

II. INTERNAL RESOURCES

-- WHERE ARE WE COMING FROM?

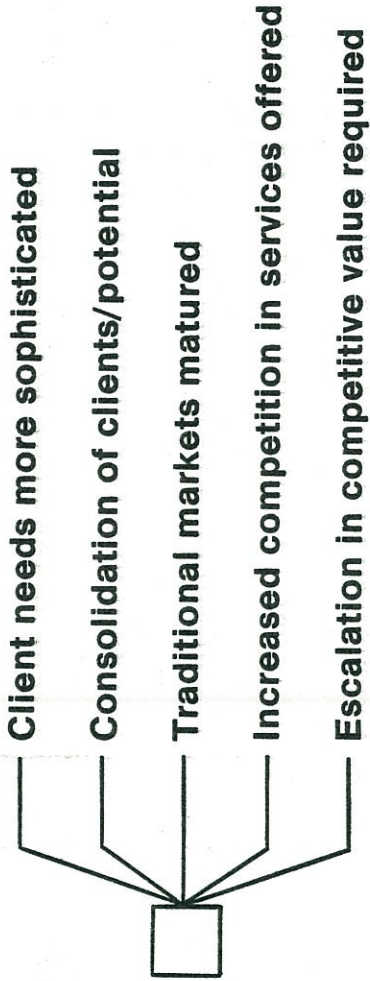
-- WHAT RESOURCES DO WE HAVE?

1960's

Well-defined package of engineering services
Delivered in two markets—apparel and textiles
provided growth and profitability

1970's

**KSA'S MARKETS
IN
TRANSITION**



**KSA RESPONDED WITH INVESTMENTS IN
SERVICE/MARKET OPTIONS**

RESULTS

KSA SUCCESSFULLY BROADENED ITS ...

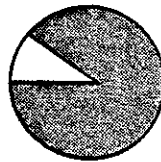
- SERVICE BASE
- MARKET BASE
- HUMAN RESOURCE BASE
- CLIENT BASE

AT THE COST OF ...

