

# EBJ Lifetime Achievement Awards 2021

*Paul Zofnass*  
*EFCG*

*EBJ Lifetime Achievement Award, 2021*



**P**aul Zofnass founded the **Environmental Financial Consulting Group (EFCG)** in 1990 after 17 years in finance at Citibank and at Oppenheimer, where he was a Managing Director in Investment Banking. He is an alumnus of Harvard College, Harvard Law School and Harvard Business School. Paul was the leading strategic and financial advisor to CEOs in the environmental and infrastructure engineering and consulting industry for over 30 years.

Paul is a long-term environmentalist, playing a major role in initiating Harvard's Environmental Studies Program in the 1990s; initiating and contributing the Zofnass Tree Identification Program to NYC's Central Park; creating the Zofnass Family Preserve/Westchester Wilderness Walk; designing and donating a permanent New England Forest Exhibition at the Harvard Museum of Natural History; creating the Zofnass Infrastructure Sustainability Program at Harvard to develop a rating system to measure "Sustainability" as it applies to major civil infrastructure projects. This system is now known as "Envision", and is managed by the Institute for Sustainable Infrastructure (ISI), founded by three major engineering professional associations (ASCE, ACEC, and APWA), and on which Paul previously served as a Board Member. The Envision Rating System is used

around the world, including the recent renovation of LaGuardia Airport and the Tappan Zee Bridge; over 9,000 engineers have been trained and credentialed as an ENVSP (Envision Sustainability Professional).

EFCG was founded in 1990 and is a leading advisor to Architecture, Engineering, and Construction (A/E/C) firms. In the last 30 years EFCG has served as a retained advisor to over 300 firms, developed a proprietary database of financial and business metrics, and held nearly 100 executive conferences for leaders in the industry.

*EBJ: Paul, did you grow up in the city, suburbs or country? What inspired your deep love of nature?*

PZ: I grew up in Belmont, Massachusetts. Although we were right near Boston, we had acres of woods and bird sanctuaries right out our back yard where I spent hours looking for arrow heads and observing undisturbed nature. We also spent our summers by the ocean in Marblehead, Massachusetts, walking along the beach, fishing for flounder in the harbor, enjoying the seaside.



*Paul at his Harvard graduation in 1969*

*EBJ: Who have been your most influential mentors?*

PZ: I would give credit to Roger Duncan, who inspired my love of sailing the Massachusetts and Maine coasts, to Fred Rose, who on a golf outing in Westchester County New York, instilled in me an appreciation (which turned into a love) for trees, to Neil Calvanese, the horticulturalist of the Central Park Conservancy and to Bob Cook and Ned Friedman, the previous and current Directors of Harvard's Arnold Arboretum who have spent countless hours with me discussing trees.

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*Paul and Renée, hiking in Acadia National Forest, Maine, 1982*

*EBJ: After 17 years at Citibank and Oppenheimer, what gave you the impetus to branch out on your own and specialize in environmental advisory and M&A work?*

PZ: I had started an environmental banking specialty group while I was at Oppenheimer. It was a brand-new field of expertise for the firm and, indeed, a novel concept in the field of investment banking. It also aligned beautifully with my deepest interests. I wanted to pursue my passion for the environment. To get started, I called on every environmentalist I knew, along with others I knew just by reputation or referral. Great environmentalists tend not to focus on making money, I discovered. They needed our help structuring mergers, raising capital, and bringing companies public. 1990 promised to be an excellent year for Oppenheimer's environmental group. We were charting new ground, planning our first Oppenheimer Environmental Conference, which took place in May of that year. The keynote speech was given by Ted Sorensen, the distinguished former speechwriter and advisor to President John F. Kennedy. With the recession of 1990, however, OpCO decided to contract in certain areas, and my group was eliminated. This was not only a blow to my staff but also to my clients. Instead of acting as an investment banker, aiming to sell the environmental firms' financial products, I decided I would act solely as an advisor. So I created my own company to advise great firms in the engineering industry.

