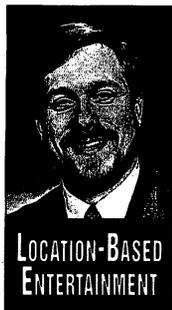


Datastream

Is The Party Over?

■ *The Economic Boom Has Left Its Mark On All Parts Of Business*

Are we at the end of the yellow brick road? Has the economic boom of the last 10 years put blinders on us? I hope not, but the ride is beginning to get bumpy. Staffing is an issue. Delivery time is an issue. Client expectations are changing, and if they started with money they may not have it now. How can we successfully do business in this economy, while keeping staff morale up, making a fair profit, and having a little fun? This is the true convergence that we must face.



by Steven J. Thorburn
THORBURN ASSOC. INC

January 1, 2000 did not see the doom and gloom that was going to come as all of the computers went back to 1900. The real doom and gloom this year has been the stock market. I have personally seen my own IRA/401k portfolio go up 40 percent, fall 50 percent, then go up 40 percent, and again fall 40 percent in just nine months. Let's hear it for the technology sector and be thankful that I will not need that money for a few more years. But this volatility is the everyday concern of many of our consumers. To state the obvious, we are a technology industry and we support other industries that use technology. As the phrase goes, we are a Business-to-Business (B2B) industry. The problem is that early Internet/dot-com companies are slowing their growth. Their stock has had the same ups and downs as my portfolio and the NASDAQ. Companies that had their Initial Public Offering (IPO) start at 20, run up to 30 and go back down to 2, tend to be more cautious with the money they made in their IPO. This is leading to fewer, or downgraded, fixed audiovisual

system installations.

The room that was to be an automated project conference room is now becoming a room with a just a desktop projector and a laptop. No projection screen and no control system. Oh, the cables will now be run across the floors, and the client states they will just go down to (fill in local home improvement store here) and get a cable protector. We have had this happen in four of our last 10 corporate projects. In retrospect, it is for four reasons:

1. We did not do a good enough job of working with the client in defining their needs.
2. Even though they told us exactly what they wanted and how they wanted it to function (see #1 and say along with

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me), they still wanted to go ahead with the design after they got over the sticker shock of why it cost \$5,000-10,000 more to install a projector on a lift in 20-foot-high spaces than it does to set the same one on a table.

3. The client's project manager has never been part of the building process before. They became project manager because they were part of the company's old guard as employee #1. The company now has up to 1,400 employees and our project manager has only been with the company 18 months.

4. Finally, just when all of the bids come in, the company stock falls 15 percent or so, and employee #1 or the hired CFO comes in and begins cutting the project scope.

The bottom line is this: if we could design, coordinate the architectural, electrical and mechanical issues, buy, build and install five to 15 room projects in Internet time, it would not have been a problem. But we can't! Even the fast-track design build process cannot avoid these pitfalls. Buildings and functional systems cannot be delivered at Internet speeds. We need to work with and train our clients to know that this is a fact of life and possibly a new law of physics.

Staffing is another issue. I have heard of software companies giving \$60,000 bonuses to staff. (Yes, they are expected to work 80 hours a week.) How do we in the AV industry compete with that? Our industry has also shot ourselves in the foot

and I started Thorburn Associates almost 10 years ago with six months' savings in the bank and with computers and test equipment charged to a credit card. We have never laid a person off, and have grown our firm at an average rate of 34 percent per year. This sounds great, but it is hard to maintain. Growth requires capital and cash flow. Without that, a firm will not survive.

So what does all this mean? Well, I did get 10 resumes this week for highly qualified people and I would love to add them to our firm but I can't. And for that very reason they were laid off. If we were to hire all of them, we would run the risk of overextending ourselves. We have found that we need to carry a new employee on the average of six months before they get into a routine and start returning resources to the company. With the current inflated salaries, we just can't capture all the talent we would like to.

This is the true convergence we need to look at. Our country is no longer made up of regional industrial societies. We are a global technology society. What happens on Wall Street today affects us tomorrow. We no longer have time to wait. The audiovisual industry has been serving our clients in a reactionary way for the last few years. And the economy has forced us to work in this manner. I think it is time to step back and look at this from a different perspective and see what we're really up against. **SCD**

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NEWS BRIEFS

Eighth CIC Around The Corner

SAN JOSE, CA—Digital Still Camera Systems is one of the cutting-edge color- and display-related topics to be covered at the annual Color Imaging Conference (CIC), which will be held this year from November 7-10 at The SunBurst Resort, Scottsdale, AZ. CIC, the premier conference on color science and engineering, regularly attracts the world's leading practitioners of the art. It is jointly sponsored by the Society for Information Display (SID) and the Society for Imaging Science & Technology (IS&T).

Digital still cameras have become a major imaging category. In the first half of this year, Japan's digital still camera shipments exceeded that of film cameras for the first time in history, according to the Japan Camera Industry Association. In one of CIC's two-hour tutorials to be held on November 7, Michael Kriss will share his detailed knowledge of digital still camera systems.

Kris, manager of the Color and Imaging Group at Sharp Laboratories of America, and formerly a scientist and manager at the Eastman Kodak Research Laboratories, received the Davies Medal from the Royal Photographic Society in 1999 for his work in conventional and digital imaging.

NECA Revamps Website

BETHESDA, MD—The National Electrical Contractors Association (NECA) has completely revamped its award-winning website at www.necanet.org. The site is one of the best sources of news and information for the electrical construction industry. The redesign was launched in conjunction with the kickoff of a yearlong celebration of the association's 100th anniversary. New features include new, user-friendly, one-click navigation, a weekly poll and a regularly updated industry news section.

In addition, NECA has created a new website

when companies begin bidding wars to hire or keep personnel. Please don't get me wrong. Everyone deserves to make a good living from the work they do, just as companies deserve to make a profit on a job. But this economy has over-inflated salaries. One person told me that they were happy with the current workload and that they were now in control of their own salary. They could make what ever they wanted just by moving to another company. As an employer, I cringe to hear that. As a person in the AV industry, I shudder.

My partner and wife, Lisa Thorburn,

to celebrate its 100th anniversary in 2001. The site takes visitors on a tour through NECA's history with galleries including photos and words from each president since 1901, history tools, Electrical Contractor magazine covers, and a timeline offering historical tidbits from each decade.

Elan Receives Award

LEWINGTON, KY—Elan Home Systems' fifth-year birthday present this September was an industry award for its new home automation touch panel. The VIAI touch panel joined products from the likes of Sony when it won an Electronic Lifestyles Award for Manufacturer's Excellence from the Custom Electronic Design & Installation Association (CEDIA). The award was for Best Electronic Product.

The award, presented at CEDIA's EXPO 2000, recognizes custom electronics makers for integral products provided to the industry. "With

its capacity for full-motion video, great cosmetics and simple-to-use operation, the Elan VIAI touch panel was an easy choice," the CEDIA Awards Committee said.

Fostex Restructures Corporate Alignment

NORWALK, CA—Fostex Corporation of America, formerly a division of Fostex Japan, has now aligned itself with Foster Electric USA Inc. "Fostex US was always by itself and not aligned with Foster America," said Bob Schmidt, president of Foster Electric USA. "With this realignment, Fostex will be moving into Foster Electric America. Fostex will benefit greatly from the tremendous resources that Foster Electric, our parent company in Japan, has at its disposal. Additionally, Fostex will be in a better position to react to marketing trends and develop targeted products for North American distribution."