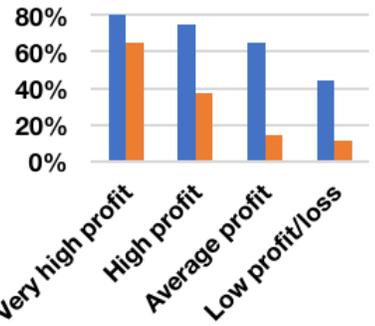


TRENDLINES

Budgeting compensation benefits



In Zweig Group's recently released *2019 Policies, Procedures & Benefits Survey of AEC Firms*, respondents were asked if they **budgeted for bonuses** and/or **paid overtime to exempt employees**. Not surprisingly, an increased willingness to budget compensation benefits for staff was directly proportional to an increase in profitability. The majority of firms (65 percent) paid bonuses out annually. Participate in a survey and save \$320 on any Zweig Group research publication. Visit bit.ly/TZLsp to learn more.

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The power of information

“You had better conquer those fears! Because the power of the information to inform, educate, and motivate your people is more powerful than any negative that could come from it.”



Mark Zweig

Back in my undergraduate business college days, I remember hearing a story illustrating the power of information as a motivator. I can't recall many of the details, but the basic idea was that one shift in a factory would write down the number of widgets they produced on the factory floor for the next shift of workers to see. Then that second shift would write down their production for the first shift to see.

The numbers kept going up and up.

People like to know how they are doing. And they are naturally competitive with each other. So sharing the numbers – as the workers did with each other without management telling them to do so – was a motivator.

How can we employ this in an AEC firm, you may ask? Easily.

Try sharing monthly revenue goals versus actual revenue achieved, unit-by-unit. Sales of new work, profits, multipliers, utilization, revenue factor, proposals made, number of jobs won, staff turnover rate, and more are important numbers you can track and report on. And why not share this information with every single employee? They need to know. And they may actually change their behavior as a result.

Of course, it might be nice to tie incentive compensation to specific numbers that are shared with everyone, but the truth is it may not be necessary. The numbers are actually more important than the cash.

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MORE COLUMNS

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ELEVATE / CELEBRATE

CHRISTINE FRANKLIN OF CHEROKEE ENTERPRISES, INC. RECOGNIZED BY RED CROSS FOR HUMANITARIAN EFFORTS The Red Cross annually recognizes women whose efforts have made significant contributions to the quality of life in South Florida through their Spectrum Awards for Women.

"Spectrum" refers to women's impact across the broad scope of community life and reflects the spectrum of cultures represented in the South Florida community. Christine Franklin, P.E., president of **Cherokee Enterprises, Inc.**, was one of the women leaders acknowledged for her humanitarianism.

Franklin received the Entrepreneurial Award for her contributions to the economic, social, and cultural fabric of the community.

"Giving back to the neighborhoods that support us is not just our responsibility, it's our privilege," says Franklin.

CEI's expansive commitment to its local community started by enlisting its own growing workforce. Employees began sponsoring a variety of worthy charitable causes within the greater South Florida region, with CEI's financial backing.

Franklin marvels at the dividends that have resulted: "Our corporate core values – 'Community, Excellence, and Integrity' – were not only burnished by an increased commitment to our local environs, they became defined by it."

Headquartered in Miami Lakes, Florida, CEI is a privately held firm founded in 1999 by a group of individuals who worked together for more than 10 years for a large multinational firm. With humble beginnings in local environmental projects, CEI's service offerings have grown along with the firm to provide fueling facilities, design/build projects, environmental engineering, and remediation services. CEI has the knowledge, the people, and the equipment to solve its clients' greatest challenges. CEI believes that every client's project is unique and that the firm's attention to detail enables them to succeed – no matter the odds.

NINE WESTWOOD EMPLOYEES RECEIVE CULTURE AWARDS In early 2018 the Power Division at

Westwood Professional Services engaged its staff to help define the group's culture, culminating in a statement that has been used to recognize and reward employees.

During the year nine employees received culture awards, which include a framed certificate, monetary prize, and recognition through Westwood's internal media. Equally as important have been the sincere and thoughtful nominations provided by the winners' colleagues, recognizing the breadth of dedicated effort, collaborative spirit, and commitment to fun that truly uphold the team's culture.

