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Businesses Delay Projects In Wake of Terror Attacks

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Before Sept. 11, one of executive recruiter Margaret Orem's six corporate clients put her work on hold because of the slowing economy. Shortly after the terrorist attacks, the rest effectively followed suit. Then, in late September, the New York search boutique of Hawkes Peers & Co. laid Ms. Orem off.

"Everyone is being tentative and moving more slowly toward conclusion," says Managing Director Ted King in describing a number of the firm's clients. "They are trying to get some evidence that the world will be tilted right again."

In the wake of the Sept. 11 attacks, many businesses are embracing the mantra, "When in doubt, delay." Worried about protracted economic fallout, they're putting off hiring decisions, merit-pay approvals, product orders, spinoffs, sales meetings, real-estate projects and other important activities. The attacks have also stalled informal merger discussions between two of the world's oldest securities firms, Lazard LLC and Lehman Brothers Holdings Inc., people familiar with the matter have said.

In early October, more than a quarter of 669 finance chiefs said they were postponing planned capital expenditures as a result of the attacks, according to a survey by Financial Executives International and Duke University's Fuqua School of Business. The Las Vegas resort and casino Mandalay Bay, for instance, pushed back completion of its 1.8 million-square-foot expansion of convention space by six months to January 2003.

Delays clearly conserve scarce resources. But they may also worsen the downturn and crimp management's ability to take advantage of a sudden rebound. "The deadliest sin here is getting into a bunker mentality," warns Warren Bennis, a leadership expert and University of Southern California business professor. "Delay or inaction can be fatal [when] opportunities are out there."

Right now, though, "delaying is the right thing to do," insists David Gow, chief executive of Ashford.com, the biggest online retailer of luxury items. He feels uncertain about the coming holiday season. So Ashford, which usually orders holiday goods by Oct. 15, won't make about 20% of such inventory commitments until late November even though suppliers may run out of some hot items.

Davis Development Inc., an Atlanta company that builds apartments throughout the Southeast, suspended work on a 304-unit complex in Orlando, Fla., a mile from Disney World, because local tourism has slowed markedly since the attacks. The builder had already poured foundations for the $20 million project, set for completion this coming summer. Last Friday, Davis decided to resume work on it immediately, says David Gutting, vice president for acquisitions. Meanwhile, next spring's scheduled opening of the first 2,880 rooms of a 5,760-room hotel at Disney World has also been delayed, according to Walt Disney Co. officials.

Delayed product orders can aggravate job losses. Within hours of the September attacks, panicked airline customers began notifying Boeing Co. that they would have to delay taking delivery of as many as 32 airplanes, each valued at between $50 million and $200 million and requiring 14 months to build. The aerospace concern now expects to deliver 16 fewer aircraft this year than anticipated and as few as 350 planes next year -- far

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below its initial 2002 projection of about 515 aircraft.

Boeing blames the delays for most of its latest round of commercial-aviation job cuts. The Chicago company plans to eliminate as many as 30,000 jobs in its Seattle-area commercial aircraft manufacturing group by the end of 2002.

In certain cases, delays beget other delays. Between 20 and 30 customers of Applied Computer Solutions Inc. have put off projects that weren't even planned to start until early next year, says Mike Davis, chief executive of the Huntington Beach, Calif., company, which resells high-tech gear. As a result, he has indefinitely postponed a $250,000 project to expand an Internet-based service that helps his salespeople assemble quotes for customers.

Customer postponements have forced other companies to shift tactics. Four of five major airport projects at Gensler Architecture, Design & Planning Worldwide were put on hold after the terrorism attacks. Suspended projects include terminal construction and renovation at airports that now want to rethink how security should be handled and assess the traveling public's attitude toward travel, says Ed Friedrichs, the San Francisco firm's chief executive.

Undeterred, the Gensler chief intends to accelerate his firm's limited involvement in the booming health-care industry and explore different ways to assist airport clients, including offering advice about redeployment of their suddenly excess retail space. "Our clients are all scared to death. Our ability lies in trying to salve that fear," Mr. Friedrichs says.

Some businesses are gaining unforeseen benefits from recent delays. BizBash.com, an information-resources concern for the special-events industry, postponed its Oct. 11 trade show for the trade-show industry at the Jacob Javits Convention Center in New York. About 2,000 local professionals attended the rescheduled Nov. 1 show, which featured experts talking about how to tighten security at special events. That's double the number expected before Sept. 11, says David Adler, the CEO of BizBash.

Similarly, Karen Kane Inc.'s president, Lonnie Kane, is glad he didn't slash production at the upscale women's sportswear maker immediately after Sept. 11. Industry watchers initially feared demand for women's apparel might slump 30% early next year. Mr. Kane took his time gathering data about whether the forecast might be overly glum. He finally decided to cut first-quarter output 10% for the Vernon, Calif., concern.

Some postattack delays reflect concern about appearances rather than worsened economic woes. Gillette Co. canceled a Sept. 12 news conference to introduce Oral-B Stages, a line of toothbrushes for children. When it finally unveiled the line Oct. 2, it took a lower-key approach.

And GlaxoSmithKline PLC delayed the Sept. 17 launch of a national advertising campaign for Paxil, an antidepressant. Although, as spokeswoman Holly Russell says, "a product like this can be appreciated in times like this," the company didn't inaugurate the ads until Oct. 1.

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