THE ZWEIG LETTER

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SUPPLEMENTS
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November 10, 2014, Issue 1079

A great loss for the A/E world

Mark Zweig offers remembrance on passing of dear friend and firm leader Joe Lalli.

Joe was EDSA and EDSA was Joe. I never met a guy more dedicated and obsessed with both his company and his projects than Joe. He thought about his work 24 hours a day.

Mark Zweig

EDITORIAL

We lost a great leader, design professional, and friend with the passing Joseph J. "Joe" Lalli, FASLA, in Fort Lauderdale on Oct. 25. The son of a New York shoemaker, Joe had an amazing and successful career, first as a professor and then for next for 40-plus-years at the internationally acclaimed planning and design firm **EDSA** (formerly Edward Durrell Stone, Jr., and Associates).

I first met Joe in the early '90s, when Ed Stone called me to get help with his executive committee, which wasn't "getting along." That trip resulted in Joe being named managing partner by the EDSA BOD, a job he held for about 20 years; a period during which EDSA enjoyed incredible success – growing from roughly $6.5 million in annual

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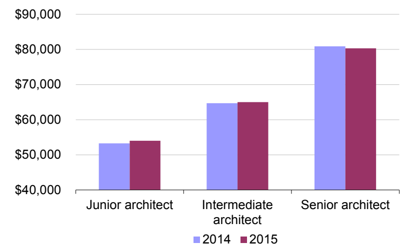

Zweig Group's 2014 Salary Survey of Architecture, Interior Design, and Landscape Architecture Firms finds that salaries for architects at all levels have changed little this year. Junior architects and intermediate architects saw small increases in base salary from 2014 to 2015: intermediate architects from $64,683 to $65,000; junior architects from $53,275 to $54,000. Meanwhile, senior architects' median base salary decreased slightly from $80,870 to $80,300.
– *Margot Suydam, Director, Research*

SURVEY & SAVE

2015 Valuation Survey
www.research.net/s/2015ValSurvey
Deadline: Dec. 5, 2014

2014 Merger and Acquisition Survey
www.research.net/s/2015MASurvey
Deadline: Jan. 9, 2015

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revenue to a peak of about $60 million near the end of Joe's tenure. Joe was a powerful guy who defied all stereotypes. A tremendously talented designer loved by his clients, Joe could sell like crazy but was so soft-spoken that at times you had to strain to hear him. I think that was part of his success. He made you listen.

Joe was EDSA and EDSA was Joe. I never met a guy more dedicated and obsessed with both his company and his projects than Joe. He thought about his work 24 hours a day. He called me most weekends, when he wasn't overseas, just to check in and tell me what was going on with both the firm and his jobs. Our relationship was far more than that of consultant and client. The very last night I spent with the mother of my two oldest daughters was at Joe and Jeanne's house in Maine. Several years later, it was because of Joe and Jeanne that I met my wife, Katie. My older girls and I were down in Ft. Lauderdale for Easter vacation and the Lallis invited us over to their house for Easter dinner. They also invited Katie, who at that time was a young landscape architect at EDSA just getting started out. She didn't have any family down there and they didn't want her to be alone on a holiday. Those are the kind of people Joe and Jeanne are. We picked the middle name of our first daughter together – Josephine – to honor Joe.

Joe was an amazing designer – both large and small scale. It could be a 60,000-acre multi-use development in a foreign land or a tiny half bath retiling project in Massachusetts – he was never too busy to give design ideas on anything. I always got his input on my residential projects because he had such a unique and artistic yet functional way of looking at things. He was also a tremendous and prolific artist – particularly as a watercolor painter. He was an accomplished teacher and helped many people learn how to draw, paint, and design. Joe was very patient with others but not with himself. He pushed himself so hard... too hard... right up to the end. I never saw a guy who would travel like he did to Asia, the Middle East, and Europe – sometimes all in the same

month – for months and years on end!

Joe was at the forefront of every challenge facing his firm in the '90s and 2000s. His leadership got the firm into China. He negotiated every financial and business obstacle thrown their way. He also ran the firm's largest design studio for many years. And he helped so many people grow into incredibly talented designers and planners – many of which are still at EDSA today. I never met anyone inside or outside of EDSA who didn't have complete respect and admiration for Joe. He was truly the archetypal design professional. In fact, Joe was the very first Jerry Allen Courage in Leadership Award Winner – an honor well-bestowed and one he was proud of.

He also had a fantastic sense of humor. He told hilarious stories of his adventures. He could do impressions. He would have you rolling on the floor at times when he got ramped up – usually after a glass of wine or two. He was just fun to be around. He had a bucket of mechanical hand mixers. He had more art than anyone I have ever seen and more houses and art studios, too, including a plantation in Honduras. You never knew what he would come up with; he was full of surprises. When Joe came to Arkansas last year and spoke at The Fay Jones School of Architecture, he stayed at our house. The last night he was there, he and I stayed up late using our iPads to look for videos and sound clips of Ferrari engines. He just loved the sound! He was always looking at Ferraris but never bought himself one.

Back in the '90s, I was down in Fort Lauderdale visiting Joe when we went to an old warehouse they kept to store stuff in. There was his Honda 350 Scrambler – parked since the '70s – rotting away. I convinced Joe to send it to me and I restored it for him. He took it to his vacation compound in Maine, complete with several small houses and a miniature replica of Fay Jones' Thorncrown Chapel that he used for his art studio there. And every Spring Joe would call me to tell me he got the Honda going again (usually with a new battery!) and how much he loved it.