Westwood values the strong culture that has been cultivated over the years, and the firm aspires to strengthen that culture every day, for every person, by providing:

- A place for professionals to have fun and work hard with a collaborative, productive, and diverse team.
- A place with a trusting and open atmosphere where people can count on each other's support.
- A place focused on flexibility, balance, and creativity where people encourage and inspire each other, and strive to be innovative with a "can do" attitude.
- A place to grow and build life-long careers and lasting friendships.
- A team that is committed to the long-term success of each individual, where questions and new ideas are encouraged.

The Power Division, and Westwood as a whole, will continue to articulate the importance of building a positive culture and to distinguish those culture champions among its own people.

Westwood Professional Services is a surveying, engineering, environmental, GIS, and land planning and design firms that serves clients on commercial, residential, wind, solar, power delivery, and oil and gas projects. The firm has offices in Minneapolis, Minnesota; Phoenix, Arizona; Kansas City, Kansas; Dallas-Fort Worth, Texas; Madison, Wisconsin; St. Cloud Minnesota; Denver, Colorado; Las Vegas, Nevada; and San Antonio, Texas.

MARK ZWEIG, from page 1

What keeps firm owners from sharing this kind of information with their employees? Mostly it is fear. Fear the employees will think they are doing so well that they should be paid more. Fear that the employees won't understand the inherent ups and downs of various units in the firm and think that one or the other isn't carrying their weight at some point in time. And fear that if the firm isn't doing well, the employees will jump ship.

You had better conquer those fears! Because the power of the information to inform, educate, and motivate your people is more powerful than any negative that could come from it. ■

MARK ZWEIG is Zweig Group's chairman and founder. Contact him at mzweig@zweiggroup.com.

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Leading from behind

Even if you're at the lower rungs of the org chart, there are plenty of opportunities for meaningful acts of leadership.



**Chad
Coldiron**

Navigating the first years in a workplace can sometimes feel like binge-watching a season of *Game of Thrones*. If you don't keep up with the popular fantasy drama, let's just say there are a lot of casting changes, confusion, conflict, and the occasional fire-breathing dragon. Same thing with a new job: Who is that new person? What's their role? Will I report to them in some way? Why is that intern better than me at that task? Tom took another job?

With constant changes happening in the workplace, it can be hard for a young employee to find their voice – or even the project accounting department. But there are certainly things a young employee can do, like first learning about the firm's leadership culture. I'm not saying someone has to emulate every principal they meet, but they should at least try to understand the tenets their success was built upon. You'll find out they weren't always the leaders they are today and that they found their own opportunities to lead along the way. Here are some opportunities that almost anyone in today's AEC industry will run across.

■ **Working with a remote team.** We're more connected than ever and developing the skills to work independently or with a remote team is an area where younger professionals can lead by example. Keeping

“With constant changes happening in the workplace, it can be hard for a young employee to find their voice ... But there are certainly things a young employee can do, like first learning about the firm's leadership culture.”

up with long-distance relationships is often easier than keeping up with our neighbors these days.

■ **Leadership out of the office.** How often do your leaders travel? If the answer is often, then you have a great opportunity to lead the pack from behind. Take advantage of your time in the office with your

See CHAD COLDIRON, page 12



BUSINESS NEWS

CIVITAS UNVEILS NEW BRANDING AND WEBSITE IN HONOR OF 35 YEARS OF AWARD-WINNING URBAN DESIGN AND LANDSCAPE ARCHITECTURE

For award-winning Denver urban design and landscape architecture firm **Civitas**, creating a new website and logo was more than adding better functionality and some new bells and whistles. Coming at the 35th anniversary of the firm that has for decades staked its reputation on being driven by an insatiable curiosity and future-looking approach to an ever-evolving world, Civitas embraced the chore as an opportunity to go deeper. Using the 35-year mark as a pivot, the team came together to identify and express a philosophy of practice rather than merely showcase its admittedly remarkable oeuvre of urban strategies, plans and projects undertaken across the U.S. and around the world.

“New urban landscapes have a new burden,” reads the new homepage manifesto, “to heal scars, reclaim lost places, connect old and new systems, create cultural and economic value, attract people, activate neighborhoods and connect people to each other and the place they call home.”

Always, Civitas’ role has been an active response that creates healthy public spaces that engage the “civitas” socially and answer environmental challenges even as they invite joy in those who experience them. The unveiling of the firm’s new branding and website clarifies the underlying missions.

“The new website represents our first attempt

to express our thinking, values and purpose rather than just showing artifacts,” says founding principal Mark Johnson. “We’ve been talking about our company recently as a ‘35-year-old startup.’ For being 35 years old we’re really fresh. And that’s by intention. We’re deeply curious about how the world is changing and want to contribute to that change.”

