



Why are they growing during a recession, while we struggle?

An inside look at the country's fastest growing engineering firms and what they are doing right.

By David Coreen and Michael Rocha, Davron

New York or New Jersey, not exactly the most booming of places given the financial crisis those areas went through. Three were in California, which went through a more severe housing crisis than Florida. And yes, one Florida firm took 8th place honors. That firm is X-nth, out of Maitland.

Factors

So what was it these firms did that made them stand out? What was the common thread that held these firms together? The answer isn't simple, but we found four common, recurring themes.

The first is that these firms have very deep contacts and conduct business within the Government sector, especially on the Federal level. We emphasize federal over state, county, and city because the majority of the top 20 as well as the top 200 had this in common.

The second connection we found is that those firms have substantial connections and conduct business with Fortune 500 firms. And the ones who really thrived in this category focused on the Fortune 500 companies that, in turn, had significant ties and conducted business with the federal government. This made perfect sense, given our first conclusion.

The third factor is that each company excelled in substantially increasing visibility in many areas of marketing. Rather than cutting back during the tough times, they went all-out and took advantage of the weaker market. Many areas of advertising suffered, so getting high visibility in prominent markets became much cheaper. Then, when the other engineering firms started to fade away from their diminished marketing plans, these firms grabbed a good market share of the business that was out there.

The fourth and final prevalent factor was that fast-growers diversified their services. There were plenty of very profitable niche engineering services last year. In some cases the fast-growing firms had little to no presence in 2007, but in 2008 managed to position themselves and quickly establish a head-turning presence with rapid, successive strategic hires.

Of course, in our analysis we had other factors that also contributed, including M&A (mergers and acquisitions) activity, being positioned in the right, fast-growing niche, etc. But our research firmly concluded the four factors presented above were the most common thread these firms have. OK, great, you may ask. So what can I do about it as a decision maker?

Actions

In order to be most effective and due to space constraints, we are going to concentrate on the easiest, most actionable items. Therefore, the topics of marketing and branching out have been chosen as most appropriate.

We'll start with marketing. Everyone knows this is the information age, yet many engineering firms still refuse to take advantage of Internet marketing. The good news is this does not have to be an expensive campaign. With so many networking and niche sites connecting members for free, the biggest factor is committing the internal resources and time.

Many companies have taken advantage by asking key employees to join sites like myspace.com, facebook.com, and the newest web sensation, twitter.com, a free social messaging utility for staying connected in real time. Many of the companies also have stylishly-designed and interactive Web sites. When a potential client goes to check out a firm, one of the first places they look is on the Internet. Yet many of

Recently, many engineering firms have gone through substantial downsizing, if not completely closing their doors. Yet in the same difficult environment there are many firms that have experienced high double- and triple-digit growth in 2008. "Some doubled last year in revenues?" The answer is an emphatic "Yes," and here's why:

Davron, a niche-oriented recruiting firm that focuses only on technical staffing, conducted a study¹ of the top 200 fastest-growing engineering firms in the USA, based on the Zweig Letter rankings of 2008. Davron is in the unique position of having relationships with nearly 25% of those firms and 40% of the top 20 fastest-growing firms of '08.

Before conducting the study, Davron's internal research department thought these engineering firms just happened to be in the right place at the right time. (Civil engineers reading this in our home state of Florida can relate to the growth spurt such a short time ago.) We thought the majority of those firms probably were involved with oil, gas or energy. Given the lofty price of those commodities, it seemed to make perfect sense. We also thought the right place was probably somewhere in the Midwest, especially in Texas. What we found surprised us, as our initial thoughts were turned upside down.

