

Love your people

It may sound cheesy, but it applies to both personal and professional relationships.

If you can get everyone working together in a common direction amazing things can happen. Great projects are an incredibly complex team effort that requires extraordinary effort and cooperation.



Mark
Zweig

EDITORIAL

There's so much written these days about how to be a great leader. It's everywhere. A million ideas and things one should do if they want to win the hearts and minds of their people.

This fascination for leadership is well merited, especially in a business like the one we work in. Architects, engineers, scientists, planners, and other related professionals are NOT easy people to "lead." As highly intelligent professionals, they value their independence and may resist any attempts to guide them, viewing compliance as weakness. But the fact is this: If you can get everyone working together in a common direction amazing things can happen. Great projects are an incredibly complex team effort that requires extraordinary effort and cooperation.

One of the keys to leadership that is NOT often discussed is that of love – love for the people you work with. It sounds kinda cheesy and a little too new-age to talk about "love" in a business publication but believe me, it's critical to you. If you can show your love and win over people's hearts and minds, they'll move mountains for you.

Love for your people is shown through:
See MARK ZWEIG, page 2

MORE COLUMNS

- GUEST SPEAKER: Know PM plan before PMP exam. [Page 6](#)
- FROM THE CHAIRMAN: Why we all hate timecards. [Page 7](#)

Taking credit becoming easier

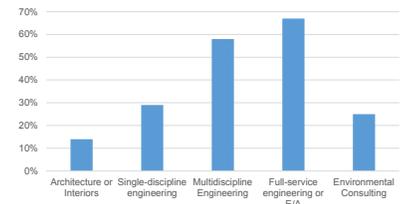
Page 11

Leader tricks for staying sharp

Page 3

TRENDLINES

Firms considering buying



Zweig Group's 2015 Mergers & Acquisitions Survey finds that A/E/P and environmental consulting firms are considering buying another firm at varying rates. For instance, 67 percent of firms identifying as full-service engineering or E/A are considering buying another firm. Multidiscipline engineering firms report similar rates, with 58 percent considering buying another firm. As the number of disciplines a firm offers goes down, so do the amount considering buying another firm, as only 29 percent of single-discipline engineering firms report they are considering buying. Environmental consulting (25 percent) and architecture or interiors firms (14 percent) are least likely to consider buying another firm in the near future. – Leah Santos, Research Analyst Assistant

FIRM INDEX

A. Morton Thomas & Associates, Inc.	11
Butler, Rosenbury & Partners	3
Gensler	8
HOEFER WYSOCKI ARCHITECTURE	11
KSQ Architects	11
Larson Design Group	9
Lockett & Farley	3
Morrison-Shipleigh Engineers	3
Nelson/Nygaard Consulting Associates	4
W.K. Dickson & Co., Inc.	9

A/E BUSINESS NEWS

INCREASED SPENDING The nonresidential building market was hamstrung by weather-related delays during the first part of the 2014, but conditions improved dramatically throughout the rest of the year to finish with greater than anticipated spending levels. The commercial construction sector is now looking at double-digit increases in 2015, led by vigorous levels of demand for hotels and office buildings.

The American Institute of Architects' semi-annual Consensus Construction Forecast, a survey of the nation's leading construction forecasters, is projecting that spending will see a 7.7 percent increase in 2015, with next year's projection nudging up to 8.2 percent.

"This is the first time since the Great Recession that every major building category is projected to see increases in spending," said Kermit Baker, AIA chief economist. "But by far, the most significant driver that will fuel greater expansion in the marketplace is the revival in the institutional sector, especially with growing demand for new healthcare and education facilities, which alone traditionally account for a third of spending on new building construction."

COASTAL FLOODING REPORT The U.S. Army Corps of Engineers released to the public a report detailing the results of a two-year study to address coastal storm and flood risk to vulnerable populations, property, ecosystems, and infrastructure in the North Atlantic region of the United States affected by Hurricane Sandy in October, 2012. Congress authorized this report in January 2013 in the Disaster Relief Appropriations Act of 2013 (Public Law 113-2).

The report, known as the North Atlantic Coast Comprehensive Study (NACCS), brought together experts from Federal, state, and local government agencies, as well as

non-governmental organizations and academia, to assess the flood risks facing coastal communities and ecosystems and collaboratively develop a coastal storm risk management framework to address increasing risks, which are driven in part by increased frequency and intensity of storm events and rising sea levels due to a changing climate.

The NACCS provides tools and information, including a nine-step Coastal Storm Risk Management Framework that can be used by communities, states, tribes, and the Federal government to help identify coastal risk and develop strategies for reducing those risks.

In addition, the study offers a number of conclusions, including several findings, outcomes, and opportunities, that can help guide future coastal flood risk reduction efforts at all levels of government.

These include: the importance of land use planning, wise use of floodplains, and strategic retreat as cost-effective risk management tactics; the value in considering the full array of risk reduction measures (e.g., nonstructural, structural, natural and nature-based, and programmatic) in project planning and combining measures, where appropriate; the need for greater institutional alignment and financing; better use of pre-storm planning and post-storm monitoring tools; and better education on flood risk and the availability of flood risk management solutions.

MARK ZWEIG, from page 1

■ **Time.** Whom you spend time with is one very important way to share love. Whom do you talk to? Whom do you go out to lunch with? Whom do you go see at the end of the day? Time equates love. Never spend time with someone and they will think you don't love them.

