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Company leaders prepare for shifts in the economy

BY BRIAN BANDELL • BBANDELL@BIZJOURNALS.COM • 786-533-8215 • @SFBJREALESTATE



PHOTOS BY JOCK FISTICK

The top executives from a variety of South Florida companies gathered for a CEO Roundtable at the Business Journal offices on March 2.

INTRODUCTION

Even the most successful CEOs are reluctant to predict where the economy is heading over the long term, but it's clear that disruptive technologies will continue to throw curveballs at companies.

From Uber and Airbnb to e-commerce and bitcoin, innovative products can threaten traditional business and create new money-making opportunities. Company leaders must balance investing in cutting-edge technology with the health of the corporate balance sheet, understanding that a recession can occur when least expected.

In the end, it comes down to leadership. If a CEO can strongly motivate employees and build a team that develops new ideas, the company stands a better chance to endure both good and bad times.

These were the main issues discussed by 11 South Florida CEOs at the *Business Journal's* CEO Roundtable on March 2. Sponsored by Comcast Business, the panel was moderated by Editor-in-Chief Mel Meléndez at the SFBJ's Miami office. It is part of the *Business Journal's* ongoing Roundtable Series, where CEOs, CFOs and HR directors shed light on salient topics of interest to our readers. ❧

The Great Recession was officially declared over in 2009, but the economic devastation lingered long enough to keep it fresh in the minds of many South Florida CEOs.

The tri-county region, like much of the U.S., has experienced prosperity for about five years. With consistent job growth, rising real estate prices and higher sales for many companies, there's a lot to celebrate.

But while local CEOs remain optimistic about the economy's outlook, they remember that downturns can come swiftly – and when they're least expected.

Tony L. Argiz, chairman and CEO of Miami-based accounting firm MBAF, said federal tax cuts should boost economic growth in South Florida this year and in 2019. Still, the unemployment rate is so low that it's been difficult to find employees. Companies must offer higher wages and benefits to retain talent in this competitive environment, he said.

The federal tax cuts allowed Dania Beach-based Q Link Wireless LLC to hire 80 people in the past three months, said Issa Asad, CEO of the wireless service provider. The hardest positions to fill are technology workers, he added.

While all of the economic indicators appear strong, real estate developer Jimmy Tate, president of Miami-based Tate Capital, said he has an uneasy "gut" feeling that something isn't right. So, he's keeping his company lean, just in case.

MODERATOR



Editor-in-Chief
Mel Meléndez

"You have to be smart and decrease inventory and increase capital reserves," Tate said. "2008 taught us it can happen quickly and a lot of external forces can come into play. You need lots of cash to protect yourself."

That extra level of cash certainly helped Grove Bay Hospitality over the past two years. The company, which owns restaurants including American Harvest, Stiltsville and Glass & Vine, saw a loss of diners due to the Zika virus scare and Hurricane Irma, but it still paid employees because it was financially prepared, said Ignacio Garcia-Menocal, CEO of the Miami-based company.

BBX Capital Corp. (NYSE: BBX) Chairman and CEO Alan B. Levan guided his company through the Great Recession, although that required selling off BankAtlantic and some other businesses. Now the Fort Lauderdale-based company is on a growth spurt, acquiring a variety of businesses, from chocolates to pizza to real estate development.

Levan is well aware that another downturn could come

CONTINUED ON PAGE 28

MEET THE PANEL

**TONY L. ARGIZ**

Chairman and CEO, MBAF
1450 Brickell Ave.,
18th floor, Miami 33131
(305) 373-5500
targiz@mbafcpa.com

**ISSA ASAD**

CEO, Q Link Wireless LLC/
Quadrant Holdings
499 E. Sheridan St., Suite
400, Dania Beach 33004
(954) 482-4255
issa@
quadrantholdings.com

**TONY CHO**

President & CEO, Metro 1
120 N.E. 27th St., Suite 200,
Miami 33137
(305) 909-6775
tcho@metro1.com

**ADRIAN ESQUIVEL**

Chief expert, TECKpert
2100 Coral Way, PH 701,
Miami 33145
(786) 393-5826
aesquivel@teckpert.com

**IGNACIO
GARCIA-MENOCAL**

CEO, Grove Bay Hospitality
2640 S. Bayshore Drive,
Suite 302, Miami 33133
(786) 866-9854
Ignacio@
grovebaygroup.com

**CALIXTO
GARCIA-VELEZ**

Executive VP,
FirstBank Florida
701 Waterford Way,
Suite 800, Miami 33126
(305) 280-0060
calixto.garcia-velez@
firstbankfla.com

**MARK J. GEMIGNANI**

CEO, DominionAG
President,
Dominion Builders
4942 Le Jeune Road, Suite
203, Coral Gables 33146
(305) 661-2700
mgemignani@
dominion-ag.com

**WENDY KALLERGIS**

President and CEO,
Greater Miami and the
Beaches Hotel Association
1674 Meridian Ave., Suite
420, Miami Beach 33139
(305) 531-3553
wkallergis@gmbha.com

**ALAN B. LEVAN**

Chairman and CEO,
BBX Capital Corp.
Chairman, Bluegreen Corp.
401 E. Las Olas Blvd.,
Fort Lauderdale 33301
(954) 940-4000
alevan@bbxcapital.com

**DEV MOTWANI**

President and CEO,
Merrimac Ventures
2434 E. Las Olas Blvd.,
Fort Lauderdale 33301
(954) 522-6556
dev@merrimacventures.com

**JIMMY TATE**

President, Tate Capital
1175 N.E. 125th St., Suite 102,
North Miami 33161
(305) 891-1107
jimmy@tatecapital.com

at any time.