- INCREASED COMPLEXITY
- FRAGMENTED SERVICES AND HUMAN RESOURCES
- SLOWED GROWTH

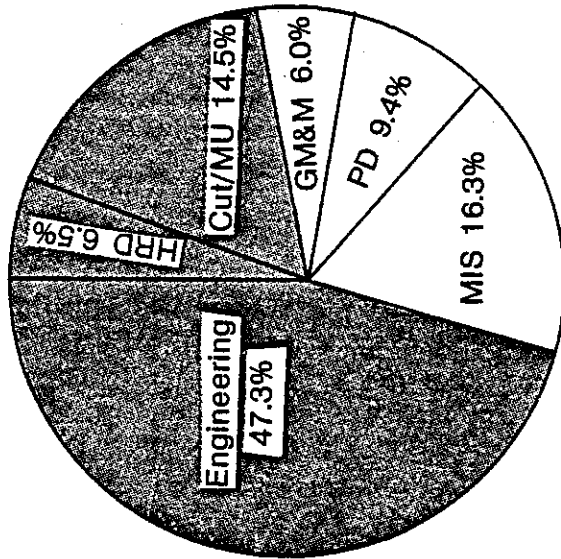
EXPANDED SERVICE BASE

1960

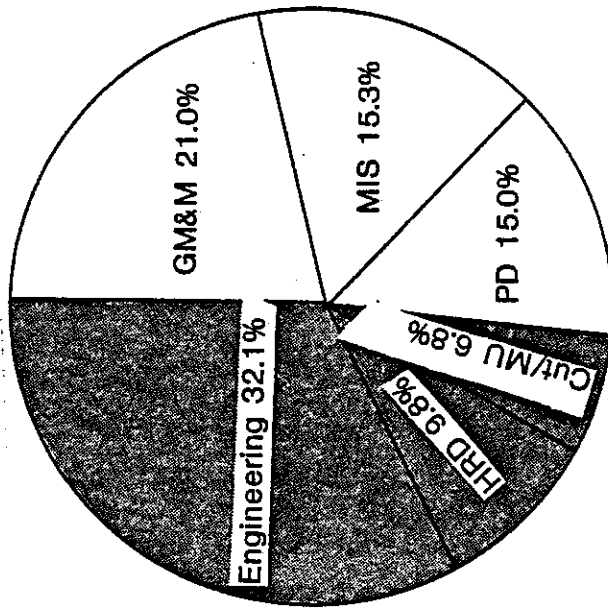


Engineering 90%
Other 10%

1970

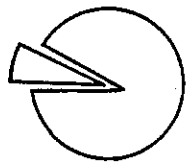


1980



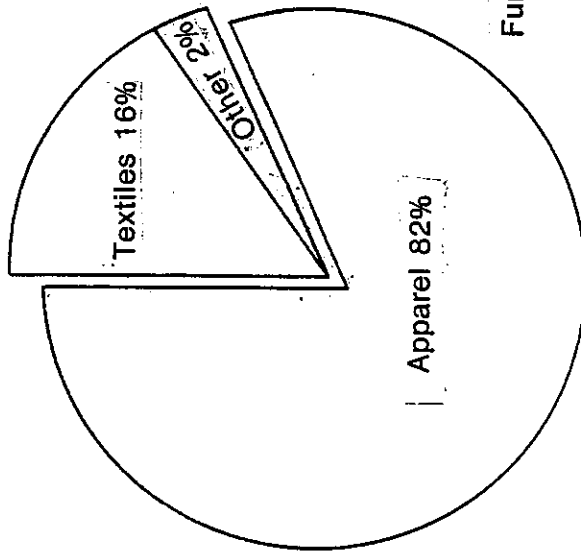
INVESTMENT IN MSD SERVICES → PROFITABLE MSD SERVICES

EXPANDED MARKET BASE

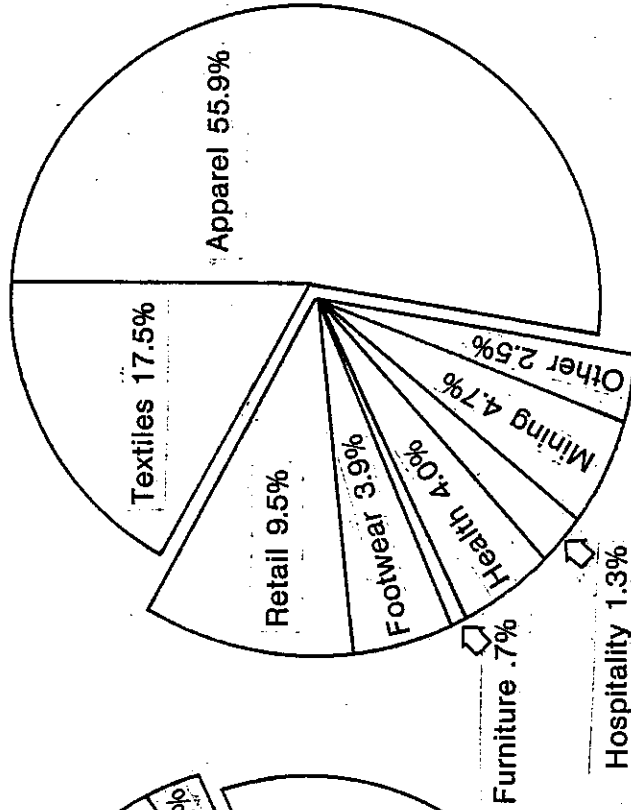


