

SCENERY ILLUSTRATION
BY JOHN PIRMAN

the road to

Nine CEOs gather to share management strategies and ideas for becoming part of the economic solution.

From left:

ED FRITSCH

PRESIDENT AND CEO
HIGHWOODS PROPERTIES INC. (HIW)

An equity REIT in the business of acquisition, development and operation of rental real estate properties

ANUPAM NARAYAN

PRESIDENT AND CEO
RED LION HOTELS CORP. (RLH)

A Western U.S. hospitality and leisure company primarily engaged in the ownership, management, development and franchising of upper midscale, full-service hotels

DUNCAN NIEDERAUER

CEO
NYSE EURONEXT (NYX)

The world's largest and most diverse exchange group, home to more than 4,600 listed issuers

CHRISTINE ROMANS

MODERATOR

Host of the weekend business roundtable program Your \$\$\$\$\$ and a featured correspondent for American Morning, CNN

DON WOOD

PRESIDENT AND CEO
FEDERAL REALTY INVESTMENT TRUST (FRT)

An equity REIT specializing in the ownership, management and redevelopment of retail and mixed-use properties



recovery

PHOTOGRAPHS BY
ANDREW FRENCH



BILL LAPERCH

PRESIDENT AND CEO
ABOVENET INC. (ABVT)

A provider of high-bandwidth connectivity solutions, primarily to corporate enterprise clients and communications carriers

RON WAINSHAL

CEO
AIRCASLE LTD. (AYR)

A global company that acquires high-utility jet aircraft and leases and sells them to airlines worldwide

IRV RICHTER

CHAIRMAN AND CEO
HILL INTERNATIONAL INC. (HIL)

A project management, construction management and construction claims firm with 2,300 professionals in 80 offices worldwide

GREG MILZCIK

PRESIDENT AND CEO
BARNES GROUP INC. (B)

A diversified global manufacturer and logistical services company that provides component manufacturing and operating service support and solutions

ANTHONY J. ORLANDO

PRESIDENT AND CEO
COVANTA HOLDING CORP. (CVA)

A global developer, owner and operator of infrastructure for the generation of energy from waste



RECENT NEWS REPORTS suggest that many economists think the recession is behind us. But in a roundtable discussion, excerpts of which appear on these pages (*with more at nysemagazine.com/roundtable*), nine chief executives from various industries beg to differ. In a spirited discussion, they also reveal strategies that have worked during these trying times, benefits their companies have experienced from the crisis, and the keys to — and challenges of — being a corporate leader under today’s intense scrutiny.

Has the dust settled? Can we see a day when we’re talking recovery, or are we still playing defense?

IRV RICHTER I don’t think the dust has settled at all. I think that most of the talk you hear about the end of the recession is wishful thinking. We’re still being adversely affected, we have nearly 10 percent unemployment, and we have capital markets that are still not lending money. Anybody here who’s in the REIT business or the development business can’t get capital. And that doesn’t sound to me like the end of a recession. I think we’re at least a year away from a real recovery.

ANTHONY J. ORLANDO We’re expecting the unexpected. Whatever the predictions are, don’t take anything for granted. We went to market a few months ago to raise some capital — we’ve already found good ways to deploy it. There’s still so much distress in the market, so many people who don’t have capital, that when we see the opportunity to raise it at a reasonable cost, we take it. There’s also a lot of uncertainty about what the market will hold six months, 12 months out, even in our business.



“You can do things to tighten the belt, and as long as you communicate it very directly, your employees will understand.”

DUNCAN NIEDERAUER NYSE Euronext

CEO FAST FACT “More than half of NYSE Euronext’s revenues and earnings come from outside the U.S.”

GREG MILZCIK Most of the markets that we serve have started to show some level of stability. But you really have to look at the new normal. When you look at the demographics of Western countries and Japan, and at the personal balance sheets of individuals, there’s been a fundamental shift. With the fiscal monetary policies in the U.S., you’re inevitably going to run into inflation, either of commodities or other costs. We expect to see more of our growth prospects overseas and in dollar-denominated situations because of the potential devaluation of the dollar.

ANUPAM NARAYAN The new norm for the consumer is austerity. People are being more careful about spending, so we have to provide more value and make sure we’re delivering the services they expect. And my expectation is that this will continue. To some extent I believe we got into this recession because everybody was saying we’re in a recession and the headlines kept talking about recession, recession,

recession. So I welcome people actually saying we’re at the end of the recession, because I hope we’ll talk our way out of it just as easily. And though in our business — hotels — we’re not seeing a lot of change yet, we’ve seen some glimmers of hope. We’ve seen some bookings firm up, businesses firm up, travel firm up.