■ **Recognition.** Who gets the promotions? Whom do you talk about/talk up? Recognition is one important way to show love. Ignore people and how they contribute and they will think you don't love them.

■ **Appreciation.** Whom do you thank? Public thanks or private thanks are both critical in terms of showing love for someone. Do more thanking and you'll be showing more love.

■ **Money.** I hate to say it but money does equate love – whether that refers to employees, subconstitants, and others you do business with. The more money you give someone, the more love you show for them.

■ **Tolerance.** When you love someone you tolerate their idiosyncrasies. When you don't, these things become reason to talk about people behind their backs or worse, to make them feel unloved. Same thing applies to performance blips or mistakes. Tolerance means love. No tolerance means "no love."

■ **Forgiveness.** If you love someone you forgive them. Even when they do

If you can show your love and win over people's hearts and minds, they'll move mountains for you.

you wrong or cause big problems. Forgiveness is one of the key elements of love. If you can't forgive someone for something they said or did, you aren't showing them love and can't expect to get it back.

■ **Compassion.** Can you empathize with other people or put yourself in their shoes? Compassion breeds understanding. Understanding equates love. If you are unsympathetic, people will think you don't care – and not just the ones you are unsympathetic toward.

As the song says, "If you want to get love you have to give love." It is every bit as true in the workplace as it is in your personal life. Think about it. Better yet, use it to your advantage and for the good of all. ▀

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THE ZWEIG LETTER

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LEADERSHIP

Leader tricks for staying sharp

Plenty of reading, talking to others and taking to social media are a few of the options.

By LIISA SULLIVAN
Correspondent



Geoffrey Butler,
President, Butler,
Rosenbury
& Partners.

Management skills are like carving knives. If you don't sharpen them from time to time, they lose their edge. So, what are A/E leaders doing to ensure that their management and leadership skills are up to snuff? Four leaders share their tricks of the trade.

"The process to improve leadership skills is iterative, and I remain cognizant that change is often good as I continue to refine my leadership skills."



Greg Shipley,
President,
Morrison-Shipley
Engineers.

READ BETWEEN THE LINES. Geoffrey Butler, president, **Butler, Rosenbury & Partners** (Springfield, MO), a 20-person architecture, structural engineering, planning and development firm, says that reading is what is currently keeping him on top of his game.

Daily, he reads *The Wall Street Journal* to keep abreast of overall economic conditions that may affect the industry. He also finds many good articles on management. *Forbes*, architectural journals and other management books help too. And, the American Institute of Architects is a great resource, he says.

During the course of the year, Butler also attends local conferences offered by accounting firms and other organizations. He says that before the economic recession he used to attend meetings with a group called Chief Executive Network, run by Bob Grabill.

"I belonged to that group for 15 years and they met twice a year," Butler says. "It consisted of CEOs from architectural firms all over the country. These members were not competitors, and they were similar in size to each other. We would travel to locations central to the members (usually airport hotels) and attend presentations by business leaders and then retire to small, eight-person groups to discuss topics that we picked over two days. I always left with something valuable – whether new ideas and/or a better understanding of how to deal with an array of issues. The crash in '08 forced me

to terminate my membership. One of these days I will go back."

PAST SHARPENS FUTURE. Greg Shipley, president, **Morrison-Shipley Engineers** (Fort Smith, AR), a 37-person firm, says that, over the years, he has found that sharpening his leadership skills comes in large part from how he handles the many different challenges the firm faces.

"It's through these varied experiences that I have learned to respond differently to issues later in my career that perhaps I did not address as well early on. The process to improve leadership skills is iterative, and I remain cognizant that change is often good as I continue to refine my leadership skills," he says.

Shipley says that he has shifted his training from attending conferences and association gatherings to pursuing hands-on training for applications that enhance the firm's service offerings. He has also greatly expanded the number of trade publications he reads in order to gain detailed knowledge of new innovations and trends in practice areas.

"I encourage all firm leaders to embrace the leadership lessons that can be learned as a result of the challenges the future leaders in our own organizations present to each of us, sometimes on a minute-by-minute basis."

Additionally, working with student groups is a new area of focus.

"I have found that working with students is very insightful in terms of understanding the expectations and qualifications of potential employee candidates," he says.

LEARNING FROM MILLENNIALS. Ed Jerdonek, CEO/president, **Luckett & Farley** (Louisville, KY), an 85-person multidisciplinary architectural, engineering, and interior design firm, attributes maintaining his edge to communicating with employees.

See TRICKS, page 4



RESOURCES

MERGER & ACQUISITION SURVEY Is your firm considering a merger, an acquisition, or a sale? Or have you recently completed a merger or acquisition transaction? If so, then you'll want to see the survey results in Zweig Group's 2015 Merger & Acquisition Survey of Architecture, Engineering, Planning & Environmental Consulting Firms. The 25th edition of this comprehensive report includes all the latest data on the state of merger and acquisition activity in the design and environmental consulting industry. If you're considering selling your firm, use the Merger & Acquisition Survey to:

- Find out what today's buyers are looking for – who, where, and what
- See what kind of price you can expect for your firm
- Learn what's motivating other sellers like yourself, and what buyers are hoping to achieve through an acquisition

If you're considering buying another firm, use the Merger & Acquisition Survey to:

- Learn how long it takes to buy or sell a firm, from start to finish
- Find out how many firms are satisfied with the acquisitions they've made

If you've recently completed a merger or acquisition deal, use the Merger & Acquisition Survey to:

- Learn how the price you paid or the amount you received compares with other similar deals
- Find out if your peers or competitors also recently completed any transactions
- Compare the success of your firm's transactions with other firms' successful (or not successful) transactions

For more information or to pre-order, call 800-466-6275 or log on to https://zweiggroup.com/p-2220-Merger_Acquisition_Survey_2015.