I don't have that many true friends. Joe was one of them. We all lost a great leader – a great example – and consummate design professional with Joe's passing. May he not be forgotten.

MARK ZWEIG is the chairman and CEO of Zweig Group. Contact him with questions or comments at mzweig@zweiggroup.com.

THE ZWEIG LETTER

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Firm owners rise to the occasion

When it comes to leading, expect the unexpected, step up to the challenge and seek solace when needed.

By LIISA SULLIVAN
Correspondent

Todd Moss, President and CEO, Cannon Moss Brygger Architects.

Brian Bortell, President and CEO, The Timmons Group.

Rosalie Morgan, President, Owner, EMCS, Inc.

A great deal rests on the shoulders of firm owners and they need to be prepared for whatever may come their way. We asked three to share their personal experiences about some of the more unexpected parts of being an owner, their challenges and who they turn to for advice.

Expect the unexpected. Todd Moss, president and CEO, **Cannon Moss Brygger Architects** (Sioux City, IA), a 47-person firm, enjoys his charge. He says that it's always nice to lead a firm and to chart your own destiny.

"It's my passion to design great buildings and to make a difference to our clients and society with buildings that enhance people's lives," Moss says. "Honestly though, the most unexpected part of being an owner is the valued relationships you build by collaborative work efforts between clients and staff."

> "I've learned that one of the most exciting and challenging aspects of business is the opportunity that change provides."

Brian Bortell, president and CEO, **The Timmons Group** (Richmond, VA), a 300-person multi-discipline engineering and technology firm, agrees that the opportunity to interact with a wide variety of clients has probably been one of the most unexpected and enjoyable aspects of being a firm owner.

"I began my career at Timmons Group in our Water/Waste Water group, so it's exciting to have the opportunity today to work with a diverse set of clients, from our national retail and energy clients to our GIS clients who could be located anywhere," he says.

Rosalie (Rose) Morgan, president, owner, **EMCS, Inc.** (Milwaukee, WI), a 50-person, multidiscipline civil engineering firm, says that change is what most excites her.

"I've learned that one of the most exciting and challenging aspects of business is the opportunity that change provides," she says. "For instance, thanks to technology, so many things are now possible and it provides for even greater opportunities for efficiency, while allowing us to take problem solving and solutions to a new place."

She says the other great thing about change is adapting to the continual shifting of lifestyle needs and habits.

"We are designing and planning for a constantly evolving world with tools that are improving at an exponential pace," she says.

> "You never leave the job at the door at night. Whether it's cash flow, adequate work to support employees and their families, or a problem on a project, they are all your worries."

Accept (and invest in) the challenge. Moss admits that there are some days when it would be appealing to draw a pay check and be an employee again because as an owner, while you have great opportunities, every challenge is your challenge.

"You never leave the job at the door at night," Moss says. "Whether it's cash flow, adequate work to support employees and their families, or a problem on a project, they are all your worries. To be a leader, I believe you are conditioned to be mentally tough, never quit and always remain optimistic. Most of us have been tested by fire. If that doesn't work I cry on my wife's shoulder and take a sleeping pill."

Bortell says his most current challenge is growth.

"Our growth has continued to surpass industry norms and we are faced with the challenge of developing our next generation of leaders," he says. "Year-over-year, our greatest investment is in our people. And, while we recently received an award for being one of the best civil engineering firms to work for in the United States, we recognize that we will have to invest even more in our people in the years ahead to achieve our goals."

For Morgan, staffing tops her challenge list.

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A/E BUSINESS NEWS

BIG DATA HELPING SOLVE BUILDING ISSUES Massive construction projects often create major building forensic issues, requiring big data collection that quickly becomes a liability if not managed properly.

If a quarter million data sets are to be used by a 40-member team, the data needs to be organized so as to efficiently accomplish goals and achieve solutions amidst large construction project daily needs and looming deadlines.

"Anybody can collect data," said George DuBose, Vice President of Liberty Building Forensics Group, a Florida-based firm. "What's critical is collecting the right data and making it accessible to the right people for their intended use. The data organization system must allow for the extraction of the right information at the right time in order to meet objectives."

DuBose believes few know how to properly gather and utilize data to result in a maximum recovery when a project runs into difficulty, and to do so in such a way as to produce confidence in all parties involved – contractor, subcontractors, owner, designers, and end users.

Liberty recently gained unique insights from a major systemic issue occurring during construction of a large government project. Embedding digital data in each data point allowed for rapid, sophisticated, and continuous analysis that historically hasn't been possible. Using geolocation in the large footprint multi-story building was critical so correlation to other information could be done quickly and contiguously.

Liberty believes construction data gathering needs to move away from traditional, time-intensive methods and towards a synchronized system that operates more like telemetry.

Liberty staff have authored three manuals that are currently serving as industry standards for avoiding and resolving mold and moisture problems, including both the NCARB training monograph used by architects worldwide and Disney's in-house design guidelines.

BUILD STRONGER At the two-year anniversary of Hurricane Sandy on Oct. 29, the Insurance Institute for Business & Home Safety urged residents in affected areas to rebuild and repair their communities, homes and businesses to be stronger and more hurricane-resistant.

IBHS recommends specific guidelines for Rebuilding and Repairing Safer and Stronger Post-Sandy:

- a strong roof, which is a building's first line of defense against Mother Nature;
- well-protected doors and windows with impact-resistant glass or shutters;
- elevated buildings in flood risk areas; and
- buildings tied together with hurricane straps to reduce the risk of high winds tearing them apart.

Detailed instructions and manuals on strengthening structures are available through IBHS' FORTIFIED programs, which are designed to help strengthen new and existing homes using resilient construction materials, systems and practices.

