mancini-Duffy** (New York, NY). The merger creates a Washington office for Mancini-Duffy and integrates the work of its strategic planning group with Liminality's business consulting group, The Center for Workplace Innovation. The office will be known as Mancini-Duffy/Liminality. ■

CALPINE BUYS WRMS: Power company **Calpine** (San Jose, CA) has acquired **WRMS Engineering** (Walnut Creek, CA), a 100-person firm with offices in Anchorage, Honolulu, and Irvine, California. WRMS will operate as a subsidiary of Calpine and will continue to provide engineering, construction, and project management services for power plants. ■

CME/CPK DEAL: Land surveying and civil engineering firm **CME Associates, Inc.** (Woodstock, CT) and A/E firm **Chandler, Palmer & King** (Norwich, CT) have merged to form the CME/CPK Design Group. The combined firm will provide architecture, civil and structural engineering, and environmental services to private-sector and municipal clients in southern New England and New York.



HOT FIRM 2001

Hot Firm success story: Einhorn Yaffee Prescott

LAST YEAR, when **Einhorn Yaffee Prescott Architecture & Engineering, P.C. (EYP)** (Albany, NY) landed on *The Zweig Letter* Hot Firm 2000 List, we noted how successful they'd been with a mission-critical service launched three years before. Now they're back (#35), and their "new service" has turned into a new firm, one that has netted its owners a strong return on their investment.

Between 1997 and the firm's fiscal year 2001 (which ended in April), EYP's gross revenue has jumped from \$35 million to a projected \$100 million. And recently, they spun their lucrative service division into a separate company, **EYP Mission-Critical Facilities, Inc.** (New York, NY), and sold two-thirds of the ownership to equity investment firm **TA Associates** (Boston, MA), for \$57.5 million. Seems incredible, but it's true. Here's how it happened:

1. They found a unique need they could fill. In 1992, EYP acquired an A/E firm that specialized in telecommunications, with an eye toward expansion in that market. But their market research made it clear that the real potential was in a combination of the Internet, telecommunications, and financial sectors— in designing buildings and systems that are critical to the businesses housed inside, says Steve Einhorn, now chairman of the two EYP companies. They developed a plan not just to move into this growth area, but to position themselves as leaders. The first move was to recruit Peter Gross, an engineer of national renown in that specialty, to build the new service. "It took us a long time to convince Peter to join us," says Einhorn. "He had worked in engineering companies, and we were an architecture-driven A/E firm." But Gross came on board, assembled a team, and went after large corporate clients. And because the specialized work was in demand and because they were quickly positioning themselves as experts, EYP was commanding high rates.

2. They built the name. Once the service gained momentum, EYP created a whole identity around it. They created a division with a separate staff, launched

a separate web site, and used a marketing consultant to build their brand. Since few A/E firms have committed themselves to this segment of the high-tech sector, many initial clients returned, and others followed— along with a fair amount of press. In fact, it was an article in the *Albany Business Journal* that drew Michael Wilson, principal of TA Associates, to the firm.

The Mission-Critical Division met TA's investment strategy perfectly: It was fast-growing, highly profitable, straddling the technology and service sectors, working with premier clients, and had a strong management team in place. So Wilson gave them a call, spurring a series of meetings that ended with TA Associates making an initial investment to buy the division from EYP's shareholders and bringing capital and experience to the table to fund further growth. Einhorn and Gross retain partial ownership and now serve as president and CEO, respectively. Two TA executives will join them on the board of directors, along with two outside directors recommended by TA.

3. They knew what they wanted to do. Even when it was part of EYP, the division had a different strategy than the firm's traditional A/E work in restoration and institutional design. The operating structures, by necessity, were different. And the growth potential was enormous. While the Internet sector has slowed, the firm has focused on the finance side, gotten involved in government data centers and other mission-critical-type buildings, and expanded overseas. From the start, external financing was always a possibility, says Einhorn. So was an outright sale. But even those who built the service to its current position are surprised at how lucrative it has been. "It's pretty shocking," he says of the \$50 million the division brought in during the firm's 2001 fiscal year. In the next few years, EYP Mission Critical will continue in growth mode, positioning itself for a sale three to five years down the road— or for an initial public offering, Wilson says.

4. They capitalized on an opportunity. Einhorn says that, although the firm heard from other equity investors and *Fortune* 500 firms, TA Associates was clearly the best match. "We like the principals that TA assigned to us," he says.

"And we were very interested in the fact that they wanted to be financial partners rather than strategic partners. They wanted us to retain a strong operational voice in the company. Their expertise is not in running businesses; they want to provide the financial resources to help us grow and return money to shareholders who have invested in the company." The deal was structured to accelerate EYP's internal ownership transition as well, allowing for the retirement of partner Andy Prescott and a restructuring of the A/E firm's management team.

So who says you can't make money in this business? Certainly not the guys who told us last year that they'd started out with dreams of owning a seven-person architecture firm. — **SALLY GIEDRYS** (sgiedrys@zweigwhite.com)

C A L E N D A R

AND THE WINNER IS: With *The Zweig Letter* Hot Firm 2001 List of the hottest A/E/P and environmental consulting firms in the country revealed in this week's issue, *The Zweig Letter Hot Firm 2001 Conference & Celebration* won't have the same anticipation and surprise as Oscar night. But there's no denying that, like the Oscars, it's the must-attend event of the year.

Held to rave reviews last fall in Cambridge, Massachusetts, the event moves to the Left Coast this year. It takes place October 18-19 at The Argent Hotel in San Francisco, centrally located in the city's buzzing South of Market area. The agenda includes two full days of keynotes and in-depth strategy breakout sessions with topics that cover the bases of what's important to today's fast-growing firms: sustaining growth in a changing economy, exploring new markets, e-commerce and technology, mergers and acquisitions, and much more. In this issue, firm leaders talk candidly about their success, but that's just a taste of what you'll get in San Francisco later this year.

There will also be plenty of networking at refreshment breaks, cocktail receptions, an off-site event for attendees and spouses, and of course, the gala awards dinner recognizing the 100 fastest-growing firms. So whether yours is one of the top firms— or it's heading in that direction— *The Zweig Letter Hot Firm 2001 Conference & Celebration* is the place to network, learn from the best, gather management ideas, and get inspired by the industry's many success stories.

Last year's event sold out, so register early to secure a spot and take advantage of special hotel rates. Call us at (800) 466-6275 or visit www.hotfirm2001.com for information.

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