VALUATION SURVEY Do you know how much your A/E/P or environmental consulting firm is worth? If you're an owner of an A/E/P or environmental consulting firm, you can't risk not knowing the value of your business. Whether it's for external purposes, such as a firm sale or merger, or internal purposes, such as ownership transition or ESOP purposes, all firm owners should know what their investments are worth.

The 2015 Valuation Survey of Architecture, Engineering, Planning & Environmental Consulting Firms is the definitive resource for helping you find out! With the survey data included in this report and Zweig Group's exclusive Z-Formulas, you'll be able to quickly and easily learn what your firm is worth.

The 2015 Valuation Survey of Architecture, Engineering, Planning & Environmental Consulting Firms will help you:

- Use Zweig Group's exclusive Z-Formulas to quickly find out how much your firm is worth
- Use over 225 case studies to make reliable comparisons of value between your firm and others in the industry
- Find out what makes one firm more valuable than another
- See how growth rate, staff size, firm age, and other factors affect firm value
- Settle internal ownership transition disputes armed with the latest data about firm values

A case study for every valuation is included so you can compare your firm's statistics to other firms just like your own. You'll also find a chapter on valuation practices and ways to enhance value for design and environmental consulting firms!

For more information or to pre-order, call 800-466-6275 or log on to <https://zweiggroup.com/p-2218-valuation-survey-2015>.

TRICKS, from page 3



Paul Jewel, COO,
Nelson/Nygaard
Consulting
Associates.

"The entire shift in the demographic make-up of Lockett & Farley's 85 employee-owners is probably not unlike what most other firms are also experiencing," he says. "As a result, I'm finding that our Millennials are constantly challenging what we do, why we do it, and how we do it – so my daily interaction with that group sharpens my leadership skills on a daily (sometime hourly) basis. They're relentless!"

Jerdonek explains that whether he is engaged in a spirited debate about strategic planning, discussing the impact of technology in the industry or arguing over why the men in the office still need to wear socks, he is always honing his leadership skills on Lockett & Farley's "Millennial whetstone" – and he loves it (on most days).

He says that this is a group of people comfortable with authority, absolutely confident in their opinions and unafraid to express themselves.

"What they lack in practical, *rubber meets the road*, professional experience, they make up for by having complete

confidence and fluency using complex technology, strong problem-solving skills and the thirst for knowledge transfer through constant two and three-way collaboration," he says.

Jerdonek maintains that the traditional leadership conferences, CEO roundtables, and trade publications are all great staples of basic leadership competence, but he says that it's hard to beat the real-world challenges firm leaders are facing inside the four walls of their offices.

"I encourage all firm leaders to embrace the leadership lessons that can be learned as a result of the challenges the future leaders in our own organizations present to each of us, sometimes on a minute-by-minute basis," Jerdonek says.

TOP IT OFF WITH THREE. Paul Jewel, COO, **Nelson/Nygaard Consulting Associates** (San Francisco, CA), a 125-person transportation planning firm, says that he focuses on three areas:

- Having regular monthly meetings with Nelson Nygaard's management team.
- Participating in the annual AEBL CEO Forum in Scottsdale, Ariz. (every February/March).
- Following numerous management forums on LinkedIn. ▀

TZL time machine

10
years
ago

HEADLINES Editorial: What it takes to sell | Firing bad clients | Snapshot: Lee Evey | Case Study: Executive coaching provides benefits | Zweig Perspectives— Market Intelligence: What's Hot/What's Not; Market Watch: Health Care | Project Management Perspectives: Logic vs. intuition in project decisions

It can sometimes be hard to fire an employee, but when it comes to clients— who pay you, instead of vice versa—terminating a relationship can be many times more difficult. The client may be slow to pay, have too many change orders, doesn't communicate well, or treats staff

members with a lack of respect. For most firms, sooner or later, a client will come around that they would rather not work with again—ever.

The above is the first paragraph from the article titled "Firing bad clients," published in the Feb. 7, 2005 issue of THE ZWEIG LETTER (#598). Most firms have probably gone through this – or they will. Several firms in the article described the gut-wrenching decision that comes with firing a bad client.

"We deal with a wide range of clients. We get the good, the bad,

and the ugly. While we try hard to select good clients, we can't help but get one every so often that we'd rather not work with in the future," said Robert Eschbacher, then-president of 20-person transportation engineering firm **Eschbacher Engineering, PC**. In Melville, N.Y.

Others said the idea is to vet potential clients ahead of time as a way to avoid potentially bad clients, especially those who are bad payers. Yet others said they never fire a client, even a bad one, but obviously would not pursue further projects with that client – which in practice is the same as firing a client.