*EBJ: When you started EFCG in 1990, what gap did you see in the M&A/advisory market?*

PZ: When I started EFCG, I began by coming up with a clear definition of what I wanted my business to do: Help

engineers to finance their businesses and be profitable. My thought was to reach out to engineering firms, including my former Oppenheimer clients, offering to provide financial and business advice at a reasonable price: \$2,500 a month. I began by calling the top five environmental consulting firms in America. Everyone I spoke with signed up. Within a week, I had five clients. And just like that, I was back in business. Best of all, it was in a role that seemed tailor-made for me — to be a financial advisor and consultant to the environmental industry. When I incorporated The Environmental Financial Consulting Group to provide financial and strategic advice to the architecture, engineering, and construction industries, every word in my new firm's name had significance.

*EBJ: How would you describe the level of financial sophistication or knowhow in the environmental industry when EFCG first started out compared to today?*

PZ: In 1990, many engineers didn't prioritize business — often focusing solely on being great engineers, but less on maximizing profitability. Both of these are important to create a strong, long-lasting business. My training as a financier is to make businesses more profitable, so I was able to bring a new skill set to the industry to help. Fueled with passion for the cause, I was deeply satisfied to realize that by counseling these companies, many of whom are engaged in environmental clean-ups, I would be helping the environment, too. The financial sophistication of the industry has changed meaningfully as firms are now often led by CEOs with MBAs who may or may not also have engineering backgrounds. Interestingly, business-focused CEOs rely now on EFCG more than ever, because they understand the value of an outside perspective and the mergers & acquisitions services and management consulting we can provide.

*EBJ: Has EFCG contributed to educating environmental CEOs on financial and strategic matters?*

PZ: Beginning at Oppenheimer, I came up with the idea of creating an annual conference for CEOs in the environmental and infrastructure industry to discuss issues they were facing and to find possible solutions. We invited CEOs of all the major engineering firms to our first conference. Fifty signed up. I began the CEO Conference by asking: "What is the growth of our industry going to be?" The Conference was a wonderful



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Paul at the launch of the Envision Sustainable Infrastructure Rating System (in partnership with the Zofnass Program for Sustainability at Harvard and the Institute for Sustainable Infrastructure), April 2012

learning experience for us all. As I told the audience, “There’s probably not a room in the world with people in it who know more than you do.” They exchanged ideas and strategies in panels and discussions and it was a clear success. At the end of that first conference, I asked attendees to fill out a survey at the end of the meeting. It was a simple one, consisting of straightforward questions, such as the number of branches each firm had and their areas of specialization. By our next meeting, in 1991, I had fashioned a more detailed questionnaire to elicit issues of importance to our clients, while also assessing their capabilities in relation to their peers. The survey would eventually contain 100 key performance metrics, and the answers were a data gold mine. They provided EFCG with a proprietary database of financial and business statistics for the engineering industry that we could use to help our clients compare their performances, metric by metric, with comparable firms through our Peer Benchmarking Analysis (PBA). These PBAs helped the firms to identify areas where they’d made progress – and key opportunities for improvement. This data also revealed industry trends, at times well before they had become obvious. Crucially, the results were anonymous and data presented in aggregate form. So each firm can identify its own data points, but not those of other firms. This “financial MRI” has, I believe, significantly contributed to educating environmental CEOs on financial and strategic matters, and still affects how CEOs navigate their businesses today.

*EBJ: What level of M&A activity did you see among environmental firms when EFCG began in 1990? Has it grown consistently since then or has it fluctuated?*

PZ: Our industry has always been a fairly acquisitive one – the constant talent shortage drives firms to acquire others to fuel growth, and with few tangible assets or debt, acquisitions can be relatively straightforward. We have certainly seen an uptick in the quantity of acquisitions over the past few years with the increased interest from financial sponsors now competing with strategic firms.