Out of the top 200, we initially focused our study on the top 20. Four of the top 20 were headquartered in

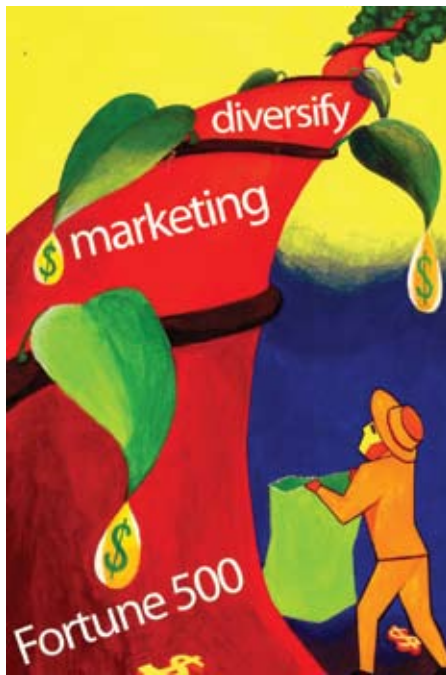
the struggling firms have very dated-looking Web sites.

The firms that had a combination of both, a great-looking Web site and lots of coverage from social networking sites, did the best. One other big free plus is that search engines like Google send out “spiders” crawling the Web every day and picking up information from the social networking sites. Just by typing in your company name or service, you may see one of your employees or company information all over Google and Yahoo, a huge plus. Take a close look at your Internet presence and then compare it to that of the top 20; you may see the difference right away. One quick step you can take is to go to Google, type in your company’s services, specialty and location, and see where you stack up against your competitors.

From a traditional marketing approach, the common theme was “Think BIG!” On the cheapest level you can start with existing project signage. Put up as big a sign as the law will allow on the project site. Don’t be concerned with trying to figure out your company’s role in the grand scheme of the project. Just go out there and put up the biggest sign you can to give your company more visibility. The same can be said for wherever you have offices. Every location should have as large a sign as possible. Again, you’re shooting for visibility, which in turn gives you credibility. Even if most people driving by don’t know who you are or what you do, clearly there is also a small percentage that will ultimately take action to contact your firm.

Fast-growing firms were also very good at establishing a certain look that clearly identified their company and team. All company logos should look uniform; all company uniforms should have a common theme, all company letterheads need to stand out immediately as being from your firm, all plans should have the same look with your company name, logo, and every other identifiable characteristic looking uniform across the board. It’s all about branding and self-promotion. On the most visible level, think of Donald Trump. He is a relentless self-promoter, and always talking about the Trump brand.

Finally, there are some unique but not-so-new marketing ideas. They could be considered guerilla or stealth marketing tactics. Some utilized cars to identify their company. (And we don’t mean just the logo on the side of your truck that’s been stuck there for 10 years.) One company advertised to all new Toyota Prius owners in their area that they would give them a yearly fee for completely covering their car in their bold company colors and logo. They had more takers than they could use. But the key is to be original and pick a stand-out car, or at the very least, stand-out colors. Before you know it, your company name is being seen in all parts of town.



The final marketing idea is to utilize padfolios, pens, laptop bags, and anything else used when meeting or dealing with clients as another marketing space for your logo. Insist that your employees always use these when talking or dealing with potential or existing clients. Insist on the same shirts and a unified, uniform look.

It is very important that you, as a decision maker, find the right marketing firm that has worked on engineering projects in the past. Cutting-edge marketing that has been proven to work for the engineering sector is critical. A marketing firm that takes a holistic approach and can help with numerous areas like the Internet, logo, sign visibility, etc. is key.

The final area we will discuss is branching out into other engineering areas or markets. At Davron, we got to deal first-hand with company executives, who gave us their view of their firms’ future plans and where they would like to be.

The main thing to emphasize is that before those firms diversified, the first thing they went through was a “back to basics” type of mentality. This means getting your house in order, your engineers and staff on the same level, with a unified company goal and culture. It also means aggressive collection efforts on existing receivables, cutting away the dead wood, talking to all of your existing and past clients, and generally being much more aggressive because of the cut-throat competition. “Survival of the fittest and strongest” is very appropriate in describing this kind of environment.

