

Half of Firms Cut Staff; Profit Margins Stabilize

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Building Design and Construction

Half of architecture, engineering, and environmental consulting firms cut staff in 2008, while profit margins on net service revenue remained virtually unchanged from 2007 to 2008, according to ZweigWhite's newly released 2009 Financial Performance Survey.

"Historically, firms in our industry have been notoriously reluctant to let go of staff as work volume slows because it's so hard to find and develop such staff when business is good. Instead, they would gamble that the downturn would be short-lived, and carry the excess staff and associated overhead too long," says Ian Rusk, ZweigWhite president and financial consultant.

But it seems firms have learned from the lessons of the recent past, and have reacted quickly to preserve margins and protect their balance sheets as work volume has slowed. Of the 51% of firms that conducted layoffs in 2008, the median staff reduction was 7.7%. As a result, staff utilization levels (the ratio of billable labor cost to total labor cost) decreased just slightly from 59.8% to 59.5%, and the median pre-tax, pre-bonus profit margin rose from 11.1% to 11.3%.

"There's obviously a lot more to the story behind these numbers, but the short version is that the red ink many of us had been expecting to see across the industry seems to have been largely avoided. Now with some signs that the recovery has begun, those firms will be in a better position to take advantage of future growth opportunities."

The 2009 Financial Performance Survey of Architecture, Engineering, Planning & Environmental Consulting Firms contains over 30 different major financial performance statistics. The nationwide study also includes growth projections for the next three, five, and ten years as well as data on operating expenses, personnel costs, and finance and accounting staff. The report is available from the publisher at <http://www.zweigwhite.com/zw-785.aspx>.

ZweigWhite's Financial Advisory Services provides consulting services to meet the corporate finance needs of architecture, engineering, construction and environmental consulting firms both large and small, assisting owners and managers with a variety of ownership matters and strategic financial initiatives. To learn more visit <http://www.zweigwhite.com/d-1-financial-advisory-services.aspx>.

About ZweigWhite: ZweigWhite is the nation's leading source of business management services for architecture, engineering, and environmental consulting firms. The ZweigWhite team consists of experts in strategic business planning, business valuation, ownership transition, human resources management, finance and administration, mergers and acquisitions, market research, marketing, project management and project delivery methods who collectively produce a comprehensive suite of products and services, including newsletters, industry reports, executive training, business conferences, and advisory services covering virtually every aspect of firm management.

The firm is headquartered in Wayland, MA , with additional offices in, Chicago, IL and Washington, DC.