Apparel 94.4%
Textiles 5.6%

1960



1970

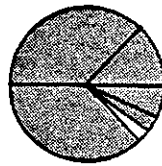


1980

← INVEST IN NEW MARKETS →

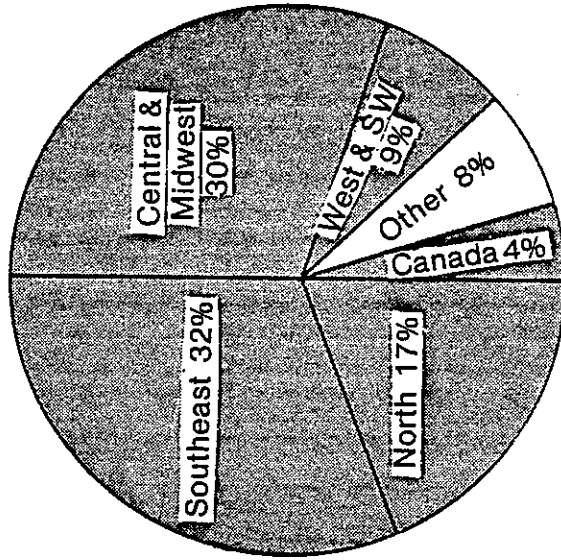
EXPANDED GEOGRAPHIC BASE

1961

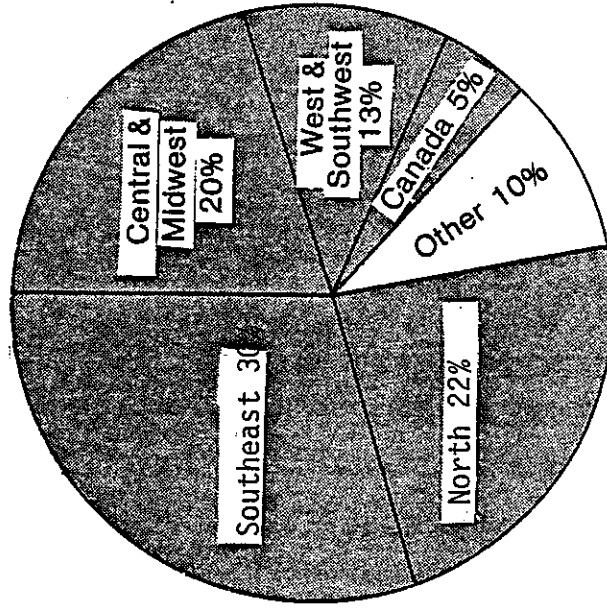


Clockwise:
 Southeast 35%
 North 14%
 West & Southwest 8%
 Canada 4%
 Other 3%
 Central & Midwest 36%

1970



1980



GROWTH IN NORTH, WEST AND DEVELOPING COUNTRIES A FACTOR.