The FORTIFIED Home construction standards were recommended in the federal Hurricane Sandy Rebuilding Task Force's Rebuilding Strategy released last year by the U.S. Department of Housing and Urban Development. The programs include comprehensive design guides and third-party validation, intended to reliably increase a structure's resistance to natural hazards.

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"We are a service business. We are our people. With project billable time having the greatest impact on the bottom line, effective use of staff time is key," she says. "Hiring, staff development, and growing strong leaders is critical to our success."

She shares that there have been times when this hasn't been a shining process for them.

"There must be a good balance between initiative and empowerment," Morgan says. "One of the most important lessons-learned, and an ongoing challenge, has been making more timely decisions in the development process, encouraging staff to communicate sooner than later, and to hold our leaders equally accountable for creating positive learning environments and making sure expectations are clearly understood."

FIND SOLACE. So, where do these leaders go to help when the going gets tough?

Moss looks to a former boss, Jim Brygger, who is now semi-retired and doing some consulting. Moss says he has served as a great mentor.

"Now that I have walked in his shoes as the CEO for 11 years, I understand and appreciate him so much more than I ever did," Moss says.

He also has a handful of other business leaders and partners that he turns to for help with decisions as he finds it valuable to gain a few perspectives on some of the more challenging issues.

At Timmons Group, Bortell looks to the firm's board of directors as well as strategy consultants and peers outside of the industry. This helps him to gain new perspectives and insight.

"For example, there is a regional CEO roundtable held in the Mid-Atlantic region where CEOs can share experiences and work through difficult challenges. This has been a great resource," Bortell says.

EMCS, Inc. also has a strong internal and external support system.

"Over the years, we've all been fortunate to build strong relationships with other business owners in the industry and around the country who have been great sounding boards and who have provided priceless advice," Morgan says. "As challenges and opportunities have come up, our bankers, accountants, legal counsel, and insurance providers have provided valuable insights and helped us to connect with other business owners who have faced similar circumstances."

Morgan says that one of the most valuable interactions, to date, came while dining with colleagues at a national conference. They shared their firm's experiences with including ESOPs as a part of their ownership strategy.

"Their input, along with employee ownership resources they provided, helped educate our leadership team and we ultimately decided to form an ESOP," she says. ◢

TZL time machine

10 years ago

HEADLINES Editorial: People like people who are responsive | **Delivering bad news to your staff | Reviewing your top leaders |** Small Firm Corner: Getting money from the SBA | **Private equity takes interest in A/E firms |** Focus on Strategic Planning: Tips from the pros

As a leader, how do you approach bad news? An article in the Nov. 8, 2004 issue of THE ZWEIG LETTER (#586) reported that leaders are eager to spread the good news quickly. Everything changes when it comes to telling staff the bad news.

But bad news won't stay secret forever and leaders must find the best way to deliver them with speed and candor, before the rumor mill takes on a life of its own.

Some suggestions from leaders who have been there, done that culled from the 2004 article:

- **Gather the facts.** Gather all the data and details available before breaking the bad news, so you will be able to answer all questions that will come your way from employees. A word of caution: Balance the decision to wait and gather information with the threat of information leaks and rumors.
- **Be consistent.** When it comes to potential staff reductions, having a consistent and deliberative process in place helps avoid nasty surprises for everyone.
- **Group or individual.** In most instances an email to staff, or a staff meeting when warranted, will suffice as a method for delivering news, good or bad. In some cases, individual meetings may be necessary, as in the case of informing staff affected by an office closure.

the Zweig letter

THE VOICE OF REASON FOR ARCHITECTURE, ENGINEERING & ENVIRONMENTAL CONSULTING FIRMS

Issue 586: November 8, 2004 A ZweigWhite Publication

People like people who are responsive

> Being "hyper-responsive" is a competitive advantage that is within the control of every firm in the A/E business.

It just doesn't matter what type of business one talks about. Whether you are a house-painter, you sell window blinds, or you are in the architecture, engineering, or environmental consulting business— ALL of your clients, customers, and suppliers will like you more if you are responsive. And the more responsive you are— I call it "hyper-responsive"— the better.

This notion of hyper-responsiveness is so simple, yet is all too often in our business pooh-poohed by those in our firm's top ranks. Principals are the worst offenders. They are too busy. They don't want to be too eager. They don't use the technology that would make them more responsive. They simply don't think it's important.

It's really a shame. We at ZweigWhite are here to make our clients more successful. Business is hard enough as it is. But the sad reality of this hyper-responsiveness issue is this— a SOLID MAJORITY OF YOU WILL NOT DO THIS ONE THING THAT IS TOTALLY WITHIN YOUR CONTROL: BE RESPONSIVE! I have been in this industry for 25 years now. And I truly believe that, as competitive as our business is today, you could be a mediocre designer with middle-level people and middle-of-the-road prices, yet grow faster than any other firm in your market by being more responsive than your competitors.

The impression of caring and good service is just too valuable to waste by being slow on your feet.

I am not talking about returning all phone calls the same day. How about within an hour or, better yet, 10 minutes? I am not talking about returning all e-mails the same day. How about within 10 minutes, or better yet, two minutes? I know this probably sounds crazy, and most of our readers will tell me I have lost my mind on this issue. But the impression of caring and good service is just too valuable to waste by being slow on your feet.

Beyond that, it's actually more fun to work in an environment where the clients are amazed on a daily basis with the service they are getting. Everyone gets energized →

In this issue:

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> SBA Loans

The number of loans made by the U.S. Small Business Administration's lending partners and Certified Development Companies with SBA backing has more than doubled since FY 2001.