"We survived the last recession, but we didn't have a lot of extra cash around to take advantage of opportunities," Levan said. "This time, we expect to survive it and be well-stocked with reserves to take advantage of the opportunities."

There's already been a slowdown in commercial real estate deals, as many sellers have unrealistic expectations on pricing, said Tony Cho, CEO of Miami-based brokerage and developer Metro 1. After a rapid increase in prices in Miami's urban core in recent years, sellers expect that values will continue growing at similar levels. The problem is that lenders have been more conservative in financing deals, so there have been standstills in many negotiations, he said.

"If the [Federal Reserve] raises rates, that will have a dramatic impact," Cho said. "They are so addicted to this low-rate environment, which is not sustainable."


Politics can also make waves in the economy, especially when it impacts the international commerce that South Florida depends on.

Dev Motwani, president and CEO of Fort Lauderdale-based real estate developer Merrimac Ventures, said foreign buyers have been a huge source of condo purchases throughout South Florida. Recently, one high-end foreign buyer expressed concern that a change in U.S. immigration laws would make it difficult for him to bring his family with him to the U.S.

"People are turned off by the rhetoric and not feeling welcome," Motwani said.

In the banking world, international depositors feel their money isn't welcome in the United States because the financial regulations are so burdensome, said Calixto Garcia-Velez, executive VP of FirstBank Florida, the Miami-based division of FirstBank Puerto Rico (NYSE: FBP). International deposits can be used to make loans locally, so reducing this important source of cash slows the growth of banks, he added.

If a company could be adversely impacted by politics or regulations, it's important that executives speak up, some of the CEOs said, adding that the immigration rhetoric could adversely impact tourism and other big industries in South Florida.

With about half of Miami-Dade County visitors coming from international markets and many of the local hospitality workers being immigrants, Wendy Kallergis, president and CEO of the Greater Miami and the Beaches Hotel Association, said it has been passionately supporting allowing "dreamer" immigrants and those with temporary protected status to stay, as they are an important part of the hospitality workforce. 

CEOs don't fear disruption, they adapt



DominionAG's Mark J. Gemignani is keeping a close eye on new building technologies.

If a new, disruptive technology is emerging, the worst thing for a CEO to do would be ignore it – especially if it directly impacts their business.

Traditional industries often try to throw up roadblocks that stop innovative competitors in their tracks, but that rarely works if the public embraces the new technology. Think of the legal and political methods used against digital/streaming music, ride-sharing and home-sharing. No matter what judges or politicians said, it was nearly impossible to block digital commerce.

Even if a disruptive technology doesn't compete with an industry directly, it could have major ramifications for it. For instance, many real estate developers are changing how they design projects in response to ride-sharing and the anticipation of driverless cars.

"The word 'disruption' should scare us all to death," said Alan B. Levan, chairman and CEO of Fort Lauderdale-based BBX Capital Corp. (NYSE: BBX) and chairman of Bluegreen Corp. (NYSE: BXG). "Uber disrupted taxis. Airbnb is making progress against traditional hospitality. Amazon is totally disrupting Walmart, and Walmart is the largest company in the world."

In some cases, jumping into innovative technology early can give a company a huge advantage.

Mark J. Gemignani, president of Dominion Builders, started DominionAG to serve as a general contractor for indoor grow houses that were proliferating around the nation for medical marijuana production. He's keeping a close eye on new building technologies, such as 3-D printing of entire structures, because they might bring down costs.

Starting out as a disruptor isn't easy.

Q Link Wireless provides free smartphones and low-cost wireless service to people who qualify for federal assistance. When the company launched in

2011, it took a long time to persuade the FCC to approve its business plan, and it couldn't secure venture capital financing, CEO Issa Asad said. The principals invested their money. Now they're pulling in about \$200 million in revenue a year, with no credit lines, he said.

"Millennials are not looking for the status quo or the dinosaur way of doing business," Asad said. "You must retool your business. It's about looking forward and not being antiquated."