In his editorial, Mark Zweig wrote about "What it takes to sell." Here's his list:

1. Relentless optimism.
2. Limitless energy.
3. Creative team builder.
4. Good problem-solver.
5. Persistence.
6. Comfortable interacting with others who are more successful.
7. Look/seem/act/appear honest and trustworthy.
8. Always responsive.
9. Care about their clients.
10. Protective of reputation.



20
years
ago

EDITORIAL Big firm woes | Computer Pros

Things were decidedly retro when it came to technology adoption in A/E firms in 1995. Firms saw the IT professional job as a hard-to-justify expense in an industry obsessed with chargeability.

"Maybe small firms can still get by with 'Smitty,' the self-taught computer hack, overseeing the firm's intricate technology network— when he's not busy with billable design work. But any mid-sized or large firm that doesn't put sufficient resources (i.e., manpower, time, and money) into keeping its technology up and running and up to date is almost surely going to fall behind the competition," read an article published in the Feb. 6 issue of THE ZWEIG LETTER (#96).

The article laid out several issues to consider when considering IT help, including keeping up with client technology demands, the IT employee's background, and

balancing business and technology needs.

In his editorial, Mark Zweig wrote about the downside of growth, describing a number of growth-related problems covering communication breakdowns, quality breakdowns, unbalanced workload, leadership transition, technology and fragmented marketing. Zweig defined the problem and offered solutions for each of the areas described.

"The moral— There are no simple solutions to complex problems. This is all difficult to implement. But the fact is, the entrepreneurial, small firm is a real threat to the long-term survival of large firms. Large firms must take immediate action to remold themselves, because if they don't, they could easily end up like some of the other massive creatures that once roamed this earth— extinct," Zweig wrote.



Know PM plan before PMP exam

Plan documents assumptions and decisions, communicating how the project will be executed, and documenting high level goals, costs, and milestones.



Cornelius Fichtner

GUEST SPEAKER

Are you in the process of studying for the Project Management Professional Exam? Have you read through what the A Guide to the Project Management Body of Knowledge (PMBOK Guide) says about the project management plan? Confused? If you answered yes to any of these questions, then you are in the right place. In this article we are going to discuss what the project management plan is, why fully understanding the project management plan is essential to both project success and PMP Exam success, what subsidiary plans and documents are, and once approved how changes are made to the project management plan.

WHAT IS THE PROJECT MANAGEMENT PLAN?

According to the PMBOK Guide, the project management plan is “the document that describes how the project will be executed, monitored, and controlled.” Objectives of the project management plan include documenting assumptions and decisions, communicating how the project will be executed, and documenting high level goals, costs, and milestones. The project management plan is much more than a single document that is created and set aside. It integrates subsidiary plans and documents, it is created during the planning process group and is expected to be updated as the project progresses. It is a living document.

WHY IS UNDERSTANDING THE PROJECT MANAGEMENT PLAN ESSENTIAL TO BOTH PROJECT SUCCESS AND PMP EXAM SUCCESS?

That is because it is the “go to” document used to answer questions during the project, and understanding what kinds of questions it may answer is vital to both project and PMP Exam success. The project management plan should be able to answer why a project was sponsored and what problem it is expected to resolve or what value the project is expected to add. It should describe the work to be performed and what the major deliverables or products are. It should identify who is involved in the project and what their responsibilities are and how they are organized. It should define how the work is to be executed in order to meet project objectives and how any changes will be monitored and controlled. If all of these are included in the project management plan, then you will be able to answer the why, what, who, when, and how type questions that may arise during a project.

WHAT ARE SUBSIDIARY PLANS AND

The project management plan is much more than a single document that is created and set aside. It integrates subsidiary plans and documents, it is created during the planning process group and is expected to be updated as the project progresses. It is a living document.

DOCUMENTS? These are most often outputs of the other planning processes. For example, the cost management plan is an output of the plan cost management process. It describes how project costs will be planned, structured, and controlled. It is considered a “subsidiary plan” to the overall project management plan. Subsidiary plans are all of the “plan” outputs from the planning processes that include scope management, requirements management, schedule management, quality management, process improvement, human resource management, communications management, procurement management, and stakeholder management. The subsidiary plans may be defined at a high or detailed level, depending on the type of plan, the specific needs of the project and the requirements of the performing organization.

Subsidiary documents are the baselines developed as part of the planning processes. They include the schedule baseline, cost performance baseline, and

See CORNELIUS FICHTNER, page 8

Why we all hate timecards

Have a conversation about project details and fees so you can staff them right and finish work on time, preferably below the allocated fee.



Ed
Friedrichs

FROM THE CHAIRMAN

Lately, I've listened to more examples of frustration, procrastination, and confusion about timecards, time-keeping and budgeting in general. I've had a few clients ask, "How should we determine utilization rates when people are working on both billable and non-billable work, such as competitions, proposals and overhead tasks?"

"As design professionals, we just want to design. Doesn't anyone understand that?" Sorry, folks, you also have to run a business... or not, which is why profitability and compensation have remained a challenge in our profession.

Let's start with some basics. I think we can all agree that we do better when both the manager and the person assigned a task have discussed and agreed upon the time and effort to be applied to a component of the work for which we've contracted. But how often does this happen? Judging from my observations, the answer is, "Not very." A staff member is typically told to start working on something with very little conversation about how much of the fee converted to hours has been allocated to complete the task.