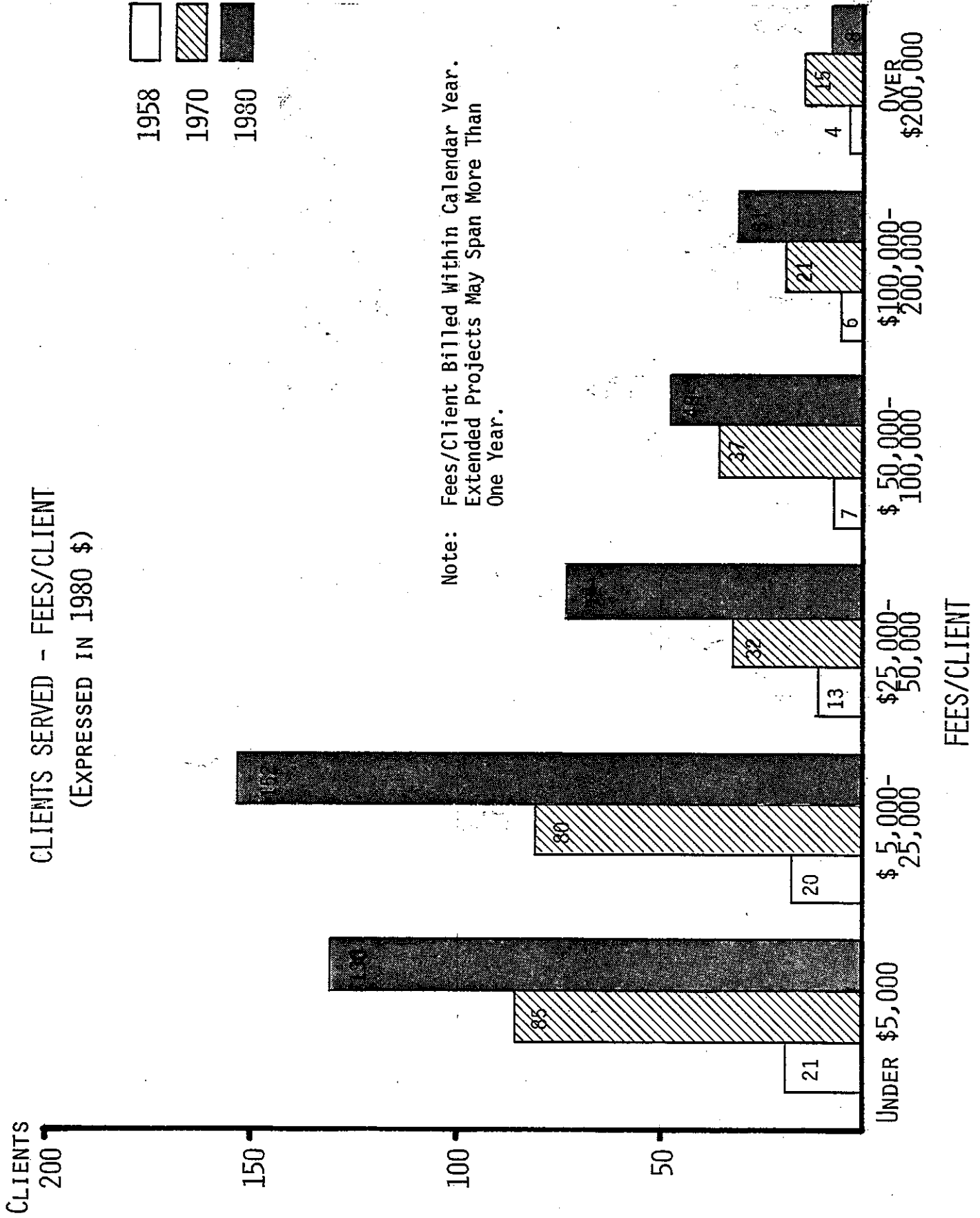
EXPANDED CLIENT BASE

	1958	1970	1980
CLIENTS SERVED	71	272	441
AVERAGE FEES/CLIENT (1980 \$)	\$49,000	\$49,800	\$32,500
% OF FEES FOR CLIENTS OVER \$100,000	63%	62%	43%
% OF CLIENTS WITH FEES OVER \$100,000	14%	28%	9%

- MORE CLIENTS
- MANY MORE PROJECTS
