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Project Collaboration:  
Capturing and Shar-  
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**October 19, 2000**  
Annual State of the  
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Connecticut's Pub-  
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Marketplace

**November 30,  
2000** Annual Owners  
Forum

**November 9, 2000**  
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**November 16, 2000\***  
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Case Studies

**January 18, 2001\***  
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## Connecticut's Economy: Trick or Treat

These days, it's tough to pin down the real story about what lies ahead. There's an overload of conflicting information that can make any business person wonder "What's really going on?"

The clearest picture regarding Connecticut's economy today is that, right now, it is strong and steady. However, concern does loom on the horizon as the bevy of economic reports is increasingly volatile and, historically, such volatility precedes notable change.

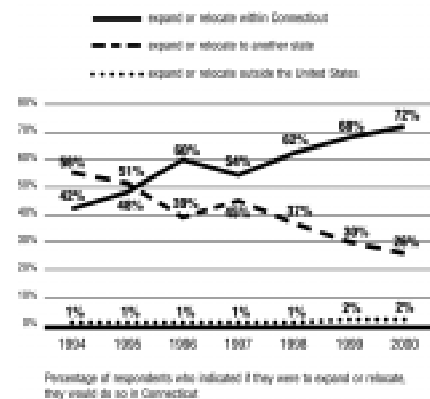
In such unpredictable times, I rely more upon the opinion of the people in the trenches – the business owners and purchasing managers that are making decisions affecting their firms' futures as well as reviewing the latest data.

CBIA continuously surveys businesses on economic issues and on public policy issues, which may impact upon our state's business climate. These surveys continue to show more positive than negative news in the midst of a strong and stable state economy. We see:

- Business confidence in Connecticut as a location to do business is at an all time high
- Technology-based companies are clearly leading the way as the state's future engine of growth
- Self-described technology firms are doing better in this economy than non-technology intensive ones
- Good productivity, sales, and capital investment persist despite Federal Reserve rate hikes

- A positive lending climate continues, if it is a bit more costly and selective due to Fed actions
- International trade is growing and is a plus both now and more so in the future for companies' strength and stability
- A wide range of companies making investments in e-commerce

### Confidence in Connecticut at an All-time High



Furthermore, companies are positive about their future over the next year and expect profits.

Purchasing managers say the economy is still strong. Overall confidence in the economy remains high. The purchase order trend is remarkably consistent. Companies

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## Welcome New Members

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## Connecticut's Economy

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continue to add more employees than let go — the challenge is finding them. More than 90 percent of firms say they can't find the help that they need.

Despite this outpouring of strong information, the outlook is not as positive as this same time over the past three years. Companies are predicting a slow-down within a year. Purchasing managers point out lengthening lead times and growing inventories. Job training issues present real challenges to continuing productivity gains. High labor costs, health care and benefits costs, and ample news on hiring challenges will effect companies.

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## Capitalizing on the Downturn

Weren't these the same questions that floated around in the late 1980s? While economists are not predicting a repeat performance of the last major downturn, we do know that our industry is cyclical. Already, there are signs of moderation, of a cooling down of expansion.

To think about preparing for the next downturn is difficult when most are struggling to just meet current work load demands. Historically, however, it has taken from between six to twelve months for organizations to react to basic shifts in the economy.

The most prudent business leaders understand this reality, and are now beginning to proactively prepare and position for the next downturn. They are looking at the opportunities a downturn can present in terms of ensuring that their organizations can profit from and even grow during the downturn.

Based on an assessment of how companies have performed during past economic cycles, the following issues are worth evaluating within our own operations.

- Listening to your clients carefully for clues as to how their businesses can, and will, be impacted by the next downturn. What did they do differently with facilities during previous economic cycles?
- Avoiding becoming overextended. What happens to your cash flow when the demand for design and construction weakens in your key markets?
- Tightening-up the firm's financial controls. Long periods of expansion inevitably result in "overhead creep" and other areas of business

cost inflation. The same applies to receivables. If it's hard collecting today, what happens when your customers are caught in an economic crunch?

- Identifying recession-proof clients, markets and services. Based on past cycles, what business areas tend to hold up, or even grow? Do you have the capability to meet the potential service needs of current and prospective clients?
- Avoiding putting all the eggs in one basket. How many companies do you know that have their business concentrated in one or two services or markets? What will happen to the demand in those areas in a downturn? Can you develop new capabilities or align now with partners who have this capacity?