Why is this? Quite simply, many managers in our profession are really designers or technical staff who have migrated into a manager role, having no desire (and frequently no training) to actually manage. They may enjoy directing others but haven't developed the skill to do so effectively.

Compounding this are team members who just want to take action, who have little skill in planning their work, estimating how long it will take, or how to utilize shortcuts. Those shortcuts might include referencing similar work, only doing what is really needed rather than what "I'd like to explore," and so forth. There's little thought given

In the architecture and engineering professions, we measure everything by time. We contract for services in a variety of ways, but it all boils down to the bottom line – paying our staff, ourselves, and our overhead from the fees we negotiate, based on a scope of services. This means we have to continually allocate and monitor time against services, measuring whether we're spending more or less to accomplish the work than the fees under contract.

I think we can all agree that we do better when both the manager and the person assigned a task have discussed and agreed upon the time and effort to be applied to a component of the work for which we've contracted. But how often does this happen?

to whether or not the length of time projected exceeds the fee available. Sound familiar?

So, what skills are needed? Let's start with a mandate that no work begins without a discussion between the project manager and the team doing the work about the scope and, more importantly, the process to address it, exploring alternative methods that might accomplish the same end in less time. Add to this an agreement between all parties that the methods to be utilized are acceptable. This is not about a manager *telling* someone how long they have to accomplish something; it's a negotiation that will only be successful if all parties are in agreement.

Next, all parties must accept responsibility to say, "This is not working. Let's figure out how to get back on track." In other words, the project manager is not just giving orders and the team is not just taking them. Together, they're collaborating in designing and then adjusting the process by which they'll do their best work within the fee available; or better – below the fee allocated. Yes, we have a profit margin built into our standard billing rates,

See EDWARD FRIEDRICHS, page 8



EDWARD FRIEDRICHS, from page 7

but that doesn't mean we have to utilize every hour the contracted fee adds up to. This is exactly why some firms are much more profitable than others.

My philosophy has always been: get on the job, do your best work and then get off the job. But never start working until you've planned it as a team in alignment with the contract with the client.

Now let's talk about "utilization," the percentage of billable time a person at each level is expected to achieve. Typical staff utilization usually runs quite high (90 to 95 percent), while a leadership principal might be 50 percent and a design or technical principal 75 percent.

In practice, at **Gensler** we depended heavily on the good judgment of our studio directors and project managers to give guidance and make commitments on this sort of thing. We found it way too difficult to institutionalize this in hard numbers and formulas. It was a target, one to be monitored, certainly, with recommendations about how to get closer to the objective, while at the same time understanding that utilization will vary from time to time because of workload, or particular overhead assignments that we wanted to accomplish.

Then there's the issue of dealing with marketing time, i.e., the "free" work we often do to get a job or to participate in a competition. Here, we work to carefully assess the risk first (what are our odds of winning the project?) and to budget accordingly. When we make a decision to proceed, we analyze what needs to be done. Designers and architects tend to work on prospective projects as if such projects were already won and real, rather than figuring out

Sorry, folks, you also have to run a business... or not, which is why profitability and compensation have remained a challenge in our profession.

how to do only what is necessary and important to the client so you get chosen over the competition. Success is never found through doing more work, but always in presenting an innovative response to a client's issues.

This marketing time is documented so that if a project proceeds, it is added onto the job cost record. In other words, speculative time to get the job is considered a part of the fee that delivers value to the client.

All of this depends on good judgment on the part of your leaders, designers and technical staff, careful budgeting of what you undertake, and careful monitoring of the team as it works through an assignment.

Are you training your leadership to foster this approach to their work? Has it become a part of your culture, such that no one would even think of working otherwise? ■

EDWARD FRIEDRICHS, FAIA, FIIDA, is a consultant with ZweigWhite and the former CEO and president of **Gensler**. Contact him at efriedrichs@zweiggroup.com.

CORNELIUS FICHTNER, from page 6

scope baseline. Don't forget that the scope baseline also includes the scope statement, WBS, and WBS dictionary.

HOW ARE CHANGES MADE TO THE PROJECT MANAGEMENT PLAN? Changes to the project management plan are made through a change control system. This system consists of methods to request, review, and approve changes. Requests are typically made using a form, either paper or electronic. Requests are then reviewed by the project manager, project sponsor, select set of stakeholders, a change control board, or by whoever is tasked to review requests by the performing organization. Once a change is approved the project management plan is updated. Changes that are not requested through the change control system or approved should not be implemented. Including unapproved changes will let the project go out of control.

The project management plan is a vast topic and this article has only scratched the surface of a few aspects. There are many other facets, such as the other inputs besides subsidiary plans and documents, how it is used to communicate how the project will be executed

and controlled, the importance and usage of a project management information system, and the formality of the project management plan – all of which are vital to know and understand for the PMP Exam. A few additional aspects to keep in mind when studying the project management plan are that it is typically a formal written document, that it guides project execution and control, that it is approved by the project stakeholders, and that the project cannot start until the project management plan is approved.

In order to understand this topic completely read the "Develop Project Management Plan" section in the PMBOK Guide. Then explain what a project management plan is, how it is developed, and how it is changed to a friend who is not a project manager. Because if you can explain it clearly to them, then you fully understand it yourself and use a project management plan for your projects because practice makes perfect when it comes to the PMP Exam. ■

CORNELIUS FICHTNER is a noted PMP expert. He has helped over 26,000 students prepare for the PMP Exam with The Project Management PrepCast at www.pm-prepcast.com and The PMP Exam Simulator at www.pm-exam-simulator.com.