RON WAINSHAL We’ve seen a lot of unbelievable volatility in our business. Fuel prices, for example, are a big input cost for our customers. Exchange rates have been extremely volatile too. So I think the recovery will be slow and uneven. One of the trends we’ve seen is that the airlines that are suffering the most are the ones that cater to the long-haul international type of high-end traveler. Economy travel is down as well, but it’s hanging in there a lot better. People still want to take their vacations; they just may not go in the same style or travel to the same places. I think it will continue to be a growth business, just in a different way.

BILL LAPERCH Even though the economy has been in chaos, bandwidth keeps growing. Every business you look at just needs more and more. But the way we keep our finger on the pulse of the economy is the way customers are buying. Three or four years ago, customers were buying to support new applications, new business ventures or new locations. Today customers have us in and say, "Take a look at this legacy network. It costs too much. It doesn't provide enough capacity. What can you do about it?" And so CFOs are now the decision-makers, instead of CIOs and CTOs. They want to know, "How do you affect the bottom line, given that we're not growing as fast as we used to? Perhaps we can both save on expenses and upgrade our technology."

What one change during the past year has been successful in helping you navigate the market turmoil?

DON WOOD Finding good people was hard for a long time. Competition was high, and you were paying a lot for those folks. We wound up bulking up a little too much. By

rationalizing the business and making those painful cuts, we accomplished two things: More senior executives are doing more of the decision-making, such as renegotiating contracts, and we traded up in terms of filling in some spots with individuals who weren't available during the past five years.

DUNCAN NIEDERAUER We've had a similar experience. With what happened in financial services, people were walking through our doors offering to work here for numbers that they wouldn't have accepted two or three years ago. At a company of our size, with just a few thousand employees, if you can get 50 to 100 of those people, you can change how the entire company thinks and operates, and we absolutely took advantage of that.

ED FRITSCH We've been successfully navigating through this economic turmoil by sticking to the key tenets of our long-term strategic plan, which includes customer diversification, liquidity, quality real estate, team building and constructive internal debates. By nature, real estate is a cyclical business, so our plan, unveiled in January 2005, was dual designed so as to protect our company on the downside and take advantage of the upside, and it has worked. I don't believe a company can be successful over the long term if it continually flip-flops on strategies or structures itself solely to chase the upside. We are also presently benefiting from customers seeking landlords who have strong balance sheets and from accessing a higher-quality talent pool from which we are drawing prospective employee candidates.

CEO FAST FACT "Covanta services 20 million people with 44 facilities that convert waste to clean energy."

"The laws and regulations that are going to be put in place will shift the ground we work on."

ANTHONY J. ORLANDO Covanta Holding Corp.

"More senior executives are doing more of the decision-making, such as renegotiating contracts."

DON WOOD Federal Realty Investment Trust

CEO FAST FACT "Federal Realty has increased its dividend to its shareholders every year since 1967."





RICHTER I don't know how you execute a strategic plan through this economy that was written before this economy collapsed. While we do expect to continue growing our business through this recession, we have focused on realigning our costs to the reality of much slower growth and being much more conservative in how we spend our money.

MILZCIK Don't waste a good crisis. We significantly increased our resources around sales activities. We found technicians, engineers and division managers, put them through a three-level training process on sales management, assigned them to customers and started pegging away. It's not the most efficient process in the world, but we're seeing results. In automotive, for example, we believe every dollar we pick up now is worth two

dollars in the future, because North American auto production may go from 8 million vehicles to a new normal of 14 million. With a leaner organization, fixed costs taken out, those two dollars are going to pay back amply later on.

NARAYAN It's not easy for any of us right now, with layoffs and cutbacks and the taking away of different benefits. So you have to communicate as much as you can. That's what we're trying to do with our people, telling them what things are like, what's going to make a difference in the future and why we need that. We've also successfully made certain changes in the organization, and the recession gives us an opportunity to reorganize in the most efficient manner, which perhaps we could not have done when things were good.

NIEDERAUER We're communicating with our customers more than we ever have, and we're communicating with our employees much more than we ever did. You can do things to tighten the belt, and as long as you communicate it very directly with your employees, I think they understand.

How do you lead through all the mistrust of the American economy, the pitchfork populism that has taken hold against wealth creators and corporate leaders, and the uncertainty coming out of Washington?

WOOD You have to start with track record. In our case, we've increased our dividend every year for the past 42 years, a record you can't accomplish without great raw materials and a solid reputation. If you didn't have a great reputation in '05, '06 and '07 but people had to do business with you, they don't need you today. It's very, very hard without a solid reputation to be able to say, "Well, now I'm different. Stick with me a little bit longer and we'll get through."

CEO FAST FACT "Highwoods operates office, industrial, retail and residential properties, mostly in the Southeast."

"Some things must be allowed to fail. If the government continues providing safety nets, the word *risk* becomes extinct."

ED FRITSCH Highwoods Properties Inc.



"Make sure we have a well-educated workforce so we can continue to compete on a global basis."

BILL LAPERCH AboveNet Inc.