- REDUCED FEES/CLIENT
- SMALLER PROJECTS

CLIENTS SERVED - FEES/CLIENT
(EXPRESSED IN 1980 \$)

1958
1970
1980



Note: Fees/Client Billed Within Calendar Year.
Extended Projects May Span More Than One Year.

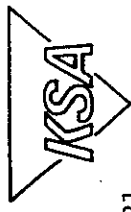
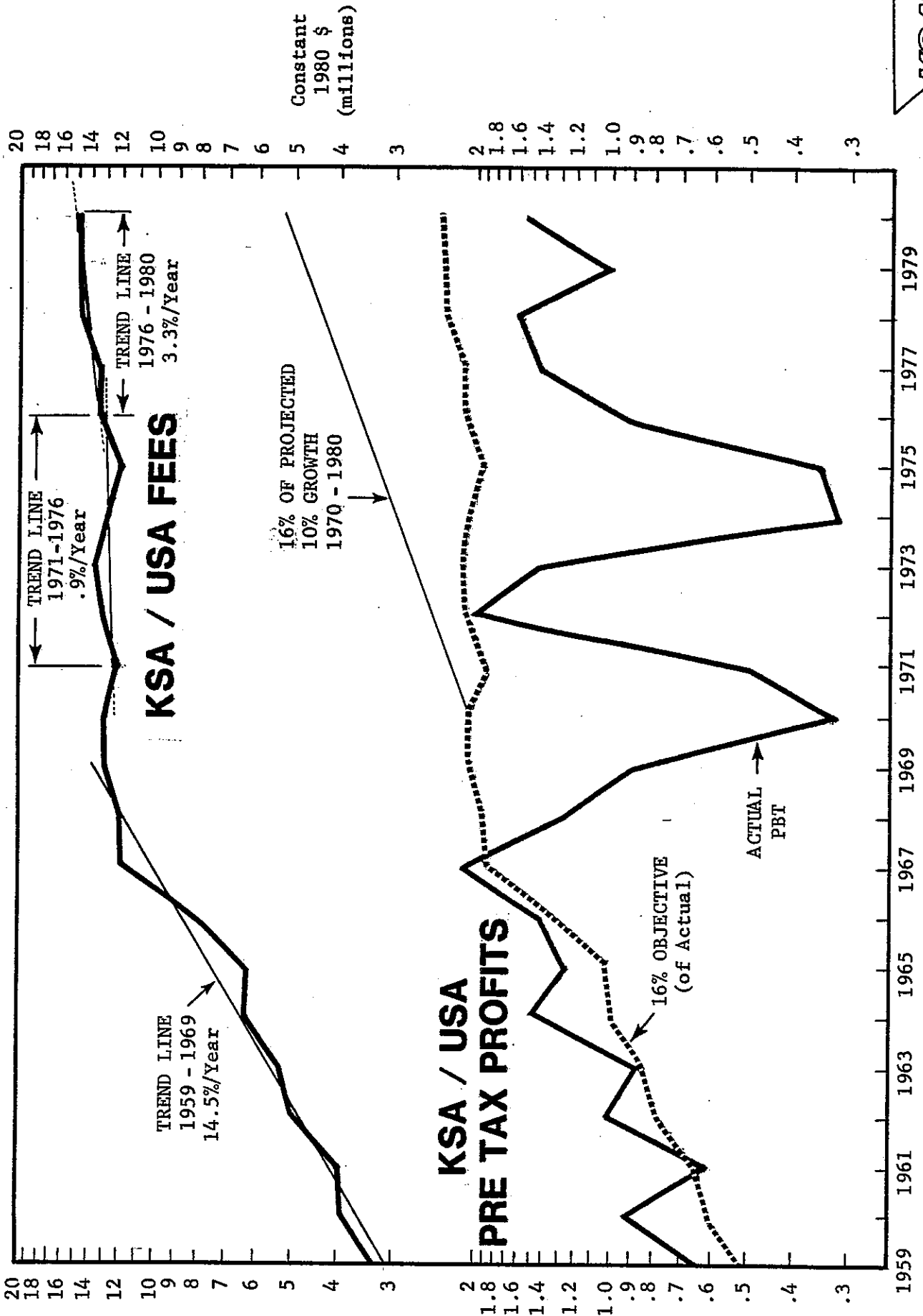
COST TO. KSA