Leading the charge on the quest for greater clarity was new Civitas Director of Marketing Blake Booth Jordan, returned after a 10-year hiatus, although, she notes, she never really left, having often pitched in on a consulting basis when the firm was in a pinch.

“I was able to walk in with fresh eyes and a deep understanding of what makes this firm so damn special – and it’s always been the people,” Jordan says.

“We pride ourselves on how unique we are, how quirky and how out of the ordinary – or should I say ‘outside of the box’ – we think,” she explains, with a reference to the company’s new square logo that doesn’t quite manage to box an expansive Civitas name, which pushes the boundaries, hinting at how much is yet left to be revealed. “That complex element has shaped some of the most intricate projects across the nation and we do it with genuine humility and without a sweeping signature, led by some of the industry’s best thinker-uppers who have been creatively solving problems for decades.”

She acknowledges the Civitas mystique is

“certainly not an easy thing to ‘brand,’ but it was clear we needed to take a hard look at our messaging and rethink our dated website.” And her role as a “Civitolot” – as the firm calls its people – allowed her to guide the process from the inside out, including tapping Denver web design boutique (in)spiregraphics to collaborate. They “studied us in our native habitat,” she says. “Their immediate absorption into our culture sealed the deal, helping them capture the essence of what makes us unique and craft it in a fresh and compelling way.”

Gaining full participation and consensus from Civitas’ principals, Mark Johnson, Scott Jordan, Chris Parezo and Craig Vickers, on the refresh is one of the things Blake Jordan is most proud of. “The results speak for themselves,” she says. “Our new aesthetic aligns beautifully with our firm culture, the logo is a creative spin on an often phonetically-challenged name and the new branding platform is the solid launching pad for the next 35 years.”

Founded in 1984 with the core purpose of “creating healthier cities,” Denver-based Civitas, Inc., is an idea-based practice of urban designers, architects and landscape architects engaged in strategic planning for urban change and project design for built works. A consultancy and a design studio, Civitas advises on a wide range of strategies for re-imagining urban life and places, working in U.S. cities coast to coast and around the world.

CHAD COLDIRON, from page 11

peers and make sure your home base is pointed in the right direction. Help bridge the gaps between the leaders who don’t have their eyes on the day-to-day operations in the office.

“Take a few moments to reflect on how and when you can find an opportunity to lead through small actions every day. If you are already a leader at your firm, find time to encourage these actions from the younger generations. They are the future but won’t get there alone.”

■ **How should I communicate with you?** I ask this of every new client and employee. Being comfortable with a variety of communication styles is something we all need to be better at in our current society. Text messaging and messages sent via social media platforms are becoming the standard for getting the attention of the largest generations in the workforce. I personally don’t think anything will replace the impact of picking up the phone and having a conversation with someone. Regardless of your preferred mode, the most important thing is to be responsive. Don’t wait to answer an

easy request or wait to reply until everything is accomplished. Communicate your intentions to complete their request and provide some time expectations for completion.

■ **Earn it.** I’m uncomfortable not being at the office early each day. Making the first pot of coffee has become a reflex at this point. You never know who this helps out, but seeing an empty pot at the end of the day means it saved somebody a few minutes. Growing up in the ‘90s, one of my favorite leaders to watch in action was Michael Jordan. What you didn’t see on TV back then was the amount of additional time he spent practicing at home before and after the Bulls regularly scheduled practices. Eventually, Scottie Pippen joined him for the extra work, and then Steve Kerr, and then most of the team (probably not Dennis Rodman). Jordan recruited his entire team to work harder just by setting an example of what it takes to be the best. He sums it up pretty well with one of my favorite quotes, “Earn your leadership every day.”

Sometimes what makes a strong leader is not what they do, but when they do it. Take a few moments to reflect on how and when you can find an opportunity to lead through small actions every day. If you are already a leader at your firm, find time to encourage these actions from the younger generations. They are the future but won’t get there alone. ▀

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PROFILE



Loyalty and integrity: Jon Christensen

President and CEO of Kleinschmidt (Best Firm #34 Multi-Discipline for 2018), a 140-person environmental consulting firm.

By LIISA ANDREASSEN
Correspondent

Christensen has been with Kleinschmidt for more than 30 years. He began as a licensing project manager and worked his way up to CFO. After 10 years in that role, he was promoted to CEO.