Source: U.S. Small Business Administration

For a related article on SBA loans, see page 5.

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Next week:

> *The Zweig Letter* devotes next week's edition to achieving a work-life balance.

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In his editorial, Mark Zweig wrote about the need to be hyper-responsive to clients – something sorely lacking among A/E firms.

"I truly believe that, as competitive as our business is today, you could be a mediocre designer with middle-level people and middle-of-the-road prices, yet grow faster than any other firm in your market by being more responsive than your competitors," Zweig wrote.

Then: "I am not talking about returning all phone calls the same day. How about within an hour or, better yet, 10 minutes? I am not talking about returning all e-mails the same day. How about within 10 minutes, or better yet, two minutes?"

20 years ago

HEADLINES Editorial: Better marketing | **Being an expert witness |** Satellite office success

While Zweig Group no longer publishes a survey on satellite offices, back in 1994 it did. An article in the Nov. 14 issue of THE ZWEIG LETTER (#85), analyzed some stats from the 1994 Satellite Office Survey of A/E/P & Environmental Consulting Firms that may as relevant today as they were then.

First off, the key to the success of a satellite office is proper leadership, with 30 percent of survey respondents citing "strong leadership" as essential to success. Another 35 percent said that a "lack of leadership" was the reason behind failure.

Many principals said getting the right leader meant finding the best principal or owner to place in charge of a start-up satellite office – 64 percent of the most successful offices in the survey were started with an owner or principal as the leader. Conversely, 61 percent of the offices described as "least successful" were started with a non-owner or non-principal in charge.

In his editorial, Mark Zweig wrote about how marketing is "where it's at" for firms in the A/E business. He offered a number of suggestions for more effective marketing:

1. Don't spend one nickel keeping firms off of your prospect list.
2. Don't make PR any tougher than it is.
3. Capture every inquiry from a client or potential client.
4. Get all the work you can from local clients, before you go out of your area to find new ones.
5. Go after fewer jobs, not more jobs.
6. If you find one person with a problem, call everyone in that role in similar organizations, and you'll probably find that they have the same problem.
7. When it comes to building relationships, aim high.

zweig group

An evolving obligation

Court rulings, technology, and project structures spotlight need for design firms to renew focus on standard of care.

Mike Herlihy

GUEST SPEAKER

Design professionals have historically been guided by the principles of their industry standard of care with respect to all their projects and activities. However, while the concept is steadfast, its interpretation and application may be evolving as a result of recent court rulings, changes in project structure and the implementation of new technology.

Essentially, the standard of care for an engineer or architect is to act reasonably and prudently when performing professional services so as to guard against a loss to the project owner or harm to another arising from the performance of professional services.

A California appeals court decision (*Beacon Residential Community Association vs. Skidmore, Owings & Merrill L.L.P. et al*) recently upheld by the state Supreme Court shows the extent of duty architects and engineers may owe other parties. The case involved code-compliant insulated windows and ventilation specified by the architects that were not installed by the contractor. As a result, the condominium units could not be occupied for sustained periods.

The court determined that the principal architect of a project (in this case, a condominium development) owes a duty not just to the party with which it has privity of contract – but also to others who it is "reasonably foreseeable" could suffer harm as a result of the architect's services. In effect, if the design firm can reasonably foresee certain parties – the individual purchasers of condominium units in this case – suffering harm, then it has a duty to guard against that harm.

Unfortunately, the court did not address how an architect could realistically protect the condominium owners against the loss they suffered as a result of less insulated windows, when the architect could not force the contractor to install the originally specified windows.

For architects and engineers, managing risk goes well beyond negotiating fair and reasonable contract terms and having adequate insurance. It also involves considering project types, possible parties who could potentially suffer loss as a result of the services, as well as evolving technology and changes in project delivery methods.

For architects and engineers, managing risk goes well beyond negotiating fair and reasonable contract terms and having adequate insurance. It also involves considering project types, possible parties who could potentially suffer loss as a result of the services, as well as evolving technology and changes in project delivery methods.

There have been increasing attempts to use clauses in contract language that increase the standard of care to that of a fiduciary. Design firms and their legal and risk advisors fully recognize that such clauses must be negotiated out of the contract or agreement. Courts will always default to the traditional standard of care, unless the architect or engineer agrees in its contract to be held to a higher duty.

Meanwhile, there has been some erosion of the economic loss doctrine. That doctrine holds that you cannot pursue another for a purely economic loss you suffered as a result of the other party's breach of contract or negligence unless you have a direct contract with that party. Increasingly, contractors have been successful in recovering from engineers and architects with whom they did not contract on the basis of "negligent misrepresentation."

See MIKE HERLIHY, page 8

OPINION

Offer program management services?

Design firms may have a niche to fill in this area. After all, you can do it better than a dispassionate program manager.

Ed Friedrichs

FROM THE CHAIRMAN

Architects and engineers have long complained about their relationships with program managers. "They challenge us on our fees. They don't understand the value we provide. As owners' representatives, they don't do very much. I come away from a meeting, and it seems as though they have distributed every task to someone other than themselves."

Sound familiar?

Look at the origins and processes of program management as a professional service offering. I've seen two strong needs for a seasoned professional: 1) an owner or tenant, constructing a building or improving leased space, who does not have the expertise in-house to manage a construction team; 2) a corporation that has assembled a large bureaucracy to manage the procurement, design and construction of space, and then oversee its management and change over time.