-- SLOWED GROWTH

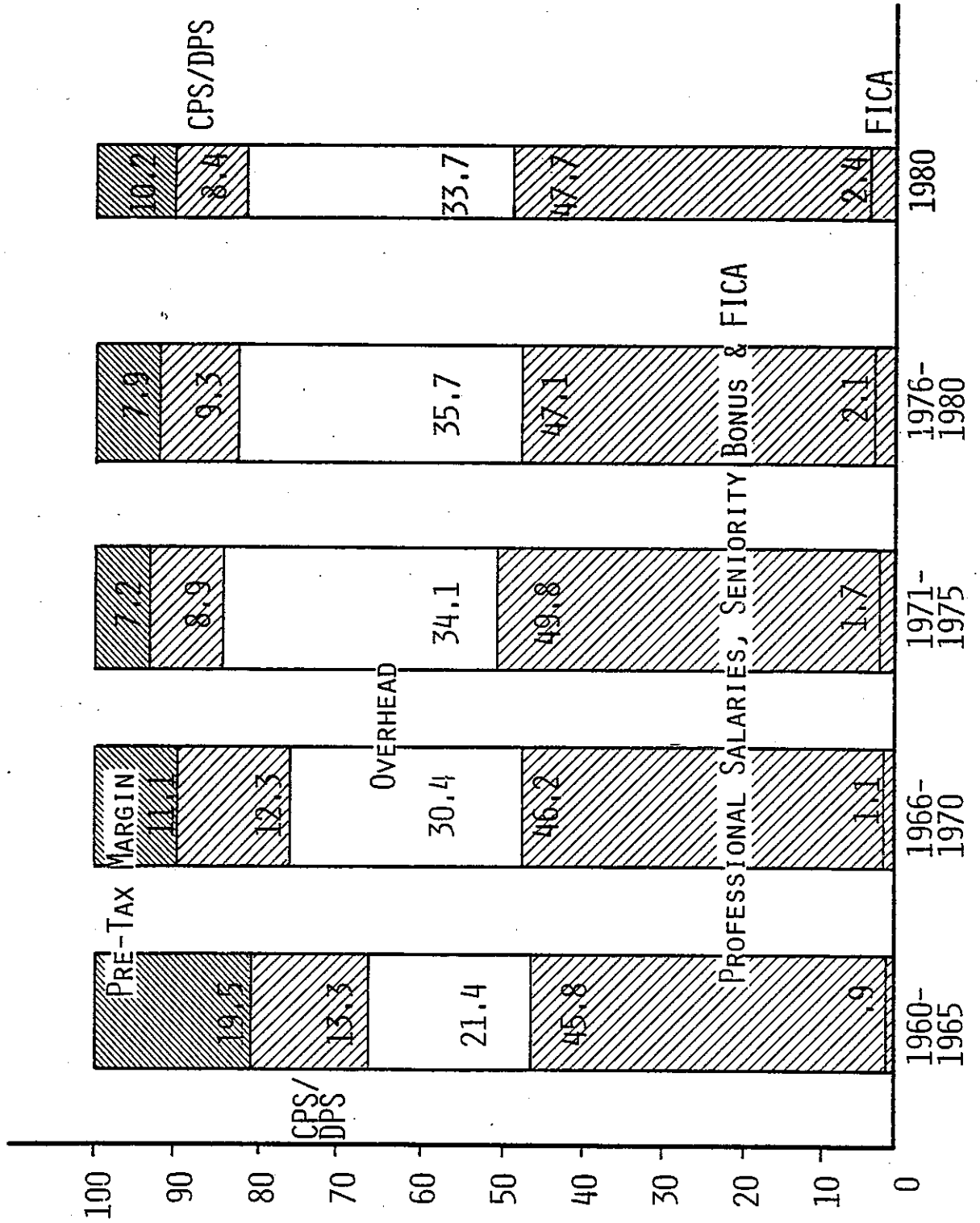
-- INCREASED OVERHEAD

-- REDUCED VARIABLE (& TOTAL) COMPENSATION

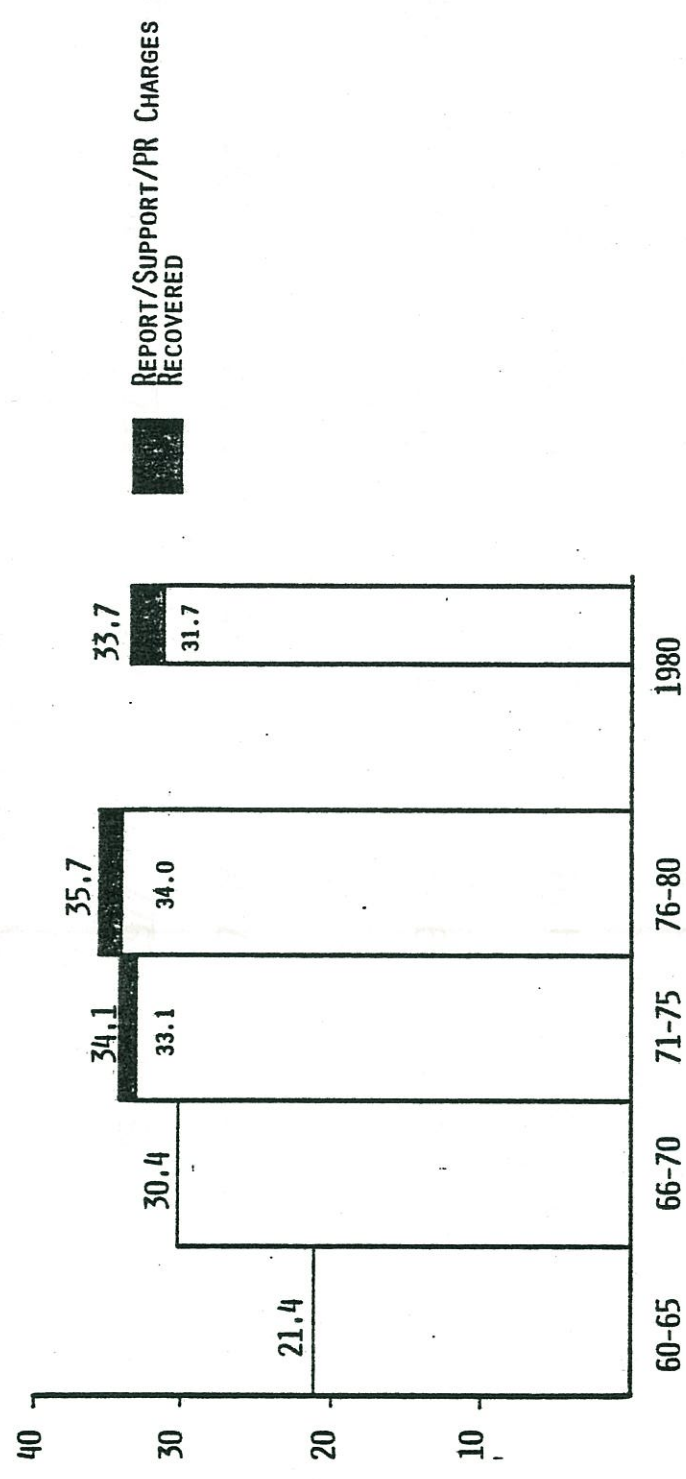
-- REDUCED PROFITS



WHERE THE \$ GO



TOTAL OVERHEAD -- % OF FEES



SUPPORT PERSONNEL

	1970	1980	% INCREASE
CONSULTANTS	157	163	3.8%
SUPPORT:			
PR/PERSONNEL/TRAINING/RECRUITING	7	9	
CLERICAL/ADMIN/SUPPORT/REPORT	44	73	
LESS EQUIVALENT BILLED(1)	(1)	(10)	
NET SUPPORT	50	72	44.0%