“Our core values include integrity and creating loyal relationships with our employees,” Christensen says. “Integrity relative to loyalty means we often take extraordinary steps to help long-time employees succeed.”

A CONVERSATION WITH JON CHRISTENSEN.

The Zweig Letter: Do you tie compensation to performance for your top leaders?

Jon Christensen: For most employees, we target salary around the 60th-75th percentile of the industry and pay routine bonuses. For leaders, however, we are closer to median salaries, but with the chance to reach 75 percent of total compensation when we perform well. As a team, this motivates us to perform as well as or better than peers. We individually and collectively define measurable goals, and measure against those with a clear understanding of how that can affect our total compensation.

TZL: Do you share base salary or bonus amounts with your entire staff?

JC: We publish salary ranges and detailed job advancement charts that define both the technical skills and the behaviors (e.g. project delivery, management, leadership) we expect from employees at each level. Staff can work with their supervisor to chart a progression that works for them. We also publish and communicate the key factors that affect individual bonuses (company profits first, of course), and provide a range of what folks can expect based on their level within the organization and their personal performance.

TZL: What actions do you take to address a geographic office or specific discipline in the event of non-performance?

JC: Our core values include integrity and creating loyal relationships with our employees. Integrity relative to loyalty means we often take extraordinary steps to help long-time employees succeed. For example, we separated with a principal in 2018, but only after we moved him into two different senior level positions, offered executive coaching, and

worked with him through mentor relationships. In the end, what he loved to do (business development) was not what he was great at and what he was great at (technical work) was not what he wanted to do. We struggled with the decision, as he had been with us for 20 years and we fervently believe our people deserve every chance to succeed, but we knew we handled it well and made the right decision.

TZL: How many years of experience – or large enough book of business – is enough to become a principal in your firm? Are you naming principals in their 20s or 30s?

JC: When we were smaller, principals needed a deep understanding of all our career paths: firm management, business development, project management, and strong technical expertise. Comprehensive skills in all these areas took decades to develop. Over time, to remain relevant with expectations of new generations we have revised our principal role. The role continues to evolve, and, in 2019, I envision a higher hurdle relative to technical capabilities in a specific career path than in recent years. However, by creating an opportunity in a single career path, it should be attainable at a younger age going forward.

TZL: Internal transition is expensive. How do you “sell” this investment opportunity to your next generation of principals? How do you prepare them for the next step?

JC: As with many companies our size, we are having this discussion today as our largest shareholders retire. Fortunately, we’ve experienced similar large transitions before, so we have some “lessons learned.” Most importantly, we provide leadership opportunities and actively recruit staff who want to work as a team to “own their future.” To encourage that spirit, we communicate the benefits of ownership, and we emphasize the culture and our core values, one of which includes remaining a privately-held, employee-owned company.

TZL: How do you promote young and new leaders as the firm grows?

JC: Creating four separate career paths (technical, BD, PM, and management) gives us the opportunity to play to an individual’s strengths, rather than assuming everyone has the interest (or ability) to excel at all parts of the business. Additionally, this creates opportunities for people to play a leadership role in the company that fits with those interests and abilities. You can become a discipline leader, for instance, after you have mastered your technical discipline,

but before you have the decades of experience required to manage firm operations. This provides several avenues for upward or lateral movement while employees pursue new skills.

TZL: In one word or phrase, what do you describe as your number one job responsibility as CEO?

JC: Gain alignment through two-way communication.

My brother was COO at a Fortune 500 company and said the primary difference between his role and the CEO role was the amount of time spent with stakeholders. I thought I would have an easier time of it (and told him as much), because we were a small, closely held company. Wow, was I wrong! Listening, clarifying, and creating and reinforcing a vision comprises my most time-consuming responsibility.

“To remain relevant with expectations of new generations we have revised our principal role. The role continues to evolve, and, in 2019, I envision a higher hurdle relative to technical capabilities in a specific career path than in recent years.”

TZL: With technology reducing the time it takes to complete design work, how do you get the AEC industry to start pricing on value instead of hours?

JC: I encourage anyone who can answer this to write a book! We use both internal and external techniques. Externally, getting closer to our key clients’ “business” decision-makers and understanding their needs allows us to propose projects differently than we would when reacting to RFPs from the “project” decision-makers. Internally, we communicate continually about value, pricing, and the benefits of bidding projects in lump sum. Not new techniques, but we need to teach them to every new generation of project manager – you are more valuable than you understand!