Large real estate organizations, like CBRE and Jones Lang LaSalle, skilled in brokerage and facility management, saw a need among their clients for this service. They acted as an owner's representative for individual projects. Eventually, they began to take over entire real estate departments from large corporations, proposing to reduce costs and assure professional staffing in each role. After all, no corporation is in the business of procuring, designing, constructing and managing real estate, and if it's not part of the core business, why not outsource it?

These entities claimed they could achieve highly professional results, lower costs relative to an in-house department, as well as in construction, by using their broader leverage. And, relative to any other entity (like an architect, engineer or contractor), they maintained that they could remain unbiased with no conflict of interest. Their power grew to the point that architects and engineers feared that they would be "black-balled" if they entered into competition with these entities.

After all, architects had gained a reputation for being irresponsible with budgets and schedules, concerned for "design" above all else. Contractors were just builders, lacking the sensitivity to and

An owner considering doing a on-off building or tenant interior who doesn't have in-house design and construction expertise is well served by someone highly knowledgeable in all aspects of bringing a project from concept to occupancy.

engagement in the full range of issues an owner is solving for. The reality is, however, that people from these same architects and contractors staff these entities.

So, should an architect, engineer or contractor consider entering this field? At this time, to try to compete with the large, established practices like CBRE and JLL with their national and international networks, scale and capabilities, would be extremely difficult. There are, however, market niches where an architect or engineer with a definitive expertise, should be in this business. Why? For the very same reasons that others entered the field. An owner considering doing a on-off building or tenant interior who doesn't have in-house design and construction expertise is well served by someone highly knowledgeable in all aspects of bringing a project from concept to occupancy. Many architects and engineers live with their clients from the time they identify a need to the day they occupy or begin to use a facility, and often many years after.

Specialties such as retailers that either acquire land and must secure entitlements, site engineering, design and construction, or even simply lease and build out a space in an existing retail building could be well served by someone outside their own organization.

See ED FRIEDRICHS, page 8

ED FRIEDRICHS, from page 7

Many years ago, the firm I was part of took on this entire array of services for a healthcare provider to build what they termed a "doc-in-a-box," which they planned to replicate. We provided a turnkey service, managing everything from site development and entitlements, through design and construction, right up to supplies in the drawers like Band-Aids and rubber gloves. Why not? The healthcare provider had never done this before, had no expertise in-house and no desire to staff up.

With so much change in the way services are being offered (the healthcare industry, data centers and other critical facilities are good examples), I believe the opportunity to enter the program management field is strong. Select your path carefully, research the process being used today to go from concept through the lifecycle of the use of the facility, and design a service offering that will achieve a better, more creative and cost-effective design solution *because* the process is being managed by an architect or engineer, rather than a dispassionate program manager.

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

MIKE HERLIHY, from page 6

For example, a design firm that produces designs or drawings for a contractor to build "represents" they can be used for construction. If information is missing or the plans deficient, some courts have ruled the architect or engineer owes a duty to the contractor with whom they did not have a contract – on the basis that the design firm negligently misrepresented the plans were suitable to use for construction.

Design firms need to consider who might reasonably suffer a loss and protect them – in addition to protecting the client – from suffering a loss.

Changing technology also has implications for standard of care. As more engineering and architectural firms embrace building information technology, an architect or engineer might be judged reasonable or prudent on the basis of whether they followed the same practices as their peers in utilizing BIM.

Public-private partnerships and the increased use of design-build project delivery don't change the standard of care. Yet, they may have increased risk for the design professional. PPPs involve design, construction, ownership and operation of public infrastructure, such as toll roads, bridges, water and wastewater treatment plants.

The prime in a PPP generally will establish an operating entity to run the completed project for a period of years under contract to the governmental agency. The prime could suffer harm in lost revenue, profits, and higher than expected costs if the design professional's services are deficient.

A design builder may not be able to seek more money under its contract with a client for conditions discovered during construction that the designer did not take into account earlier. A design firm must recognize the risk its design-builder client faces and insist on a schedule that allows designs and drawings to reach an extensive level of completion before the design builder submits its bid.

Finally, greater project collaboration is increasingly necessary to manage project risks and changing project delivery methods. Ask yourself: "Is it better to obtain the most favorable contract language, supported by the best possible professional liability insurance – which pays for the best attorney to (hopefully) get me out of the claim that happens due to a loss on the project? Or is it better for the loss not to have happened in the first place?"

If all parties in a project share the goal of a successful project and collaborate, their chances of not having a loss improve. The construction contractor can provide input and suggestions to the design firm as the design is being developed. The design firm can serve a valuable role during site observation, providing advice on design intent as well as catching issues not in compliance with the original design.

In today's environment, effective project risk management involves all phases of a project – contract negotiation, team selection, cooperation/collaboration – and acting reasonably and prudently on behalf of those who could reasonably be expected to suffer harm. By taking this approach, design firms should be able to navigate potential risks from evolving interpretations of standard of care.

MIKE HERLIHY is executive vice president and partner at Ames & Gough. Contact him at mherlihy@amesgough.com.

CALENDAR

PRINCIPALS ACADEMY 2.0 The Principals Academy 2.0 is an updated version of the Zweig Group's crash course in all aspects of managing a professional services firm.

The program is presented by a team of speakers – including Zweig Group founder and CEO Mark Zweig – with extensive experience working with and for A/E firms. They have a clear understanding of what it takes to survive, and even thrive, in any economy.

The Principals Academy 2.0 is updated with the latest approaches to leading a successful firm in this new economy, including an expanded focus on business development, strategic planning, and financial management. The Principals Academy 2.0 is like a two day MBA for technical professionals and is the most impactful two days you can spend learning to build your career and your firm.