COSTS

Healthcare costs roundup

Firms have worked hard, and many succeeded, in keeping costs in check, despite the various changes.

By LIISA SULLIVAN
Correspondent



Mark
Morgenfruh,
VP of HR,
Larson Design
Group.

What's happening with healthcare plans in 2015? Is status quo being maintained or are downgrades taking place? A lot rides on negotiating skills as well as how many people a firm employs.

TURNING TO A SELF-INSURED MODEL. Mark Morgenfruh, VP of HR, **Larson Design Group** (Williamsport, PA), a 278-person engineering, architecture and surveying firm, says that even in the face of the Affordable Care Act, they have been able to reduce their overall healthcare costs for the 2014-15 plan year and roll them back to 2010 cost levels without sacrificing coverage or network access.



Alex Wilson,
HR Director,
W.K. Dickson &
Co., Inc.

"We have been able to hold employee paycheck contributions flat for offices local to our headquarters, and reduce paycheck contributions, some more than \$1,000 annually, for our more distant branch office employees."

TALK TO US

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"In fact, we have also been able to hold employee paycheck contributions flat for offices local to our headquarters, and reduce paycheck contributions, some more than \$1,000 annually, for our more-distant branch office employees," he says.

How have they been able to accomplish this? Morgenfruh says that the process has been somewhat painstaking, but certainly worthwhile.

"We have worked on design analysis, partnered with a good broker, undergone aggressive negotiations with carriers, and changed to a self-insured model," he says. "Taking advantage of fortunate timing has also helped significantly as we came off a great year in terms of our experience rating and used that to negotiate exceptional rates."

Larson Design Group also has the ability to join a Healthcare Trust to capitalize on greater, volume purchasing to further drive costs down in the future.

"One critical component we've been able to incorporate is partnering with a carrier that has an excellent national network," he says. "Some of our past health plans have placed our out-of-state offices on the outside looking in by way of a less substantial network and higher costs (aka, less for more)," he says.

Morgenfruh explains that this not only hurts employee morale, but is counter-intuitive because Larson Design Group relies on those branch offices for its continued growth.

"Now, everyone gets the same comprehensive coverage for really good rates," he says. "The only area where our costs have increased is to pay for the taxes and fees we are forced to pay with the Affordable Care Act," he says.

So, things are looking good for Larson Design Group. This should be the first year in three or four years where they expect no changes to carriers or networks, allowing them to conduct a passive enrollment, which lessens the enrollment burden on every employee and the HR department.

"This should nearly eliminate all of the typical snags that accompany plan/carrier changes and active enrollments," he says. "And with the new, self-insured model we have the chance to run a claims surplus, which we could pass on as cost reductions for participating employees in the new plan year."

MAINTAINING STATUS QUO. Alex Wilson, director of human resources at **W.K. Dickson & Co., Inc.** (Charlotte, NC), a 110-person community infrastructure firm, says they received an increase in 2014 directly caused by the Affordable Care Act, which led to an increase in the cost employees pay monthly and a higher deductible.

"This is the first cost change we have implemented for our employees in five years and the first benefit

See HEALTHCARE, page 10



ON THE MOVE

CHANGES AT APEX Apex Companies, LLC (Rockville, MD), a national energy, water resources and environmental consulting and engineering firm, has announced a series of promotions and organizational changes to support the company's targeted expansion while continuing to provide the high quality service and responsiveness the company's customers have grown to expect. These include:

Lynn Arneson has been promoted to the position of vice president, national account manager. Arneson has been an integral leader within the company, with an emphasis on developing our telecommunication sector. Her expanded role will continue growing this sector as well as other national and international opportunities associated with telecommunications development and compliance.

Jay Borkland has been promoted to vice president and national program manager for Waterways & Alternative Energy Services. Borkland is a recognized leader within port and harbor development. In his new role, Jay will be responsible for national expansion of our waterways, port and harbor, and alternative energy service lines.

Peter Granholm has been named vice president and national program manager for Real Estate. Granholm will be responsible for the national oversight and development of Apex's growing real estate program, providing environmental and facility management services coast to coast for REITS, major retailers, and financial institutions.

Daniel Smith has been named vice president and national program manager for Aviation/Transportation and Risk Management/Remediation. In Smith's new role he will pursue and develop mutually beneficial business relationships in the aviation/transportation and risk management/remediation sectors. Smith's experience with major airlines and transportation authorities, and the insurance and legal

communities will prove beneficial for our clients in these strategic markets.

John Strecker has been promoted to the position of vice president and regional manager of the Southeast Region. Instrumental in growing Apex's Virginia office, in his new position, Strecker will oversee Apex operations throughout the Mid-Atlantic and Southeastern United States through our Florida, Maryland, North Carolina, Northern Virginia, and Central Virginia Divisions.

Michael Sullivan has been promoted to the position of vice president and regional manager of the newly formed Northeast Region. In this role, Sullivan will be responsible for client service and growth in Apex's Connecticut, Illinois, Massachusetts, New York, New Jersey, Ohio, and Pennsylvania Divisions.