TZL: If the worker shortage continues, do you see wages increasing to encourage more talent to enter the AEC space, or will technology be used to counter the reduced workforce?

See LOYALTY AND INTEGRITY, page 8

Kleinschmidt

YEAR FOUNDED: 1966

HEADQUARTERS: Pittsfield, ME

OFFICE LOCATIONS: 11

NO. OF EMPLOYEES: 140

COMPANY CULTURE: This employee-owned, multi-discipline firm of engineers, scientists, and regulatory professionals enjoy working collaboratively with each other and with their strategic partners to develop sound solutions. Professional development is a major focus as reflected in “Kleinschmidt University,” which provides a variety of blended learning resources of both internal and external programming.

CLIMATE CHANGE EXPERTISE AND SERVICES:

Kleinschmidt can help clients assess risks and potential vulnerabilities in their project in the context of climate change, including identifying and evaluating alternatives and designing sustainable solutions to maintain the efficiency and longevity of their project. They have experience to develop adaptive plans and strategies to minimize risk in response to new challenges. Their multi-disciplinary staff is educated and experienced in:

- Ecology
- Terrestrial and aquatic (freshwater and marine) biology
- Earth and atmospheric science
- Hydraulics and hydrology
- State, federal, and municipal permitting/licensing
- Civil, structural, mechanical, and electrical engineering
- Spatial and GIS analysis

JC: With our attitude to find the best, pay well, and expect much, we've already experienced significant increases in salary over the last several years. At the same time, technology continues to dramatically improve efficiency. I anticipate both these trends continuing, so our leaders must navigate them both in a way that keeps the firm vibrant and growing.

TZL: **There is no substitute for experience, but there is pressure to give responsibility to younger staff. What are you doing to address the risk while pursuing the opportunity to develop your team?**

JC: We use a technique we've dubbed "managing by exception." We discuss risk factors early and often on every project. Clearly defining levels of authority, using both objective and subjective criteria, empowers staff to make their own decisions, but requires them to obtain approval on anything out of the norm. So, working for an existing client on a project type you've managed several times, you may have significant financial authority to commit to the firm. But, even on a small project where the risk is high, or the client/project is unusual, we require senior oversight.

"Kleinschmidt promotes loyalty to our employees, and we have financial incentives that are geared exclusively to the long-term. Actively stating that we are loyal to our employees differentiates us from many, especially larger companies, and creates a team and ownership mentality."

TZL: **Engineers love being engineers, but what are you doing to instill a business culture in your firm?**

JC: We have constant, one-on-one conversations to create an understanding of the "business of running the business." We start with a focus on the basic building blocks of a business culture: accountability and responsiveness. When technical professionals have a good understanding of their roles and are accountable to each other, they create a great foundation. From there, we provide business education to staff at all levels, including our "Leadership Academy" (featuring June Jewell's Find the Lost Dollars training) which exposes existing and upcoming leaders to the best industry practices. We also publish our financials and provide lunch-and-learn workshops, seminars (internal and external), and shareholder education where everyone in the company is welcome.

TZL: **The seller-doer model is very successful, but with growth you need to adapt to new models. What is your program?**

JC: We've developed a matrix organization, where people who are interested in and excel at business development spend more of their time and energy pursuing new clients and projects. At the same time, individuals in the operations part of the business continue to develop the lasting relationships that any technical services firm relies on for long-term success. This balance is delicate, but when we are

successfully collaborating among the matrix, we cross-sell better to expand our services, and we are more successful pursuing competitive large and complex projects.

TZL: **Diversity and inclusion is lacking. What steps are you taking to address the issue?**

JC: Globally, we have some powerful female role models and support their engagement in industry associations that support women and minorities. More tactically, new entrants to the industry are more diverse today, so we were able to recruit a more diverse workforce. Once created, it was just a matter of time and open-minded review of candidates before we promoted several capable women to firm leadership roles in 2017. Additionally, leadership opportunities in the multiple career paths mentioned above provide other avenues for women and minorities to seek advancement, as several have. This atmosphere has created a more inclusive leadership pipeline, although I still count this as a work in progress.

TZL: **A firm's longevity is valuable. What are you doing to encourage your staff to stick around?**

JC: Kleinschmidt promotes loyalty to our employees, and we have financial incentives that are geared exclusively to the long-term. Actively stating that we are loyal to our employees differentiates us from many, especially larger companies, and creates a team and ownership mentality. Working in the team environment, individuals who stick with the company recognize significant benefits from ownership and from our very strong 401(k) contributions. We are constantly balancing this longer view against the pressures for immediate rewards and the need to constantly communicate and reinforce why we do this.