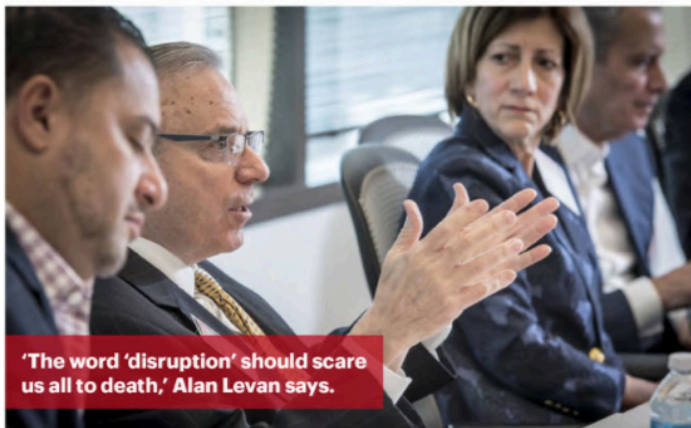
South Florida's position as a gateway to international business makes innovation in technology even more important.

Adrian Esquivel, chief expert of Miami-based consulting, software development and online support firm TECKpert, said many South American companies are faster to embrace disruptive technologies, such as blockchain and digital currencies. He often draws on ideas he finds overseas and applies them to the U.S.

TECKpert regularly carves out a whole day and allows a team of employees to develop a new concept or piece of technology. Even if that product isn't usable, at the end of the day, it fosters inspiration and creates an opportunity to learn something new, he said.

Levan said many of the best ideas at BBX come from its youngest employees. It's important that senior executives listen to millennials and not drown out their voices, he added.

"I hire millennials and keep them around all the time and run ideas by them," said Dev Motwani, president and CEO of Fort Lauderdale-based developer Merrimac Ventures. "The pace of change is the pace of their life." ❧



'The word 'disruption' should scare us all to death,' Alan Levan says.

True leadership can't be bought, top executives say

When Tony Cho founded his real estate brokerage at age 26, he thought the employees would loyally follow his directions because he paid them. But that wasn't the case—at all.

No one will listen to you simply because you sign their paycheck, said Cho, president and CEO of Miami-based Metro 1. You must earn their respect.

If employees follow you simply because you have the CEO title, then they'll do the bare minimum to get by, said Ignacio Garcia-Menocal, CEO of Miami-based restaurant group Grove Bay Hospitality. People will work much harder for leaders who displays honesty and integrity, and show they have the best interests of employees in mind, he said.

The CEOs stressed that recognizing employees for good work, whether with bonuses or awards, helps improve morale. The boss should encourage employees of all levels to speak their minds, so visit their desks often and consider changing the workplace to an "open office" format, the CEOs said. Most important: Don't place yourself in an ivory tower where you can't be reached.



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According to a survey of workers by Collective, 62 percent expect face-to-face communication with the CEO. Just under half of those surveyed were satisfied with the level of communication

from the executive team.

Jimmy Tate, CEO of North Miami-based Tate Capital, said one of the first things he did after buying the Bahia Mar Fort Lauderdale Beach hotel was speak

with the employees—everyone from the housekeepers to the dishwashers—about how to improve service.

"The big thing is humility," said Tony L. Argiz, chairman and CEO of accounting firm MBAF. "Whatever you do in life, you have to care about people and care about the community. You are never going to be better than your people. They are the ones who make up your company."

It's also important that a CEO has the proper perspective. When engaged in the daily grind, it can be difficult to see the big picture and understand how things could be done better.



Calixto Garcia-Velez

Calixto Garcia-Velez, executive VP of FirstBank Florida in Miami, said he does his best thinking while on vacation.

"Find the time to dedicate to thinking and help the team think about two or three years from now," he said. **Z**

► QUOTABLES



Tony L. Argiz

What's the best thing about being a leader?

► Tony Argiz, MBAF: When employees buy a home and educate their kids at good universities, you know you have been successful.
► Ignacio Garcia-Menocal, Grove Bay Hospitality: A server who was with us for seven years told me Monday: "I saved enough money to buy my own house." This is a guy with a high-school education. I was super proud of him.



Wendy Kallergis

► Wendy Kallergis, Greater Miami and the Beaches Hotel Association: I get to talk to colleagues across the country. It's exciting because it will strengthen our voice, as well.

What's been the biggest surprise of being a CEO?

► Dev Motwani, Merrimac Ventures: How hard it is to find good talent.
► Calixto Garcia-Velez, FirstBank Florida: The rewarding nature of the

impact you have on people's lives.

► Mark J. Gemignani, DominionAG: People aren't always what they seem to be. If you have a gut feeling about a vendor or a client or an employee, your gut feeling is usually right.

What was the worst advice you ever received as a CEO?

► Calixto Garcia-Velez: It is very lonely at the top. I found that not to be true at all.
► Adrian Esquivel, TECKpert: In 2010, don't buy Bitcoin.
► Dev Motwani: That a smaller organization was a good way to operate and it kept me from hiring key positions. It's the people that grow an organization.
► Issa Asad, Q Link Wireless: To outsource certain staffing. I hated having it removed from the office. In outsourcing, you get what you pay for.

Is there something you wish you had done differently?

► Alan B. Levan, BBX Capital Corp.: I would do it the exact same way, including the conference call that cost me a 10-year battle with the SEC.
► Ignacio Garcia-Menocal: Hiring key positions earlier.
► Calixto Garcia-Velez: Embracing technology and disruptive innovation sooner in my industry. **Z**