(1) At \$25,000/PERSON INCLUDING OVERHEAD

PERFORMANCE

SHORT TERM — PRIMARILY A FIXED COST SYSTEM

WITH

PRE-TAX MARGIN HIGHLY SENSITIVE TO VOLUME

"REAL" FEE INCREASE HAVING FAVORABLE IMPACT

LONG TERM SOLUTION — . SUCCESSFUL MARKETING STRATEGY/PERFORMANCE

WILL FAVORABLY IMPACT VOLUME

. PRODUCING OPPORTUNITIES FOR HIGHER

VARIABLE COMPENSATION (CASH & DEFERRED)

. AND ADEQUATE MARGINS TO FUND GROWTH

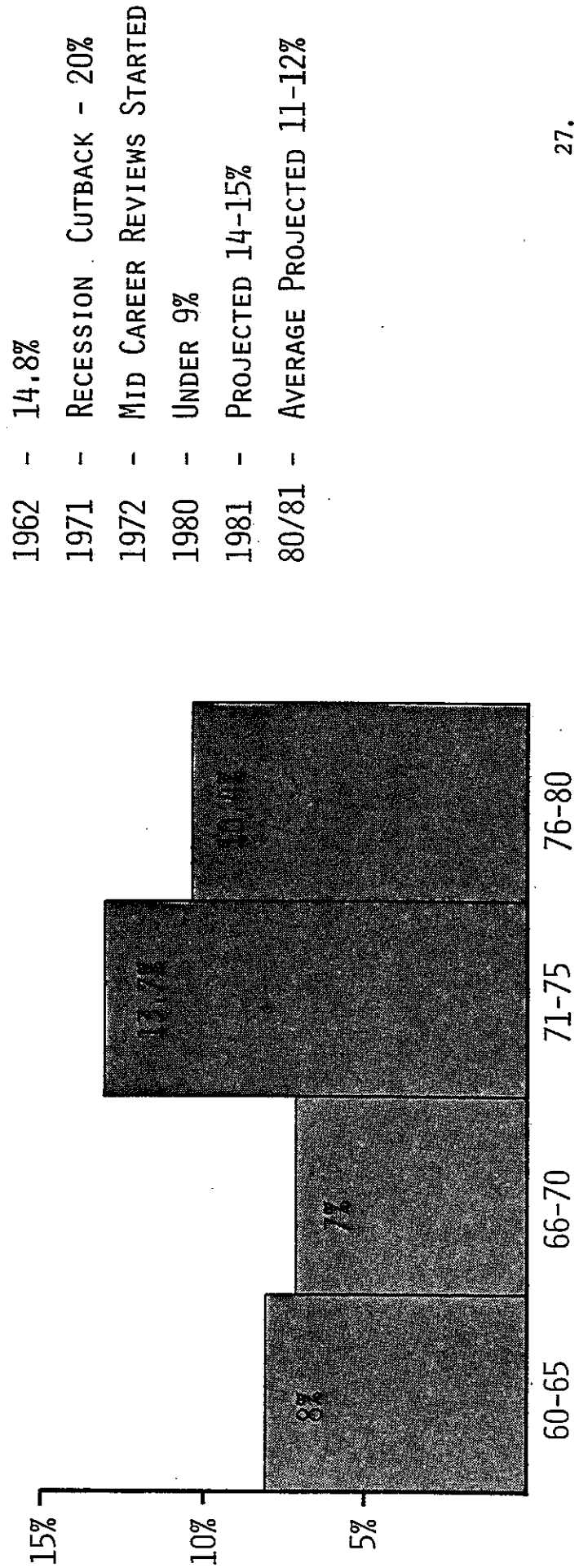
WHAT RESOURCES DO WE HAVE?