TZL: **How are the tax cuts impacting your business? Have salaries and bonuses increased?**

JC: We can retain more without a tax penalty. The tax cuts also increased the appeal of dividends. We are a C-corp and traditionally avoided the tax consequences of retaining cash for future distributions because they were doubly taxed. In 2019, however, the corporate taxes plus dividend taxes (capital gains) will be lower than the marginal individual tax rates. This makes dividends a more tax-efficient way to distribute earnings and it ties directly to shareholdings, whereas we avoid that connection with bonus distributions. We expect this to add incentive to those owners contemplating a purchase.

TZL: **How have the tax cuts impacted your firm's valuation? Do you plan to perform another valuation due to the tax cuts?**

JC: We pay taxes on a cash basis, so the tax code changes moved significant deferred taxes to retained earnings. Since these are future taxes, there was no cash that followed this transaction. That should influence the valuation, as well as the lower tax rate affecting the longer-term cash flow of the company. Accordingly, we expect the valuation to increase based on those pressures.

TZL: **Are you currently pursuing the R&D tax credit?**

JC: Absolutely. ▀



Word of mouth

Add value, share work, respond quickly, and be open about your process to get more business and increase revenue without spending more.



**Naveen
Khammampati**

How do we get more business and increase revenues? I often hear this question asked by either a fellow engineer or a young project manager. The most common answer I hear from senior leaders and business owners is word of mouth.

Yes, you read that right. Many small engineering firm owners indicate that their marketing budget is minimal, and yet, despite not spending much money on marketing and advertising they stay busy and profitable. How is this possible?

I've worked for small, medium, and large firms, and have had oversight of marketing budgets ranging from single digits to six figures. I started working at my current firm about a year and a half ago, and I'm proud to say I was able to double revenues without drastically increasing the expenditure. Here's how we did it:

- 1) Add value to the project.** Whether you add value to the project by reducing costs with your creative design or saving time with quick project completion and approval, adding value is essential for client retention.

"I started working at my current firm about a year and a half ago, and I'm proud to say I was able to double revenues without drastically increasing the expenditure."

For example, I worked on a project where the initial set of drawings were done by another engineering firm but they were brought to us because the client wasn't satisfied with the other engineer's responsiveness to urgent issues. After reviewing the plans, I modified the design so it resulted in more residential/developable lots with lower construction costs. After a year, this client is now one of our top sources of revenue.

See NAVEEN KHAMMAMPATI, page 10



BUSINESS NEWS

NEW CONSTRUCTION TECHNIQUE MAKES SCHOOLS SAFER IN OKLAHOMA To help keep Oklahomans safe, Hennessey Public Schools and **South Industries** have teamed up to construct a multipurpose school gymnasium and storm shelter in Hennessey, Oklahoma.

The choice to use a monolithic dome design was an easy one due to the inherent advantages of the dome shape. These FEMA certified buildings are rated to withstand winds in excess of 245 mile per hour, allowing survival and safety during the most intense tornadoes.

The superior wind resistance and lower construction and maintenance costs are key reasons why Mike Woods, superintendent of Hennessey Public Schools chose the dome shape and South Industries. Another key benefit of the monolithic dome is the flexibility of interior space. As the needs of the district evolve the interior floor plan can easily and cheaply be changed to meet the needs of the district.

The gymnasium is being constructed on the current Hennessey High School site. This multi-use dome will be used as the high school gymnasium and when needed as a community storm shelter.

Randy South, an owner at South Industries, said, "Domes are very energy efficient, and very strong. They'll take a direct hit from an EF5 tornado. They make a great school because it protects the kids. These buildings are elegant and especially for the price a school district will pay. The school administrators will find the costs to heat and cool these dome buildings is far less than what they would have to pay if they were using conventional structures. The

school board and superintendent had great vision when they designed this building and presented it to the public because it saved the community a tremendous amount of money."

The Hennessey multipurpose facility began construction in November 2018 and should be completed prior to the start of the coming school year.

Inflation of the dome was a site to see: The huge, soft form is blown up much like a balloon. It was inflated in two hours and the campus had the beginnings of a new building. Of course, much more work will go into the building to transform it from a soft billowy dome to a hard concrete shell that can withstand tornadoes.

After inflation, the inside of the Airform was sprayed with a polyurethane foam creating an insulated and hardened dome shape. Once the foam is set, rebar is placed creating a strong metal framework for shotcrete to be applied. As the dome walls are smoothed and many layers of the shotcrete applied the dome shell is completed.