The two-day agenda covers six critical areas of business management from the unique perspectives of architecture, engineering and environmental consulting firms, and is presented in tutorial and case study workshop sessions.

The Principals Academy 2.0 program includes an extended Q&A session with industry leader Mark Zweig and the panel of speakers. This provides the attendees an opportunity to discuss in-depth the issues facing them at their firms with advice offered from industry leading experts.

Upcoming events include Oct. 16 and 17 in Los Angeles and Nov. 13 and 14 in Miami.

For more information or to register, call 800-466-6275 or log on to https://zweiggroup.com/seminars/tpa/.

CASE STUDY

Speedy recruitment and onboarding

Luckett & Farley sprung to action when a marketing director departed suddenly, finding that it could attract a replacement just as quickly.

By LIISA SULLIVAN
Correspondent

Ed Jerdonek, CEO and President, Luckett & Farley.

Carrie Slack, Marketing Director, Luckett & Farley.

Luckett and Farley (Louisville, KY), an 80-plus person multidisciplinary architectural, engineering, and interior design firm, needed to find a new marketing director in a short time. So, how did they rise to the challenge?

Two weeks? Phooey! It used to be that two-week's notice was fair warning when leaving a job. However, Ed Jerdonek, Luckett & Farley's CEO and president, says that's no longer the case.

"We needed to move quickly to source, recruit, interview, hire and on-board a new marketing manager and get fresh leadership in-place."

"I won't lie," he says. "We were all caught a bit off-guard when our previous marketing director resigned to relocate closer to family. We discovered firsthand what many firms probably already know: In the *Millennial World* of six second Vines, 140-character tweets and Snapchat, a two-week notice may seem like an *eternity* of time! It's not so. Here's a friendly business tip for all of our profession's Millennials – especially those who've earned their way into strategically important and/or firm leadership positions: If you resign your firm needs more than a two-week notice."

ESOP closed the deal. So, post resignation, Luckett and Farley managed to operate without a director, while still moving at a rapid pace.

"We needed to move quickly to source, recruit, interview, hire and on-board a new marketing manager and get fresh leadership in-place," Jerdonek says. "We relied on more traditional digital media methods like job boards and social media, but what ultimately attracted our candidate to Luckett and Farley was our near nationwide reputation as a 'best place to work' as well as being a 100 percent, employee-owned ESOP. There's a world of difference between the concept of 'salary' and the 'creation of wealth,' and the candidates we're most attracted to are those who get this concept."

Carrie Slack, the new marketing director, did her homework and she "got it."

"I understand how my daily actions can grow or erode my ESOP wealth," Slack says. "As a former business owner, I was strongly attracted to this concept."

Jerdonek says once they realized Slack was a good cultural fit, they pulled the trigger with a strong offer.

"Culture trumps everything," he says. "Once we understood her background and experience, we focused on determining whether her soft skills were a good fit. In addition to the usual initial phone screen and introductory HR interview, I took a great deal of personal interest in getting to know her. Our marketing and business development, in many respects, is our public face and our brand. I also asked the marketing team to meet with her and they determined she could roll with them. This also achieved firm-wide buy-in and shared ownership in the entire process, coupled with a vested interest in helping to ensure her success."

A bird's eye view. Slack started with Luckett and Farley in mid-September. She worked as a marketing coordinator for an architectural firm and also ran her own marketing and business development business for 10 years previously. These experiences gave her the tools and skills to tackle an 80-plus-person firm that focused on six different markets.

We asked Slack to tell us a bit about her onboarding experience.

THE ZWEIG LETTER: So, what were the first few weeks like?

Carrie Slack: Fortunately (and I'm sure that it was only fortunate for me), the previous marketing manager had left the company a couple of months before my arrival. One would think that this would be difficult – no one to tell you what, where, why

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ON THE MOVE

MCKIM & CREED APPOINTS PRESIDENT AND CEO The board of directors of **McKim & Creed, Inc.** (Raleigh, NC), a 350-person engineering, planning and geomatics firm with offices throughout the South, announced that **John Lucey, Jr.** has been named the company's next president and chief executive officer, effective Nov. 1.

Lucey was previously the executive vice president of engineering and business development at Heckmann Water Resources (now Nuverra Environmental Solutions), an oil/gas water management company that is also one of the largest environmental solutions firms in the U.S.

Lucey will succeed Michael Creed, who will continue serving as McKim & Creed's chairman of the board. Herbert McKim, Jr. will remain on the board of directors and will continue full-time work assisting with major client retention, business development and special projects.

"McKim & Creed is one of the most innovative and respected companies in the engineering and geomatics industry, and I am honored to have been chosen to lead the organization," Lucey said. "I look forward to working with the great team at McKim & Creed and to build from its strong foundation an organization that grows consistently by providing value to our customers with high-quality, innovative solutions."

Lucey began his career in 1977 with **Chester Engineers**, where he rose through various levels of management to become president of the company in 1995. He oversaw the acquisition of Chester by U.S. Filter in 1997 and helped grow the 300-person, $55-million firm to more than 500 employees with $200 million in annual revenues. After **U.S. Filter** was sold to **Veolia**, Lucey became a key member of the management team, assuming responsibility for developing and managing Veolia's North American Technology Center.

From 2005 until 2011, Lucey worked with **HDR Engineering**, where he led the industrial water and wastewater practice group that provided services for the ethanol, power, mining, oil/gas and fertilizer industries. Under his leadership, the group grew from $5 million in annual revenues to $75 million in five years. In 2011, Lucey joined **Heckmann Water Resources**, where he played a major role in securing business and managing business with two of the largest customers of the company, and initiated a water treatment partnership with a major service provider.