Some company CEOs and executives dreamt up a new division and quickly established it in a very short time. It was always a very positive, “We can get this done” type of attitude we heard from each of our clients.

The first question to decide for your company’s diversification efforts is on a macro level. Do you want to expand into other markets and continue to offer the same areas of expertise, or do you want to branch out into other specialties? The answer is sometimes simpler than you think.

Diversifying offerings in existing locations was by far the largest game plan our client companies and the other fast-growers took. The primary reason for this is that the support was already there. Maybe you, as the decision-maker, want to be right there too. In many cases, having an empty office and devoting office resources was not a big concern. If you have administrative and support staff that you feel needs something more to do, new projects and ideas can be very motivating.

The next thought was how to branch out to a specialty that would take advantage of their company’s existing infrastructure. By doing a thorough review of existing assets, they were able to make a careful assessment. On a smaller scale, a land development firm with three engineers decided the

Continued on Next Page

most appropriate course was to find a professional geologist to augment existing projects and grab a larger share of the work. Working closely with Davron, they located a local, P.G. sole proprietor. He had strong business development skills but didn't have the resources to support some of his projects. As it turns out, this was a great move for both sides. The firm added 35% more revenue in 2008 as compared to 2007, and grabbed a larger share of projects.

On a medium scale, an engineering firm that focused on forensic engineering (mainly structural) in numerous locations decided to go bigger, and contacted us to help in their decision-making process. Through our market analysis and collaboration with the firm, the decision was made to open a new construction division. The thought was, "We're giving our clients advice on how to repair things, why aren't we following through and not doing the work?" The monetary result was an increase in revenue of nearly 20% in '08 and a solid start in '09. But the best part was that this move lifted the spirits of the entire staff. Company employees became busier, staff morale was up, and staff retention went up significantly as well.

On a larger scale, a prominent nationwide client expanded into interior and architectural services with

a very similar thought. They had many projects that were either in mid-stage or close to completion in key markets, and now they were in a position to call those very same clients and successfully win the next phase of the project. The key in this search was to find a very strong registered architect with excellent business development skills and build a team around him. Were there some firms whose toes they stepped on that were originally promised the work? Of course, and this was carefully taken into account market by market. But we refer to our words earlier; this is a "survival of the fittest and strongest" type of market. Politics takes a back seat.

This new division helped offset weaknesses in other areas in the firm. It also aided in consolidating staff and giving hope to existing employees that the sky wasn't falling, there was business out there to be had. As a result, employee morale and productivity went up and turnover was significantly reduced. ■

References

1 More information on our current and past research topics can be found by calling our firm toll-free at 1-888-9DAVRON, or locally at 813-961-6632. Regarding diversification and expansion ideas, Michael Rocha, V.P. and George Nubel, V.P. are major players and Davron partners instrumental in working with our company clients, old and new. Additionally we have a registered professional engineer on staff, Robert Bellucci, PE, Managing Director and also a Davron partner. Rob is instrumental in assessing a company's technical needs and future growth plans, as well as evaluating and carefully screening potential new hires. Again, please feel free to contact any of the above team members for more information on how we can help your company grow and find new talent.

About the Authors:

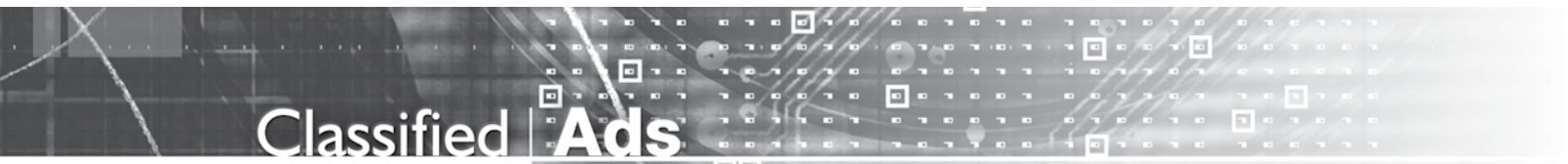


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