*EBJ: Since 1990, EFCG has advised on over 160 completed M&A transactions in the A/E/C industry, equivalent to roughly \$9 billion in total M&A consideration—likely more than any other financial advisor or investment banking firm in this industry. Which deals stand out most for you?*

PZ: The take-private of TRC by New Mountain Capital is a deal that stands out to me both for its magnitude and its lasting impact on the industry. The long-term success of the deal stands as a blueprint for other private equity or financial sponsors eager to reap the benefits of aligning with such a strong and largely recession-resilient industry.

*EBJ: Which deals have given you the most satisfaction?*

PZ: Oh dear, that’s an impossible question (which of your children do you like best?). I have to say, I do feel very personally connected to the firms and the CEOs I’ve worked with over the past few decades. I feel very fortunate to have had such an incredibly enjoyable and meaningful career, working with some of the smartest and most effective CEOs in the world to help them achieve their goals!

*EBJ: Which deals have marked real turning points for the environmental industry in your view?*

The biggest turning point for the environmental industry is not, I believe, measured by specific deals, but rather by the realization of major financial investors that environmental and infrastructure engineering firms belong in their portfolios. Even 10 years ago, if you had asked us whether our industry would be attractive to private equity, I would have been dubious – after all, these are consulting businesses whose principal assets walk out the door every night. Furthermore, I would have said that financial buyers would be at a disadvantage in competing for deals with strategic buyers who could

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benefit from operational and marketing synergies. But now the M&A marketplace is awash with private capital seeking deals, and we are hearing experienced strategic buyers complaining that financial sponsors are sometimes outbidding them. On balance, I think this heightened interest is a good thing, and gives me some hope for our planet. The fact that concern for the environment has broadened from the socially-aware “early adopters” to Wall Street means that the profit motive is now harnessed in service to addressing our biggest challenge.

*EBJ: Would you say “strategic five year visions” looked a lot different in the 1990s compared to now?*

PZ: Thirty years ago, only a handful of our clients had “strategic five-year visions” (at least the way that firms think about them today). While leadership teams may have had clear visions for where they wanted to be, it was less common for it to be written down and shared across the organization. Today, when we support firms on strategic planning, we see a much more collaborative effort – leadership teams are getting input from across the organization to start, using a cross-functional working team to develop the strategic plan, and then rolling it out to get buy-in across the organization. And in the last five years in particular, our clients are becoming much bolder in their strategy by putting a stake in the ground around what they will achieve and holding themselves accountable to it.

*EBJ: How may economic downturns have you helped the industry to navigate?*

PZ: I started EFCG in the middle of (and because of!) the 1990 recession. Since then, we have worked to help A/E/C firms successfully navigate the 2001-2002 recession and the 2008 Great Recession, as well as many other smaller downturns in the economy. Now, we are advising clients on surviving the COVID-19-driven recession. Our experience shows that there are two main factors that distinguish the A/E/C firms that outperform their peers and navigate recessions successfully. The first is sound risk management and business processes focused on maximizing performance across the economic cycle. The most successful A/E/C firms were better prepared to address unforeseen risks and had the right processes in place to safeguard their firms against the impacts of the downturn. The second



*Paul with his family at home in Pound Ridge, NY (from left to right: grandson James, daughter Jessica Zofnass Barclay, Echo the llama, grandson Dylan, son-in-law Colin Barclay, Paul, wife Renée Ring, daughter Rebecca Zofnass, son-in-law Sean Roberts, and granddog Sassy). Jessica and Rebecca, along with Julie Hasiba, acquired EFCG from Paul in 2019, and are now Managing Partners.*

is the ability and willingness to act quickly once the downturn starts. We advised firms not to wait for the storm to pass, but rather, to act quickly and evaluate which strategies would work best for them, such as action plans to improve working capital, enhance cash reserves, or implement M&A projects. We’ve advised our clients to avoid passive strategies that may work temporarily and help them survive a downturn, but jeopardize growth and performance later in the economic cycle.

*EBJ: All sorts of considerations impact M&A activity, but a pandemic is not usually one of them. How has Covid affected things?*

PZ: COVID has had a very interesting impact on the M&A markets. We saw a significant slowdown in March/April/May 2020, and transactions came to a halt as everyone tried to figure out what was going on. But many transactions were just delayed to Q3 and Q4, so overall activity through COVID has been just as strong as previous years. Interestingly, COVID did seem to accelerate interest by private equity/alternative capital (which has been ramping up for several years now) because financial sponsors still have an enormous amount of capital to deploy.