LJA PROMOTES LJA (Houston, TX), a 425-person an employee-owned, full-service consulting engineering firm, announced Charlie Patout has been promoted to manager of Landscape Architecture Services in the firm's Houston Land Development Division.

Patout has 10 years of professional experience specializing in urban planning, land planning, urban design and landscape architecture, as well as international urban design experience for projects in Southeast Asia, China and Japan. He has extensive experience in parks, trails, amenities, hardscapes, sustainable planting and irrigation design. His projects have included master planned communities, town center developments, commercial, mixed-use and residential developments. Patout is the lead landscape architect for the Thomas Bell Foster Park site design and master plan being developed by the Greens Bayou Corridor Coalition, in addition to various other greenways and parks in Bridgeland, Woodforest and The Woodlands, as well as Kaust Research Park in Saudi Arabia, U.S. Customs & Border Protection Housing and the U.S. Embassy compounds in Kabul & Jeddah. His past experience includes work on Sugarland Town Center, Creekside Park, Carlton Woods and the Woodlands Waterway.

Patout is currently involved with design of two gated communities, Bridgeland's Hidden Creek Park and hardscape/landscape theming for a new community. In his new role, Patout will continue to manage landscape architecture projects and oversee the development and growth of the Landscape Architecture group at LJA.

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and how things are done the way they are. But thinking with a manager mind, I got to ask questions, find out what works and doesn't, and got honest feedback that I would not have received if accompanied by my predecessor. In this case, getting thrown to the wolves provided me with invaluable information that I may have otherwise never known.

TZL: To date, what challenges have arisen and how did you solve them?

CS: Opening Pandora's box led to some disappointing news that created a big challenge of filling a graphic designer position. Given thought, it made sense for someone young, with ambition to work with a diverse clientele and move up in the creative market (there is a ceiling with this position in an in-house marketing department). The current designer had gained experience and was ready to move forward and the only place to do this was somewhere else. So, instead of panic, bitterness or dismay, I took the news positively: "This will bring even more new air into the department and will facilitate my ability to make changes and take ownership. It will be a challenge to keep up with production, get my arms around all the hats and make these organizational moves, but in the end it will be a stronger, more defined, department."

TZL: Any lessons learned to share with other marketing professionals who may find themselves in similar positions?

CS: It would be pretentious to think that learning the current environment before implementing changes isn't of utmost importance. The natural challenges become obvious and you can begin to formulate a well-balanced plan of change. Asking questions, listening, getting to know personalities and communication styles is the key. Patience, insight and perseverance make for a well-rounded transition and help to position you to take command of your post.

TZL: Have you implemented any new marketing strategies?

CS: Formulations of new marketing strategies are in the works. I will collaborate with our strategic planning consultant and implement with the 2015 plan. Starting with one quarter left in the year, for me, was good timing. And yes, I said 'strategic planning consultant,' which is right in line with why I went with a firm that has captured the market with 'the best place to work.' Having this resource and someone I can consult with, as all our managers do, is a great asset to ensure that we are making the best moves going forward. This is the sign of good leadership and I'm glad I chose to board this ship.

FINANCE A SUPPLEMENT OF THE ZWEIG LETTER

OWNERSHIP

Finding the next batch of owners

Should firms extend ownership to rising stars who show interest, or look at other options to grow?

By LIISA SULLIVAN
Correspondent

Michelle Mongeon Allen, COO, JLG Architects.

Nelson Shaffer, Executive VP and Chief Administrative Officer, Pennoni Associates.

Extending ownership to employees has many benefits. Some firms depend on it for financing, but others don't. Why not? And how do firm leaders go about identifying these potential future owners?

SURVIVING AND THRIVING. **JLG Architects** (Grand Forks, ND), a 90-person firm, was founded in 1989 by Gary Johnson and Lonnie Laffen. Differentiating itself through design excellence and client service, JLG grew to more than 20 people in less than a decade. The company operated on this plateau for another 10 years. But in 2009, with four owners and increasing pressure internally (talented staff looking for autonomy and opportunity) and externally (increasing size, complexity and geographic diversity of projects), the leadership at JLG made the strategic decision to become a legacy firm – it would survive and thrive beyond the current stockholder group.

Michelle Mongeon Allen, COO, JLG says that while there were many viable succession plan options, JLG opted for an internal transition.

"This plan has created a culture of ownership at JLG that has positively impacted the financial foundation of our company beyond simply being a vehicle for transferring stock, the most significant impact being the recruitment and retention of top talent," she says. "Ultimately, talent is what drives the bottom line in the professional services industry and fuels the growth that is necessary for an effective ownership transition; offering a career path that includes a financial stake in the organization is an appealing opportunity for those who know they can make a difference."

While in essence ownership, by definition, is limited simply to the candidate's financial capacity and their ability to use good judgment in voting shares, there are leadership characteristics that stand out in common among JLG's stockholder group. They include:

- Compatibility
- Commitment
- Competency

STOCK OWNERSHIP AS MOTIVATOR

The National Center for Employee Ownership, a nonprofit membership organization that provides unbiased information and research on broad-based employee stock plans, says that the ultimate impact of any employee ownership plan, including a stock option plan, depends a great deal on the following:

- The company and its goals for the plan.
- The company's commitment to creating an ownership culture.
- The amount of training and education it puts into explaining the plan.
- The goals of individual employees (whether they want cash sooner rather than later).
- In companies that demonstrate a true commitment to creating an ownership culture, stock options can be a significant motivator, when combined with a true commitment to treating employees like owners.