The general contractor of the project is Wynn Construction Co., the architect of record is **Michael McCoy**, and South Industries is building the dome. Upon completion of the dome, the public will be invited to tour the amazing new gymnasium and community storm shelter.

South Industries is a design and build contractor of monolithic domes. Descending from the inventors of the monolithic dome, South Industries has built domes across the world and in nearly every state. Through

continuous innovation, South Industries has constructed structures that satisfy, amaze, and move the industry forward.

NEW FOOD INGREDIENTS PLANT TO BE DESIGNED AND CONSTRUCTED BY THE AUSTIN COMPANY

An international food ingredients producer has selected **The Austin Company** as its engineering, procurement, and construction/design-build partner for the delivery of a new plant-based protein isolates manufacturing plant investment. The plant is part of an investment program by the producer to advance core strategic high-growth and high-value product platforms.

"Austin has a long history serving the food industry and over the past several years has built a strong business in the delivery of process and facilities engineering and construction for the ingredients industry, specifically," said Brandon Davis, vice president operations at Austin. "This is a great partnership and we look forward to continuing to advance our expertise in the delivery of these important projects that feed our nation and world."

The Austin Company offers a comprehensive portfolio of services, including planning, architectural design, engineering, design-build, construction management, construction, and facility maintenance, as well as site location and operations improvement consulting for commercial and industrial companies throughout North America.

Austin was founded in Cleveland, Ohio, in 1878 and its headquarters remain in Cleveland, with regional offices in Atlanta, Georgia; Irvine, California; Kalamazoo, Michigan; and Mexico City, Mexico.

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2) Sharing is caring. This practice works best for business development. What I mean by sharing is to give some components of a project your firm doesn't handle to another firm.

For example, we are a civil engineering firm. When I'm on a project, I'll share tasks such as survey, architectural design, geotech, mechanical, electrical, plumbing, landscape, structural and traffic analysis, construction management, and construction work with outside firms. This grows my network and in turn, we get the favor returned with new referrals from these firms. Don't be afraid to share.

3) Response time. I know you're busy with designing, answering reviewers, mentoring, managing your accounting team, attending meetings, and so many other things. Despite all this, make a habit of responding to clients as soon as possible. Remember, time is money.

In the early stages of my project manager career, I was working on a small project for a client. An issue came up, and the client needed an immediate answer, but I couldn't get back to him until the next day. Unfortunately, I learned that he resolved the issue by hiring another project manager.

4) Transparency. Get your client involved in every step of the process. This way your client knows exactly what is going

on and what to expect next in the approval/review process, eliminating any confusion or misunderstanding and increasing client satisfaction. High client satisfaction means more business.

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These are the practices I follow every day, and they've worked for our firm. To sum it up: Make your clients happy and get them talking. Client satisfaction is the key to the success of any business. ▀

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Look before you leap

In today's competitive market conditions, being able to spot red flags may prove helpful in knowing when to pull out of a discussion or for negotiating a more equitable transaction.



**Rob
Hughes**

The new year certainly hasn't slowed the pace of consolidation among AEC firms. That became apparent in a recent two-day stretch when I had three in-person meetings with design firms and a long phone call with a fourth. All four firms asked me to keep them in mind if I hear about firms looking to sell.

Indeed, many design firms are exploring acquisitions, especially given their difficulties filling key staffing needs to meet increasing demand for their services and to fulfill their desire to diversify. The latter may be a lesson from the Great Recession; many firms hit hardest were overly dependent on a relatively monolithic client base, while having a limited service, specialty mix, or geographic scope. Equally telling: Three of the four firms I met with are actively engaged in acquisitions. And they aren't necessarily larger firms; one only has three licensed professionals.

In discussions involving M&A, one wonders how much attention is (or should be) given to risk and insurance. While the firms I met may not have overlooked these issues, it was clear their ongoing discussions were pretty far along. They were

meeting with me for some other reason and to find out if I knew of any sellers, and only then did they ask if there was anything they should know or ask the sellers about insurance.

Over the years, many checklists have been compiled of documents buyers should ask for from sellers, including loss runs, copies of policies and endorsements, applications, etc., in addition to considerations about possible impacts an acquisition might have on the seller's and buyer's insurance programs.