*EBJ: What has contributed to EFCG’s success?*

Well, it helped that EFCG was the first in so many ways, and that we recognized the opportunities and



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developed proprietary products and methodologies to help clients benchmark themselves, improve profitability, and improve their organizations. As our clients prospered, EFCG did as well. And now, in our new era, EFCG is leveraging an innovative team to create even more proprietary products, ranging from revamping organizational strategies, improving talent and retention, expanding diversity, and creating tech strategies. Most excitingly for me, the EFCG team has just launched a new Sustainability Advisory Practice to help measure and seize opportunities around sustainability.

*EBJ: You have been involved in many philanthropic environmental ventures, one being the Westchester Land Trust near your home that preserves acres of forest, wetlands and other habitats. We understand you created their flagship preserve, the Westchester Wilderness Walk?*

PZ: When my wife Renee and I bought our property in Pound Ridge, New York in 1982, it backed up on quite a bit of vacant land. We used to wander back in the woods. On one of our hikes we noticed for the first time surveyors' marks and other indications of imminent development. We resolved to do whatever we could to preserve the wilderness. Our goal was to protect wildlife while also saving the land for nature lovers, from our neighbors to casual hikers, who might delight in it, as we did.

We moved quickly. While the would-be developers worked on getting approvals, we set out on a parallel track to ensure that did not happen. We acquired a tax map to learn the identities of our neighboring property owners; there were about a dozen within a 300-acre circumference of our property and we reached out to them all. We floated the idea of creating a preserve. We donated land, persuaded neighbors to donate land or easements to allow the public to access the back parts of their land, and created an impressive trail system. We spent over 10 years putting the project together. The Westchester Wilderness Walk/ Zofnass Family Preserve encompasses rocky woods, streams and wetlands, an arboretum, and at 127 acres is the largest of Westchester Land Trust's preserves. It has nearly 7.5 miles of trails, with stepping stones for crossing streams and wetlands, a 50-ft.-tall "grand" stone staircase, and dozens of educational signs. The newest and most exciting addition is a three-acre Arboretum, which features over 250 plant species.

*EBJ: Harvard once described you as a 24/7 environmentalist. How do you walk the talk at home?*

PZ: Oh my goodness, family and friends have enough of my preaching environmental issues, sustainability and climate change!

*EBJ: You have been widely involved with non-profits, academic institutions, and industry associations – all worthy, but which ones are nearest and dearest to your heart?*

PZ: Well, I'd be fibbing if I didn't admit that Harvard is at the top of my list due to their pioneering research and commitment to the environment. And with Harvard's new President, Lawrence Bacow, environmental considerations will have an even higher profile. The Institute for Sustainable Infrastructure is also very near and dear to my heart, as they partnered with the Zofnass Program for Sustainability at Harvard to create the Envision rating system (thanks to so many of our clients for contributing and committing such valuable time and resources!), along with the Westchester Land Trust, Riverkeeper and the Central Park Conservancy.

*EBJ: What do you do to relax, do you have hobbies?*

PZ: I love to swim, play golf, sail, ski and hike – really anything that will get me outside!

*EBJ: Where does the spirit of nature speak most powerfully to you?*

PZ: Truthfully, there is no part of nature that I don't love. Trees in the Northeast, the Rocky Mountains, the New England shoreline and ocean breeze give me such pleasure. Even something as simple as tilting my face up to the sun during a New York City lunchbreak, or really anywhere in the world. To mangle a song: "When I'm not in the place I love, I love the place I'm in..."

*EBJ: What gives you hope for the environment today?*

PZ: Millions of Americans and people around the world see and understand the science of climate change and are pushing to solve the issues we humans have created for ourselves and our planet. I'm hopeful that our children's generation will effect true change and shift our trajectory so our grandchildren have a world to live in.