- Business savvy
- Integrity
- Demonstrated leadership

"JLG's future owners are those candidates who express a desire and commitment to share in the rewards and obligations of ownership, and the growth of JLG – and those people are easy to find, because they act like owners well before they are ever asked to be one," Allen says.

TRANSFERRING OWNERSHIP. Nelson Shaffer, executive vice president and chief administrative officer, **Pennoni Associates** (Philadelphia, PA), a 1,000-plus-person engineering and consulting firm, says that he could see the benefits of using ownership expansion to raise funds for operations for some firms.

At Pennoni, raising funds through expanded ownership never was a primary goal.

"We certainly used any funds raised in this manner in the running of the business, but ownership expansion/transition at Pennoni Associates was a me-

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TRANSACTIONS

INTENT TO MERGE San Francisco-based engineering and consulting firm **Jacobs Associates** and Boise-based engineering and construction firm **McMillen LLC** announced that the two firms intend to merge. **McMillen Jacobs Associates** will have a staff of 380, working out of 19 offices across North America, Australia, and New Zealand.

Jacobs Associates President Dan Adams said, "Since first sitting down to discuss a possible merger, we found our core values and company cultures are very similar and compatible. Both firms emphasize technical excellence and client relationships. We each have a high level of engineering and management expertise and complement one another well. Unifying our businesses and beliefs will allow us to better serve our clients and provide expanded opportunities for our employees, particularly in the design-build arena."

"We have always believed it's about putting our clients first, not about getting bigger," said McMillen President Mara McMillen. "By merging with Jacobs Associates, we can now offer expanded technical capabilities from staff we highly respect. The merger also enables us to geographically expand our self-performing construction group. One integrated company increases our employees' opportunities to build their careers in a broader range of disciplines and to become stockholders in the company."

Jacobs Associates has focused primarily on detailed design and construction engineering in the heavy civil underground market since it started doing business in 1954. Merging with McMillen LLC helps Jacobs Associates achieve three of its strategic initiatives: growing construction management, redefining how design-build is delivered, and diversifying beyond tunnels.

McMillen LLC, which was founded in 2004, is an environmental, engineering, and heavy civil self-performing construction firm with close ties to the hydroelectric infrastructure and water resources industries. Merging with Jacobs Associates will expand McMillen's geographical reach as well as strengthen its engineering capabilities in rock mechanics, grouting, and underground structures.

ALLIANCE FORMED **WRS Environmental Services** (Yaphank, NY), a provider of environmental, energy and industrial services as well as hazardous waste management services throughout the Mid-Atlantic/Northeast, announced the formation of an alliance with **Rickman Enterprise Group** (Detroit, MI), a total facility management, custodial and industrial services firm. The new alliance is expected to bring a wider range of services to customers and expand each other's footprint.

"The environmental expertise and abundant resources that exist between WRS Environmental Services and Rickman Enterprise Group will allow us to offer clients a broader menu of turnkey environmental services," said Mike Rodgers, WRS CEO. "In addition, both companies share the same values of integrity, customer satisfaction and the importance of working safe."

Rickman Enterprise Group, a veteran owned and national minority certified business is a leading facility efficiency, industrial and environmental services company that strives to provide its customers with first-class service using new and innovative technology and equipment that is sensitive to, and responsible toward the preservation of our environment.

"Our mission is to provide our customers 'BEST-IN-CLASS' services utilizing technology and equipment that is sensitive to and responsible for the preservation of our environment has just expanded," said Rod Rickman, Rickman Enterprise Group CEO. "I am confident this alliance will enhance our services here in the Midwest area and now in the Mid-Atlantic, New York and Northeast region."

Rickman Enterprise Group recently provided training and orientation for 130 newly hired employees. The 130 employees are being added as a result of Rickman Enterprise Group successfully winning a contract with Detroit Public Schools to oversee and manage the facilities operations of 28 DPS buildings throughout the City of Detroit. A number of the positions will consist of skilled trade employees, including electricians, plumbers, HVAC specialists and others. Additional positions include janitorial and grounds maintenance personnel. All of the positions provide a comprehensive compensation package that includes excellent benefits and wages along with career growth opportunities.

Utilizing state-of-the-art equipment and highly trained professionals, each year WRS responds to more than 1,500 hundred environmental emergencies and incidents, disposes of hazardous and non-hazardous waste, provides vacuum services, that include vacuum excavating, and handles asbestos, lead and mold abatement and remediation.

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thodical process to truly transfer ownership," Shaffer says.

Firm founder and primary stockholder, Chuck Pennoni, had witnessed several fellow business owners struggle with ownership transition. Committed to avoiding the same pitfalls, he charged Pennoni's strategic planning committee and then a follow-up group of key employees to evaluate and recommend a course of action for ownership transition.

In 1994, these groups looked at various forms of ownership: selling outright to another company, selling to staff internally, going public, keeping the firm in the family, etc., but ultimately the firm opted for an Employee Stock Ownership Plan.

"The ESOP offered a way to diversify ownership (the employees become owners) as well as to maintain one of the foundations most important to senior leadership – the firm's culture," Shaffer says. "The ESOP enables staff to share in the growth and prosperity of the firm."

In 2003, the ESOP became the majority owner – nine years after its creation. Today, with more than 1,000 employees, all of which are owners when properly vested, the ESOP owns 74 percent of the firm and the remaining 26 percent is owned by several other principals.

So, for Pennoni Associates, the process of ownership expansion/transition was a win-win for all involved.