Understanding how to evaluate, structure, and minimize any additional costs involving insurances may help a seller (especially a small-

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ELEVATE / EDUCATE

SHIP & SHORE ENVIRONMENTAL, INC. LAUNCHES ENGINEERING MENTORSHIP PROGRAM FOR STEM STUDENTS Ship & Shore Environmental, Inc., a leading U.S. pollution abatement firm, recently announced that it has launched an Engineering Mentorship Program for local high school, undergrad, and graduate students interested in pursuing careers in the engineering, environmental, or other STEM-related fields. The program, which will continue through 2019, aims to raise environmental

awareness, educate youth about the importance of pollution control technologies, as well as offer opportunities to gain real world and practical experience.

“Educating the youth of today helps shape the environment of tomorrow,” said Anoosheh Oskouian, CEO of Ship & Shore Environment. “Mentoring our youth and sharing best practices with local academia is important to us. By opening our doors to leading local academic institutions like UC Irvine, Cal Poly

Pomona, and local high schools, we are facilitating a mutual mentorship scenario. Students and faculty should consider Ship & Shore a second home, and a place where they can learn from top engineers on how we design, engineer, and fabricate the latest pollution abatement technology to help clients reduce their carbon footprint.”

Ship & Shore Environmental, Inc., based in Southern California, is a leading pollution abatement firm.

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or mid-sized firm) distinguish their offer from several competing bids. For buyers, this involves conducting a detailed review of a seller’s insurance-related information; often relying on the expertise of insurance advisors.

While it may not be practical to start discussions about a possible acquisition with a request for details about losses and insurance, some of this information can be especially insightful to buyers. And it may help prospective sellers gauge how they stand relative to their peers – so they can highlight outstanding loss experience or proactively get their business in order in areas where they’re underperforming.

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Consider professional liability, given that most AEC firms focus on delivering professional services. Certain service types have inherently higher risk than others. These include geotechnical investigations and structural engineering design services. Unfortunately, these services tend to be more prone to severity losses – and not just on mega projects. Thus, it is not unusual for even well-performing geotechnical firms to pay four times in rate (unit cost for professional liability coverage as calculated on the basis of premium as a percentage of revenues) compared to a median rate or one for lower-risk classes, such as interior design or landscape architecture.

Perhaps it’s surprising that environmental engineering firms are viewed by insurers underwriting that coverage as fairly low risk – quite different from the perception some 20 years ago. Still, be sure to ask for details about how they handle Phase 1 investigations: Do they do them? And do they insist on using only their form agreement/terms and conditions? The modest fees collected by firms for these services can still give rise to disproportionate liabilities.

On the project side, residential remains high risk. That’s

true not just for condos, but for all residential from multi-unit to single-family and even custom-built homes. Recently, a client described a “great” opportunity to buy out the geotech group of a larger, multi-disciplined engineering firm. It turns out the group derived most of its revenues from the residential home-builder segment and was the firm’s only operating unit with professional liability losses in recent years!

School work is also higher risk – typically K-12 but not college/university – so, know exactly where the seller is working within this segment. Meanwhile, modest risk is typically associated with the healthcare segment, but that depends on whether the work involves hospitals (higher) or senior living. Don’t overlook services being performed; HVAC is significantly higher risk than civil/site services in this segment.

How often should a firm expect a claim? In fact, very few design firms have never experienced a claim. One leading professional liability insurer calculated that firms with annual billings greater than \$5 million on average experience one claim for every \$10 million in revenues. Meanwhile, smaller firms tend to have greater claims frequency: those with revenues of \$500,000-\$5 million average about two claims for every \$10 million in revenues; firms below \$500,000 see five or more claims for every \$10 million in revenues.

Not all claims are equal in terms of impact. Loss ratio – reserves (expense and indemnity; paid or not yet paid) divided by premium collected by the carrier(s) – is a key factor in comparing the loss history of firms across various revenue bands. Early on, buyers should get copies of the seller’s carrier loss runs, at least for professional liability coverage. And sellers should be sure to have their loss runs handy. Basically, a loss ratio below 30 percent typically indicates a good risk for an insurer. Alternatively, firms with ratios of 60 percent or higher will be categorized as poor risks. If these sellers can’t show how they can improve on their experience, you might choose to look elsewhere.

Despite the imperatives for growth, there are no shortcuts in M&A due diligence. Given today’s ultra-competitive market conditions, the ability to spot red flags may be helpful in knowing when to pull out of a discussion or for negotiating a more equitable transaction. Working with risk and insurance advisors can help identify potential insurance-related pitfalls. ▀

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