



SCOTT PAULUS

Fifteen Milwaukee-area construction and architectural executives met at The Business Journal on Sept. 25.

Construction firms, architects adapt to a 'new normal'

Public sector feeding the pipeline for now

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Local construction companies and architecture firms have dramatically cut costs, reduced staff and altered the way they do business to combat the effects of the prolonged recession, industry leaders said at The Business Journal's recent "CEO Roundtable."

CEO ROUNDTABLE CONSTRUCTION & DESIGN

In a session held Sept. 25 at The Business Journal's downtown Milwaukee office, industry leaders offered assessments of their respective fields, changes they've made at their firms and the prospects for a short-term recovery.

Below are excerpts of some of the executives' responses to questions from the session.

Q. How has the economic downturn forced you to change the way you do business?

David Raysich, managing partner, Plunkett Raysich Architects, Milwaukee

"You have to be able to quickly react, and as small businesses I think we have had the opportunity to look at cutting staff and expenses. That's been very hard for all of us. Also, there's still work out there, but it's in a different place. There's very little private money right now, so the private sector is really gone. Where the money is for construction and design is in the government sector. The large projects that we all love and wish we had are few and far between, so we're all looking at smaller projects that we probably wouldn't have looked at before. You've also got to look at profit margins differently in this economy. Our profit expectations were reduced substantially."

Charles Engberg, partner, Engberg Anderson, Milwaukee

"Our market isn't just local. We're happy about that. We have also reduced staff, and it's very painful. Our staff has been reduced by about 25 percent from where it was at its zenith. We think we've bottomed out. We're pretty sure there's enough work out there for the next several months. We diversified our work. We are doing a number of cultural projects. We just finished a couple of museums. I used to be full-time design, but now I'm mostly marketing. That's a big change. We've gotten our staff involved in marketing as well. The more eyes we have on the street, the more potential we have of bringing in work. We've morphed into a different mechanism for garnering work."

Eugene Guskowski, principal, AG Architecture, Wauwatosa

"We now have the gift of time. We've taken some of the things we learned doing larger projects and applied them to smaller projects. An interesting byproduct is that developers now feel they are in the driver's seat and it's a lot harder to gain their trust."

Craig Coursin, president, MSI General, Neshotah

"Everyone is trying to figure out what is the new normal in terms of overhead."

Richard Schmidt Jr., president and chief executive officer, C.G. Schmidt, Milwaukee

"We're a little bit late coming to the party because we had a good backlog of work prior to the downturn. Right now we have a lot of large projects that are getting done without very much in the pipeline. We had to take a look at our people and their responsibilities and try to reorganize the whole firm to be able to survive this. Our goal is to keep as many good people as we can, but it's difficult to do that."

Leif Nesheim, president and principal, Berghammer Construction Corp., Butler

"After the economic shakeout, I'm sure no

one has let a top performer go, but we've had to let marginal and underperformers go. But for the people who are left, it has become an employer-based market. The people who are left are working really hard to pitch in. You are getting more people who raise their hand and say they'll help and try to chase that deal. Although we're dealing with a whole new economic condition, at the same time we aren't dealing with a lot of employee baggage."

John Hunzinger, president, Hunzinger Construction Co., Brookfield

"Two years ago, all we ever heard about was that the most important thing was to figure out how to attract and retain the best people. Recently, though, the construction industry hit almost 20 percent unemployment. I think we have more and more people at our organization trying to figure out how to keep a seat on the bus. There's a whole generation of employees that we have working for us that have never experienced a severe downturn. You have to figure out a way to throttle down the company without cutting into the muscle."

Craig Jorgensen, president and partner, VJS Construction Services, Pewaukee

"We have to really keep our pulse on the subcontractors who work for us and monitor their financial stability and capabilities. All it takes is for one subcontractor to go out of business and you've got a lot of problems. On the customer base, we spend a lot of time doing the due diligence to make sure the financing is in place. We now make sure we are in touch with their lenders just to make sure everything is in the right place."

John Vetter, president, Vetter Denk, Milwaukee

"The biggest fundamental change has been the money. We have to educate ourselves and learn how the finances of a project work, with all the strings and contingencies attached to it. We're falling back on

municipalities to be involved in financing. There are federal programs, too, like tax credits. They are a pain, but a great tool. It's a whole new ballgame."

Q. Have you seen improvement (new projects) in any area of construction in recent months?

Gary Grunau, Grunau Consulting LLC, Milwaukee

"I think the construction industry is going to have a bad year in 2010. I think it'll be spring of 2011 before the business comes back. All of you have to be prepared for a really slow 2010. Companies lived on their backlog. There's no backlog for 2010."

Leif Nesheim

"We gave a state of the union address to our employees about a month ago and it mirrored what we gave last year. This is starting to feel like the fourth quarter of 2008 when we weren't sure about 2009. In 2009, people adjusted and we're moving forward. But now we're not sure about 2010. Everyone is doing the best they can to find leads and be aggressive, but we aren't sure where it's going to be."

David Raysich

"We've changed our focus to federal government work. We're doing work at five VA hospitals around the Midwest. We found an opportunity late last year and moved into that marketplace. That's the reason we've been able to stay where we are as far as the number of staff."

Eugene Guskowski

"I feel there's going to be a slow recovery that is starting to take shape."

Also attending the event were: George Beyer, Beyer Construction; Bruce Stern, Inland Construction; Mike Dillis, J.H. Findorff; Kevin Hickman, J.P. Cullen & Sons; and Mark Sherry, M.A. Mortenson Co.