Michael Yost has been named vice president and national program manager for Stormwater. Yost has been instrumental in leading our Stormwater and Erosion and Sediment Control service line into a diverse national platform. In this new capacity, Yost will further develop these services with a focus on varied end-markets, including real estate, oil and gas, power generation and transmission, and government entities.

Ned Young has been promoted to extend his position of regional manager, to include vice president for the mid-continent region. Young will be responsible for broadening the primary services Apex provides, to create a true source of turnkey environmental offerings for numerous Fortune 500 clients, primarily in the oil and gas industry. This new role corresponds with Apex's anticipated plans for extending into the Northern Rockies, creating a stronger and increasingly effective presence within the region.

HEALTHCARE, from page 9

change in three years," Wilson says. "We hope to make no changes in 2015 to our health plans."

SURVEY REVEALS HOW COMPANIES ARE COMBATING COST. The 2014 Towers Watson Health Care Changes Ahead survey reports that U.S. employers expect health care costs to rise four percent in 2015. However, many companies plan to continue to subsidize and manage benefits while taking aggressive action to keep costs down.

This survey was completed during July 2014 by 379 employee benefit professionals from midsize to large companies across a variety of industries and reflects respondents' 2014 – 2017 healthcare benefit decisions. The responding companies comprise a broad range of industries and business sizes.

In response to short- and long-term cost concerns, 81 percent of employers plan moderate to significant changes to their healthcare plans over the next three years. Some tactics include:

- Curb spending by using specialty pharmacy management.
- Embrace telemedicine for virtual physician office visits to improve access and efficiency of care delivery.
- Employ new payment approaches that hold providers accountable for the cost of an episode of care and outcomes.
- Try incentives to reach a specified health outcome, such as biometric targets.

- Offer plans with a higher level of benefit based on the use of high-performance or narrow networks of medical providers.
- Consider telemedicine.
- Reduce or eliminate company subsidies for spouses and dependents.
- Examine caps on health care coverage subsidies for active employees, using defined contribution approaches.

Despite the challenge of managing the high cost of health benefits, nearly all employers (99.5 percent) said they have no plan to exit health benefits for active employees and direct them and their families to public exchanges, with or without a financial subsidy. Three out of four employers said they are not at all confident public exchanges will provide a viable alternative for their active full-time employees in 2015 or 2016.

"The most effective employers are continually evaluating new strategies for improving health plan performance," Randall Abbott, senior consultant at Towers Watson said in a press release. "Examples include a steady migration to account-based health plans (ABHPs), action-based incentives, adoption of value-based payment methods with health plan partners and plan designs that drive efficiencies. Other options are technology-based solutions such as telemedicine, fitness devices or trackers, and social media to encourage employees to take a more active role in both their personal health status and how they use health care goods and services." ■

CASH

Taking credit becoming easier

After the drought caused by the recession, banks are opening the purse strings again, but sometimes this means shopping around.

By LIISA SULLIVAN
Correspondent



Chris Andersen,
Partner, HOEFER
WYSOCKI
ARCHITECTURE.

For the past few years access to credit has been rather tight. What's the situation now? Are banks more willing to lend today than they were during the recession? Are relationships strained or is the credit crunch loosening its hold?

A CHANGING OF THE GUARD. At **HOEFER WYSOCKI ARCHITECTURE** (Leawood, KS), a 93-person firm, partner Chris Andersen says that their access to credit has increased significantly over the past year. However, a change in banks was required to get them there.

"Our new bank took the time to get to know, in detail, who we are, how we operate, and what we are planning."

"We had a longstanding relationship with our prior bank that had met our needs up until recently," he says. "Our firm's growth plans did not coincide with the bank's conservative nature. Our new bank took the time to get to know, in detail, who we are, how we operate, and what we are planning. The result is a willingness to support us accordingly and our access to credit has never been greater."

Anderson says that it's great to have this new relationship. In the end, he believes that this bank will be there if they need them and says that this was another missing component in their previous banking relationship.

"Our line of credit is directly tied to 'eligible' accounts receivable (to a cap) and is sufficient to cover approximately three months of operating expenses," Anderson says. "We worked very closely with our bank to define 'eligible.' The bank has made many accommodations from their standard formula to take into account our specific business model to help us maximize credit availability. Our line of credit is currently fully intact."

MAINTAINING STATUS QUO. Leslie Zimmerman, director of operations and human resources at **KSQ Architects** (Tulsa, OK), a 98-person planning, architecture and interior design firm, says that their access to credit has remained about the same.

"In 2013, we increased our credit line once due to a staff increase. We tried to increase it again in 2014, but we were not able to despite a great working relationship with our bank. I have three local representatives who I can call at any time for help," she says.

Currently, KSQ has a \$750,000 credit limit with \$150,000 out on the line of credit.

CFO Rich Khalil, **A. Morton Thomas & Associates, Inc.** (Rockville, MD), a 430-person civil engineering, landscape architecture, surveying, planning, construction inspection, and subsurface utility engineering firm, says that their access to credit seems to be loosening up a bit based on current banking restrictions and post-recession economic outlook. "AMT enjoys a great and long-term relationship with our banking institution," he says. "Our credit line is intended for short-term cash flow needs and we use it as such."

BANK COMPETITION MAY BE SPURRING LENDING. A recent Federal Reserve survey indicated that banks are making loans and credit lines easier for businesses to obtain, and bank competition appears to be one of the trend's main drivers.

