

Getting ready for the New Year

Six tips from Mark Zweig for a new business plan when the clock strikes midnight.

Can you look at trends for the firm and units overall? Can you see where things are headed with your ownership transition plan? Do you know how you stack up compared to other firms of your size and type – particularly other successful firms?



Mark Zweig

EDITORIAL

It's that time of year again (seems like it comes sooner every year) when you have to get your business plan updated.

I see many firms go through this process with a low energy and commitment level. Meetings are hard to schedule and when they are held, people are coming and going from the room constantly to make calls or step into other meetings. Or, they are so distracted responding to emails on their phones or laptops, or working on a proposal or report while sitting in the planning meeting, that they might as well not be there.

Then there's the issue of a facilitator. Often that's someone who really has little to offer but a friendly face and a lot of seemingly irrelevant questions about how everyone there "feels" about everything. There's no specific industry knowledge or substantive recommendations to consider.

The plan itself is often prepared without consulting clients on their plans, without surveying employees, and without benchmarking the firm's financials against industry norms. The end-result is something that is the start of a budget for the year along with some tasks to accomplish, often with no specific dates and names for who is responsible for accomplishing them.

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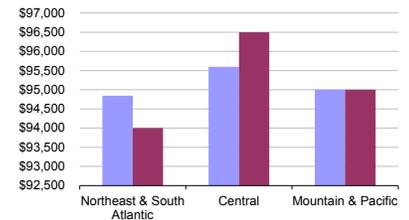
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The next 'rock star' Page 7

TRENDLINES

Marketing value



Marketing directors at engineering firms in all U.S. regions saw minor changes in base salary from last year to this year, according to the Zweig Group's 2015 Salary Survey of Engineering Firms.

In the Central region, for example, the median base salary for marketing directors increased slightly from \$95,600 last year to \$96,000 this year. Meanwhile, marketing directors in the Northeast and South Atlantic region saw a small decrease from \$94,848 last year to \$94,000 this year.

In the Mountain & Pacific region, marketing directors' salary remained steady at \$95,000.

– Margot Suydam, Director, Research

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A/E BUSINESS NEWS

ABI SUSTAINS ITSELF Headed by the continued strength in the multifamily residential market and the emerging growth for institutional projects, demand for design services continues to be healthy as exhibited in the latest Architecture Billings Index.

The American Institute of Architects reported the October ABI score was 53.7, down from a mark of 55.2 in September. This score reflects an increase in design activity (any score above 50 indicates an increase in billings). The new projects inquiry index was 62.7, following a mark of 64.8 the previous month.

As a leading economic indicator of construction activity, the ABI reflects the approximate nine- to 12-month lead time between architecture billings and construction spending.

"Though it has been slow in emerging, we're finally seeing some momentum develop in design activity for nonprofits and municipal governments, and as such we're seeing a new round of activity in the institutional sector," said Kermit Baker, AIA chief economist. "It will be interesting to see if and how the results of the mid-term Congressional and gubernatorial elections impact this developing momentum."

The AIA has added a new indicator measuring the trends in new design contracts at architecture firms that can provide a strong signal of the direction of future architecture billings. The score for design contracts in October was 56.4.

Key October ABI highlights:

- Regional averages: South (58.4), West (56.1), Midwest (54.4), Northeast (47)
- Sector index breakdown: mixed practice (56.9), multifamily residential (54.7), institutional

(54.4), commercial/industrial (52.3)

■ Project inquiries index: 62.7

■ Design contracts index: 56.4

A SLOWDOWN IN THE ZW15 INDEX

The market in October is softening as construction slows coming into winter. There were only one horrible loss on the ZW15 Index, with a 39 percent drop in stock value month-over-month for **ENGlobal** (Houston, TX). That contrasts with the increase in net income for the last quarter, up to \$1.8 million from \$1.5 million in the second quarter of 2014.

Three companies had double digit gains in stock price, **EMCOR Group**, **Exponent**, and **TRC Companies**. Exponent (Menlo Park, CA) beat Wall Street expectations and announced a quarterly dividend. EMCOR Group (Norwalk, CT) saw a \$6 million increase in net income over last quarter and won a contract from Homeland Security for a variety of projects around Washington, D.C. **TRC Companies** (Lowell, MA) acquired **NOVA Safety and Environmental** (Midland, TX).