- HUMAN RESOURCES
- BODY OF KNOWLEDGE
- SERVICES
- FINANCIAL RESOURCES
- ADMINISTRATIVE CONTROLS
- CLIENT BASE
- REPUTATION IN MARKET

HUMAN RESOURCES - STABILITY

- HISTORICALLY LOW TURNOVER
- RESULTANT STABILITY - BODY OF KNOWLEDGE
- MID-CAREER REVIEW PROCESS ASSURES LONG TERM VIABILITY
 - INCREASED TURNOVER ABOUT 3%
 - PROTECTS INDIVIDUALS & KSA FROM STAGNATION

5-YEAR AVERAGE TURNOVER



HUMAN RESOURCES/SKILL MIX

- TECHNICAL ABILITY — GOOD
- BUSINESS DEVELOPMENT — NEED MORE
- PROJECT MANAGEMENT — MIXED

OUR NEEDS ARE CHANGING — EVALUATION OF CANDIDATES MORE DIFFICULT

HUMAN RESOURCES/EXPERIENCE

	<u>TOTAL CONSULTANTS</u>	<u>STAFF</u>	<u>PRINCIPALS</u>	<u>% PRINCIPALS</u>
1960	44	30	14	31.8%
1970	160	105	55	34.4%
1980	163	75	88	54.0%

- A STRENGTH
- AND A PROBLEM

BODY OF KNOWLEDGE

ENORMOUS IN APPAREL/TEXTILE MARKETS

EXTENSIVE AND BUILDING RAPIDLY IN NEWER MARKETS

BUT DIFFICULT TO ACCESS

ADMINISTRATIVE CONTROLS

SUBSTANTIALLY IMPROVED - REQUIRED INVESTMENT

-INVOICING ON SCHEDULE -BUDGETARY CONTROLS

-COLLECTIONS ENFORCED -FOLLOW-UP ON SUPPORT AND TRAVEL CHARGES

-INTEREST CHARGED -CONTROLLER ROLE TAKING HOLD

TANGIBLE RESULTS:

RECEIVABLES DOWN TO 55 DAYS VS. 72 -- 1976-1978

VALUE - CASH \$800,000

CURRENT ANNUAL CONTRIBUTION AT 18% \$144,000

BAD DEBT LOSSES DOWN .8% 1980 VS. 1.66% 1975-1979

VALUE - CONTRIBUTION \$129,000

TOTAL (REDUCTION IN "OVERHEAD") \$273,000

1.8%

CLIENT BASE
REPUTATION

CLIENT BASE

- . ENORMOUS IN BASE MARKETS
- . SMALL BUT PRESTIGIOUS IN NEWER MARKETS

REPUTATION

- . SECOND TO NONE IN BASE MARKETS
 - . BROAD FOR MMD SERVICES
 - . GROWING BUT STILL NOT FULLY RECOGNIZED FOR MSD SERVICES
- . VERY HIGH IN PROFESSIONAL & BUSINESS COMMUNITY
 - . STRONG AMONG ACME AND FORMER ACME FIRMS
 - . STRONG -- WHERE KNOWN -- IN BUSINESS COMMUNITY

THE PERFORMANCE GAP.

	<u>1980 ACTUAL</u>	<u>DESIRED</u>	<u>SHORTFALL</u>
PRE-TAX MARGIN	\$1,542,000	16% -- 2,400,000	\$ 858,000
VARIABLE COMPENSATION (CASH & DEFERRED)	<u>1,302,000</u>	15.5% -- <u>2,340,000</u>	<u>1,038,000</u> \$1,896,000

PRESENT GAP

OPPORTUNITIES AVAILABLE

MORE EFFECTIVE USE OF RESOURCES

FULLY EFFECTIVE FEE INCREASE BEGIN 1980

OVERHEAD ABSORPTION WITH GROWTH

IN TOTAL THESE OPPORTUNITIES EXCEED THE PERFORMANCE GAP

WE HAVE THE RESOURCES

WE HAVE THE COMMITMENT

WE CAN CLOSE THE GAP

IF WE DIRECT OUR EFFORTS AS
WILL BE RECOMMENDED IN
THIS REPORT