- Increasing visibility with right clients. Are you so absorbed by project demands that you are not allocating enough quality time with clients and prospects in order to keep a pulse on changes in their business, and informing them about all the ways in which you can bring value to their organizations? When the economy turns, will you be the one they think about, or your competitors?
- Managing current growth carefully. Growth in design and construction firms consumes significant capital resources and often results in organizational inefficiencies. In a downturn, this will become a serious liability.

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## Connecticut's Economy

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Creeping inflation and Connecticut's constrained growth potential are also serious issues staring in the face of the state's economy.

National indicators are important as well. The Conference Board's Consumer Confidence Index increased to 141.7 in July — off the May peak but still very strong. The University of Connecticut's Poll shows that second quarter results dipped a little from first quarter, but that overall confidence in the state remains on par with New England and the U.S. at historically high levels. Current assessments in Connecticut are a bit below the region and nation and future expectations are on par with the U.S. but above regional expectations.

All of this has impact on future construction efforts. Higher interest rates will lead to trouble for some firms. Other projects will, barring major economic crises, supercede short-term bumps raised by higher rates that are likely to occur by end of year. New activity is underway in the form of casinos, tech development, and some big growth company projects.

Areas that are likely to grow despite a more volatile economy look to be tech development such as pharmaceutical,

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## F O C U S

### Twenty-fifth Anniversary Celebration & Annual Membership Meeting



*Founders and Past Chairmen were honored for their dedication to the organization's development and for the time and energy they invested in its growth.*

*Present: Shaun Cashman, James H. Eacott, Jr., Samuel Y. Golding, David N. LaBau, Marvin Morganbesser, Philip Paoletta, Raymond A. Roncari, Richard E. Schoenhardt, William B. Thornton, Bernard J. Wilbur, Jr., Burton J. Karp, James J. Scott, Thomas Andersen, H. Kent Goetjen, Michael A. Girard, Peter Manke representing Richard Wetherell (deceased). Honored but not present: Albert Higgins (deceased), James N. McParland, Frank J. White, Robert K. Hilton, Donald C. Weitz, Richard F. Coughlin, Robert Powell, Jr.*



*Moderators for the evening's ceremony: H. Kent Goetjen, CPA of PricewaterhouseCoopers, & Ronald Van Winkle of the Town of West Hartford recognized outgoing chairman Michael A. Girard of Simscoft-Echo Farms.*



*Newly elected Board of Director chairman, Jack Reid of Gordon, Muir & Foley, LLP, thanked the 25<sup>th</sup> Anniversary Planning Committee and cheered on Institute members for the 2000-2001 program year.*

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### Connecticut's Economy

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research, R&D expansion, dot.com's with real business models, and government related projects. Considerable state resources are targeted to projects that should start within the next twelve months.

Decision-makers should proceed with new projects and investments, but with a sharp eye. Higher corporate debt loads, and closer scrutiny by lenders and investors will cause casualties in the business community. Proceed with caution in endeavors that are particularly vulnerable to interest rate fluctuation and skilled labor shortages.

The news changes fast. To keep informed visit [www.cbia.com](http://www.cbia.com) for Connecticut data and [www.dismal.com](http://www.dismal.com) for national and regional updates.

### Capitalizing on the Downturn

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While the issues summarized here are especially relevant to taking stock of your organization in anticipation of the eventual downturn, you'll find that keeping these issues in mind even when the economy is strong will result in a better, more effective, and more profitable organization. Paying attention to these critical points just makes good business sense.

Be prepared and be proactive. Don't leave your company's future to chance. Don't let your destiny become controlled by outside forces. You won't like the results.

Economic downturns have always provided special opportunities for astute organizations. Begin getting ready for these opportunities now. ▲

is published by the Construction Institute and is distributed to members and friends who are interested in sharing information related to the construction industry. Articles may be reproduced with prior permission and appropriate credit to this newsletter. Articles and suggestions may be sent to Terry Casey, **CI Update Editor**, c/o On Target Marketing & Communications, LLC, 10 Westgate Road, Columbia, CT 06237-1335, 860-228-0163, email: [tcaseys@snet.net](mailto:tcaseys@snet.net).

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