

Top 100 reaches its Silver Anniversary

Ronald Reagan was in his second term as president. Barack Obama was a community organizer for a church-based nonprofit. Eastman Kodak and Xerox combined to employ more than 56,000 Rochesterians. And Wegmans Food Markets Inc. was a grocery chain found just in New York state.

A time traveler from 1987 landing in present-day Rochester would step out of her capsule, wearing her acid-washed jean jacket and aviator sunglasses, to find an economy that in many ways is unrecognizable.

The days of the Big Three companies — Kodak, Xerox and Bausch + Lomb — dominating the economy are gone. In their place, companies like Wegmans, Lapp Insulators and American Packaging Corp., all privately held and all members of the [2011 Rochester Top 100](#), are the growth engines.

Today, perhaps more than ever, Top 100 companies are a linchpin of the regional economy. This year's fastest growing private companies account for a combined 90,767 employees and \$9.4 billion in revenues.

While the makeup of the list changes from year to year — Wegmans being the only company to make it all 25 years of the program — the Top 100's economic

impact has grown hugely. In 1987, the companies represented 30,000 employees and \$2.4 billion in revenues.

The Top 100's footprint has been climbing since then, to 35,000 employees in 1992, 50,000 in 1999, 51,000 in 2006 and 83,000 last year.

Much of the growth has been on a river of Wegmans' W Cola. At the end of 1987, the company's 37 grocery stores and seven Chase-Pitkin home improvement stores, all in New York, employed about 11,000 people and had sales of \$982 million. Though Chase-Pitkin is no more, Wegmans expects to end 2011 with 79 stores in six states, sales in excess of \$5.6 billion and about 43,000 workers.

That impressive expansion has been a mix of growth in mature markets — with the chain adding four Rochester-area stores and replacing 10 others — and moving into new markets.

"The most compelling need to expand is

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driven by Wegmans' desire to provide growth opportunities for its employees," said spokeswoman Jo Natale. "We have never wanted to be the biggest, just the best. Our rate of growth has been measured, and that will continue. For the foreseeable future, we will open two or three new stores each year. In some years we will also replace an older store with a new one."

Resilience

Wegmans, though the largest company in the Top 100, comes in at No. 52 this year because the ranking is based not just on size but more significantly on the rate of revenue growth over the three most recent fiscal years. For the Class of 2011, that timeframe covers one of the most difficult **business** periods of the past 70 years. And yet the number of applicants for this year's Top 100 — 183 — was up from 2010.

"We've said right along that our economy has been pretty resilient," said Sandy Parker, CEO of the Rochester Business Alliance, which cosponsors the program with accounting firm KPMG. "Where we haven't had the peaks, we haven't had the deep valleys, either."

In an unscientific online survey of this year's Top 100, leader after leader said his or her organization was able to find some business advantage during tough times.

For Isaac Heating & Air Conditioning, they were three of the best years in the company's 66-year history, said President

Raymond Isaac.

"Isaac has always maintained an intense focus on efficiency and productivity, and this paid dividends during the economic downturn. Many companies cover for their inefficiencies by laying on price to their product or service. Take a poor or mediocre business in terms of performance or efficiency, throw on a high price, and at the end of the year they will probably make money," he said, likening it to spaghetti sauce covering up an otherwise disappointing meal.

"During the recession, however, the public's taste for spaghetti sauce went away and those operations that could no longer throw on that sauce/high price ran into trouble," Isaac added. "However, operations that have maintained efficiency all along either maintained or even grew as a result."

RailComm CEO Joe Denny, whose company ranks No. 2, said RailComm grew by expansion internationally, particularly in South Africa, and as it benefited from

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higher fuel prices, which led to more freight being transported by rail instead of by truck.

No. 3 Real Lease Inc. also grew by searching out new markets "as well as spending extra effort with our mainstay client and vendor base," said CEO Robert D. Noonan, echoing a common theme among Top 100 executives who emphasized the importance of nurturing longtime business relationships.

Pluses, minuses

Going forward, several Top 100 companies said they expect to keep growing, in part because of some pluses to doing business in the Rochester region.

"Rochester's economy never experienced the crazy highs and is weathering the current economy better than most areas of the country," said Pathfinder Engineers & Architects co-owner David J. Meyer, adding, "Rochester is a great place to live and this has helped with our staff and new recruits."

E. Bradley Paxton, chief executive of ADI, which does quality assurance testing of information technology products and systems, said that being in Rochester "is a plus because of the high quality of technical help available at rates which are competitive."

"For optics manufacturing, Rochester is like Mecca," said Apollo Optical Systems CEO G. Michael Morris. "It has it all. There is a

strong base of highly skilled machine operators, technicians and engineers. And there are wonderful optics educational programs at all levels. There are approximately 60 to 70 small businesses in the greater Rochester area that specialize in various aspects of optics technology."

At the same time, there are barriers to growth. Businesses have long complained about the regulatory and tax burdens of operating in New York state, and survey respondents were nearly unanimous in their feelings on the subject.

"Ultimately, we need to level the playing field against other states so that our children have a future here," said Don Waltzer, CEO of H&C Tool Supply Corp.

"Dealing with the state on workers' comp and unemployment insurance is a joke," said Steven F. Neelin, CEO of Quality Recruiting. "It's a constant struggle to own a small business in New York. I would not start or own another company here."

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Pointing to the state's Wage Theft Prevention Act, which became law earlier this year, Isaac said he had "never heard of such an accusatory and anti-business piece of regulation in all my years of business, and this is just one example. The WTPA penalizes employers who are hiring and retaining jobs, and it puts us on the defensive by adding layers of oversight and reporting to a system that was already burdensome to begin with."

Aside from the state of the state, a midsized city like Rochester carries its own challenges.

"One of the drawbacks of being based in Rochester is the relatively small local talent pool to choose from," said Frederick W. Sarkis II, CEO at Pharma-Smart International. "While Pharma-Smart has been very fortunate to find highly trainable and very talented employees, Rochester simply does not have the competitive and specialized talent pool numbers that larger, more populated cities can offer."

Many other executives, however, said they have found the regional workforce to be deep enough to meet their staffing needs.

Changing face

The Top 100 cadre in the late 1980s looked like the Rochester-area economy. Of the 100 firms in 1989, manufacturing accounted for 37 and services 25.

The Top 100 list of today shows how the economy has changed. In terms of

employees and revenues, retail is the single largest category, but that's almost wholly due to the size of Wegmans.

Service businesses are now the most numerous, with 26 companies employing more than 40,000 people and posting combined revenues of \$1.3 billion.

Manufacturing still has a place at the table, though it's no longer at the head. The 22 manufacturers employ 4,600, with revenues of \$1.1 billion.

And since the start of the Top 100 program, whole new categories such as **financial** services and technology have been created to accommodate the growing number of companies that didn't quite fit the original list of industries.

"I remember the first time a health care company was on the top three," said the RBA's Parker. "That's when we'd begun to see the economy shift from a manufacturing base to more health care and education."

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And the list today, she said, "is really a reflection of the economy."

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Ajay Sadarangani, an equity analyst for Manning & Napier Advisors, Inc., works in his office. The company leads this year's Top 100. / Annette Lein/staff photographer