Acquisitions are happening more and more every day. Mid-size and small companies are joining up to try and reach greater critical mass to become more competitive while still maintaining high quality work and strong client relationships. – *Ryan Renard, Zweig Group consultant.*

(See chart on page 12.)

MARK ZWEIG, from page 1

If I sound cynical and negative about this process it's because I have seen this exact scenario unfold hundreds of times over the last 34 years. While I think having some plan is better than no plan, the whole thing could be so much better. Here are some steps you might want to consider to improve your business plan this year:

- 1) Talk to your clients.** What are their plans? What are their needs? Will they need more or less of what you do in the coming year?
- 2) Talk to your employees.** What are their hopes and dreams? What are their frustrations? You need to know these things if you want to design a company that can keep its people over time.
- 3) Do your financial homework.** Can you look at trends for the firm and units overall? Can you see where things are headed with your ownership transition plan? Do you know how you stack up compared to other firms of your size and type – particularly other successful firms? You need this information to make good decisions and many firms I observe don't have it for their planning sessions.
- 4) Know what your owners want to do with the business.** This, too, may take some work upfront to really understand where people's heads are. This greatly affects the firm's goals and everything else because nothing is going to happen that the owners don't

want to do.

- 5) Work with someone outside the company who can ADD to your knowledgebase.** This means an individual or firm with broad knowledge and experience in our industry. Beware those whose entire point of view is based on their experience working with ONE company. It always annoys me to repeatedly hear, "At ABC Associates, this is what we did..." It's especially annoying if ABC wasn't or isn't very successful! Also find people who aren't afraid to be honest with you. That usually means they don't NEED you as a client. I like to call them "INsultants" versus "CONsultants."
- 6) Make sure you sell whatever plan you come up with.** Again, this is a frequently ignored step but it is crucial to your success. For example, your employees won't always understand why you have such lofty growth goals. You have to assure them that the purpose of these goals is NOT just to enrich the owners but rather to provide more opportunities for them, build a better infrastructure, etc. (there are many reasons to grow!). Without this step you are likely to have little support for any changes you want to make in the company going forward.

There are other things I could add to this list but am out of time. We need to get on our own plan for 2015! ➤

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Stay organized; keep your sanity

What some firm leaders are doing and some advice from the experts on the subject.

By LIISA SULLIVAN
Correspondent



Chuck Cole,
President, Hunton
Brady Architects.

There are many reasons to do it. Leaders try to stay on top of workloads to maintain order, ensure nothing falls through the cracks and, overall, avoid turning a non-stressful situation into a stressful one.

A DAILY DOSE. Chuck Cole, president, **Hunton Brady Architects** (Orlando, FL), a 73-person design-oriented architecture firm, says that he is a compulsive organizer.

“I stay on top of the workload, travel and email on a daily basis. My iPad, mobile phone and desktop computer are linked with Microsoft Outlook, which is up to date and highly flexible.”

“I stay on top of the workload, travel and email on a daily basis,” he says. “My iPad, mobile phone and desktop computer are linked with Microsoft Outlook, which is up to date and highly flexible. I use the color coding function to help prioritize and distinguish events too.”

Cole says that he does not have a full-time administrative assistant, so it’s important that he stay on top of things. He is currently supported by the office manager on a part-time basis. All principals, including the president, are expected to work 40 percent of the time on projects and they receive administrative support from project teams when working on those projects. The rest is left to them.

For Cole, Microsoft Office is the main, go-to organizational tool when it comes to event scheduling.

“This is accessible from my iPad and mobile phone, and I can schedule appointments both inside and outside of the office,” he says. “I often double- or triple-book using the ‘tentative’ tag, and then determine daily which events will take priority.”

Cole adds that a quick check of his calendar early each morning gives him a clue as to his daily wardrobe: suit and tie for client meetings; dress shirt and tie for working meetings; or business casual for job

site visits.

Cole also has a running to-do list on paper where he jots down tasks, and checks them off as completed. At a glance, he can distinguish the urgent and important tasks, and tackle them first.

“My to-do list is always visible on my desk and all staff knows my distinctive style. I use our corporate quarter-inch grid pad and the date is located at the top, written with a bold ‘Sharpie’ pen in half-inch high letters. Each item has a hand-drawn check box, which has a thick shadow line drawn to the right side and bottom. It has worked for me for more than 35 years, and it’s still highly effective.”