CEO FAST FACT "AboveNet is providing the fiber for the two new NYSE Euronext data centers."

CEO FAST FACT "Aircastle owns 131 aircraft and has lessees located in 35 countries."

"My general guidance [to Washington] would be to stay out of the way as much as you can."

RON WAINSHAL *Aircastle Ltd.*



ORLANDO You focus on your employees, your customers, your business partners, and you establish trust there. And that goes back to communication, especially face-to-face. It is also crucial that we engage policymakers in Washington: For Covanta the focus is energy policy. But I'd expect virtually every business to be affected one way or another — the laws and regulations that are going to be put in place will shift the ground we work on.

MILZCIK It is difficult to make a decision on, for example, where to invest or where to put a plant if you think that government regulation will have an adverse financial impact on growth. In fact, with more than a trillion dollars' worth of deficits for the foreseeable future and the U.S. corporate tax rate globally uncompetitive, business leaders are looking outside the U.S. for opportunities and growth. One of the biggest impediments to improving the position of U.S. manufacturing is the high corporate tax rate assessed on domestic companies.

NIEDERAUER I'm not an economist, but I don't know how they're able to make such firm predictions when the administration has yet to give us clarity on three or four decisions that could change that outcome entirely, not incrementally. I just don't think anyone has enough information.

"The administration is trying to reach a consensus. But right now they should lay out a plan and stick with it."

ANUPAM NARAYAN *Red Lion Hotels Corp.*

CEO FAST FACT "Red Lion Hotels can be found in the western U.S. from Seattle to Disneyland to Denver."

You have 30 seconds in the elevator with Timothy Geithner, Ben Bernanke and Barack Obama. What do you say?

NIEDERAUER I recently had the opportunity to speak with two of the three. My first point was that we all understand the recovery has to be funded, but let's do so without impairing the ability of U.S. companies to compete globally. Some of the proposals could make it very difficult for U.S.-headquartered multinationals to compete effectively. My second point was that we have an unnecessarily complicated regulatory framework in the U.S., and we recently learned that the transparent markets were the only ones that worked and stayed open for business throughout the worst crisis most of us will probably see in our working lives. So how about if we insist that all these complex and well-developed OTC markets get under the spotlight a little bit? What comes along with being in those

businesses has to be put in the sunshine. My third point was a reminder that entrepreneurs and their innovative spirit have been the American engine since before any of us in the room were born, and that's going to be the case forever. As someone said to me the other day, "When did corporate profitability start to be viewed as a zero-sum game?" So the last point I left our leaders in Washington with was that you can't love jobs and hate the people who create them. I want them to look at every policy they think about through that lens.

WAINSHAL I would say the government should be wary of unintended consequences. As a financial company, we saw all sorts of radical shifts happening last fall. For example, in the wake of the current crisis, the government of Ireland decided to guarantee deposits and, as a result, a great deal of money went out of the U.K. and into Irish banks. So my general guidance would be to stay out of the way as much as you can.



CEO FAST FACT "Hill clients include government agencies, big companies and real estate developers."

"We've focused on realigning our costs and being more conservative in how we spend."

IRV RICHTER *Hill International Inc.*



NARAYAN I have a slightly different perspective. I believe the government should approach this just as all of us are approaching this at our companies. The reason we're having a lot of debate is that what the government wants to do is not being clearly spelled out. The fact is, we are in a mess. There's no easy solution. It's not going to come quickly. And it's going to be painful for a period. It's going to hurt some more than others. And of course, everybody stands up and says it's going to hurt me more. The administration is trying to reach a consensus, and I think that's great, but right now they should lay out a plan and stick with it. You change your tactics, move stuff around and adjust for the realities of the world, but at the end of the day you stick with it. So my counsel of 30 seconds is: Be specific, lay it out, and don't sugarcoat it.

LAPERCH I would say to shift your focus from looking over our shoulders to making sure we have an adequate, well-educated workforce so that we can continue to compete on a global basis.

FRITSCH Government can't and shouldn't regulate everything or try to be all things to all people. Some companies and people must be allowed to fail. If the government continues providing expensive safety nets, the word

"With the U.S. corporate tax rate globally uncompetitive, leaders are looking outside the U.S. for growth."

GREG MILZCIK *Barnes Group Inc.*

CEO FAST FACT "Barnes Group has been in existence since 1857 and has more than 60 plants worldwide."

risk becomes extinct. Taking risks is a key component of capitalism and a driver of our country's economic growth.

ORLANDO I'd say do the right thing and don't worry about the next election. And I would ask: What do you plan to do on climate change? Because this is the issue that will have the most lasting impact on our grandchildren. It will not

be financial regulation, taxes or even health care. Looking back 50 years from now, it will be: Were we able to shift the way we manage energy? The entire economy runs off energy, and if the scientific predictions are even close to being accurate, we have a big challenge. ■

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