In the Reserve's quarterly Senior Loan Officer Opinion Survey on Bank Lending Practices, in which about 70 banks responded to more than 100 questions, the majority of banks said commercial lending terms and standards hadn't changed much over the previous three months.

But more banks are breaking away from the pack, easing collateral requirements, granting higher credit limits and even reducing the spread between what they pay for the money they lend and what they charge the borrower.

See CREDIT, page 12

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TRANSACTIONS

JUST ONEC Edmonton-based **ONEC Group** — consisting of **Oncore Services** and **ECO-Technica** — has unveiled a new brand representative of its integrated engineering and construction services. As part of the rebrand, ONEC Group announced it would unite under one name to become ONEC.

ONEC combines decades of experience in industrial projects with extensive construction and engineering expertise. In the last year, the company has experienced significant growth, increasing revenue by nearly 50 percent and welcoming many new team members. In recognition of this growth, Alberta Venture Magazine recently named ONEC as part of its 2015 Fast Growth 50 List.

“For more than 15 years, Oncore Services and ECO-Technica have worked hand-in-hand under the group umbrella to provide engineering and construction services, so this is the logical next step in our evolution as a company,” said Ken Blake, CFO. “Although our name has changed, the quality and efficiency our customers have come to expect from us has not – in fact, it’s enhanced by an even stronger brand identity.”

The updated brand is the result of an extensive strategic and creative process focused on the one-stop-shop services ONEC provides to clients across Alberta. In addition to its new name and logo, ONEC’s new tagline, “Engineer.Construct.Complete,” speaks to the company’s ability to engineer and construct projects. The updated brand will appear on all customer communications going forward, as well as all advertising and social media.

FOX ARCHITECTS JOINS ONE GLOBAL DESIGN **FOX Architects, LLC** (Washington, DC), an architecture and interior design firm, has become a member of ONE Global Design, an international network of architectural and interior design firms. FOX joins 17 other independently owned and operated corporate architectural and interiors firms across the United States, Canada, and Mexico, each considered best in class in their markets.

The membership provides FOX a new solution to conduct projects nationally and internationally by drawing on the knowledge, experience, and local expertise of the partner firms in the ONE Global Design network. The network approach allows organizations to work with an architecture firm that’s familiar with their brand, vision, and company culture in partnership with a firm that understands the nuances of the community where their project is located.

ONE Global Design’s approach marks a welcome change in the industry: Historically, corporations in need of architectural and design services in different cities or countries had only two options: Hire different small firms in each market and oversee multiple individual

projects, or go with one large firm with the resources but limited local insight, talent, and accountability.

With more than 500 architecture and interiors professionals among its members, ONE Global Design would collectively rank as the 6th largest architecture and design firm in the country, according to Interior Design 2014 rankings. ONE Global Design continues to expand and anticipates adding new member firms to further extend the depth and reach of the network in the United States and globally.

FIRMS ON THE MOVE

LOUIS BERGER ANNOUNCES SUCCESSION PLAN **Louis Berger** (Morristown, NJ), a 6,000-person global professional services corporation, announced that the company’s board of directors has approved a leadership succession plan that will allow for the transition of the chief executive officer position at the end of the company’s fiscal year.

Effective July 1, 2015, Louis Berger President and CEO **Nicholas Masucci** will be elevated to the role of Louis Berger chairman while transitioning the responsibility of CEO to **D. James Stamatis**, the company’s current International operating company president.

Stamatis, 56, assumes the role after serving as president for Louis Berger’s international operating company since 2012. In that role, he provided strategic and operational oversight between regional divisions and oversaw the implementation of modernization programs across the operation, including a new global mobility program, new financial and client relationship management systems, and compliance and ethics programs and training. Previously, he led the U.S. operations segment. Stamatis joined the firm more than 25 years ago and has held a number of management roles overseeing complex infrastructure, facilities and environmental projects. Stamatis attended Pennsylvania State University and completed his undergraduate studies at NJIT. He is a licensed professional engineer.

“An inspirational and transformational leader, Nick has carried us through a pivotal time in our history to modernize the corporation and close the chapter on our pre-2010 era,” Stamatis said. “I am honored to be selected as his successor, and am humbled by the responsibility to build on our promise to our clients, employees and communities to provide solutions for a better world.”

Thomas Topolski, executive vice president and managing director for the Middle East and North Africa since 2012, has been tapped to assume the International president role based in Paris.

CREDIT, from page 11

The survey, released in May 2014, showed 49 banks responding to questions about why they eased lending terms. By comparison, eight banks answered questions about why they tightened terms.

The 49 figure is about the same as it was in 2013 and 2012, but is up from 18 in 2010.

When those 49 banks were asked how important aggressive competition from other lenders was in their decision to ease standards, 67 percent said “very important,” 33 percent said “somewhat important” and 0 percent said “not important.”

In each of the other seven related questions, which touched on reasons including improved economic conditions, “very

important” drew no more than seven percent of bank respondents.

The Fed survey indicated that one of the main strategies banks have used to make their loans more attractive to commercial borrowers is reducing the cost of credit, which effectively closes the spread between what the banks pay and charge for money.

The survey asked 72 banks about the terms for likely-to-be-approved commercial loan applications and how rate spreads have changed over the previous three months. Forty four banks, or 61 percent, said those spreads have narrowed.

The easing of standards is great for borrowers, several bankers said. ▀