OUTLOOK HELPS. Sam Schwartz, CEO, **Sam Schwartz Engineering** (New York, NY), a 100-person interdisciplinary transportation engineering and planning firm, says that leaders of small- to mid-sized firms must be master jugglers.

“I find that I cannot handle everything by myself so I have a team to lean on, including my executive assistant, who handles a myriad of tasks such as my ever-changing schedule, travel and phone calls and other communications,” he says. “My COO, controller and general managers are a solid front line that keeps me from getting ‘sacked’ (most of the time). And, I’m fortunate to have my big brother Harold, a retired businessman, help me with strategic decisions such as acquisitions and mergers.”

“I am notorious for weekend follow-up emails. That’s when I get down to the nitty-gritty of it all.”

Schwartz says that, less and less, he relies on paper, even though he is part of the Baby Boomer generation. He uses Outlook’s “follow up” function on a daily basis.

“If a GM says we aim to start work on January 15, 2015 you can be sure he/she will get a ‘Status’ note from me on that date if I haven’t heard sooner,” he says.

Schwartz adds that he gets a few hundred emails a day and says that he does a first cut of anything urgent (i.e., a new client, request for proposal, a prob-

See SANITY, page 4



IN BRIEF

BACKLOGS HIGH Associated Builders and Contractors Construction Backlog Indicator (CBI) reached a new all-time high during the third quarter of 2014 at 8.8 months, eclipsing the previous all-time high of 8.5 months in the second quarter of 2014. The 2014 third quarter backlog is 6.9 percent higher than the third quarter of 2013 and the continued growth of backlog during the last six months likely indicates that 2015 will be a strong year of recovery for the nation's nonresidential construction industry.

"Every region of the nation experienced expanding backlog during the third quarter and so did every industry segment," said Anirban Basu, ABC chief economist. "Recent data regarding nonresidential construction and employment has shown only sporadic gains, which is consistent with the less optimistic backlog readings registered earlier this year. But the last two quarters tell a positive story that the average nonresidential contractor in America is positioned to get busier."

Regional highlights:

- Average backlog is up by nearly two full months in the Northeast over the past year and by more than two months in the West. This is consistent with a rapid rebound in many East and West Coast communities that previously were held back by the housing and financial

crisis of several years ago.

- Average backlog is at or nearly at a record high in three regions, the Northeast, Middle States, and the West.
- Backlog in the South has not progressed over the past year, but is positioned to expand due to the recent acceleration of economic growth in Louisiana, Georgia, Florida, Texas, and a number of other states.

Industry highlights:

- Based on recent CBI readings, investment in the nation's industrial sector should be significant in 2015. Once beholden to foreign energy producers, America is now on the verge of becoming the world's leading oil producer and is already its preeminent provider of natural gas. This is contributing to a significant uptick in investment in the nation's factories and distribution facilities.
- Consumer spending remains strong and the professional services sector is adding more jobs than any segment of the economy. Not surprisingly, average backlog in the commercial segment remains at a lofty level.
- Rebounding state and local government budgets may help keep backlog rising in the infrastructure segment despite ongoing gridlock at the federal level.

SANITY, from page 3

lem, etc.) while eliminating about 30 percent that are of no interest or read and discarded. A second cut typically happens a day later – mostly for elimination purposes (old news, issues resolved etc.).

"I am notorious for weekend follow-up emails," he says. "That's when I get down to the nitty-gritty of it all."

Brian Bowers, president of **Bowers + Kubota** (Waipahu, HI), a 140-person employee-owned architectural/engineering firm, says that, like Schwartz, the Microsoft Outlook calendar is his go-to organizational tool.

"I review my schedule at the beginning of the week (macro view) and first thing each morning," he says.

NOTES FROM THE PROS. Monica Ricci, a professional organizer and author of "Organize Your Office in No Time," says that with so many distractions and competing priorities, it's easy to get derailed.

"That can lead to chaos," she says. "If you feel you are getting derailed, take a second to be aware of what you should be doing. Refer to your schedule, calendar or task list often."

Betsy Fein, president of Clutterbusters, says that managing your paper trails makes it easier to navigate your day.

"Act on items needing immediate action," she says. "Toss items after you've read them and determine that they are not important to keep. If you haven't used it or needed it in three months, it can be archived or tossed. When in doubt,

throw it out. Retain only those items you won't be able to retrieve again through other means."

While many of these tips will help you to stay organized, the real key to maintaining order is your own ability to focus and prioritize.

Jim Stroup, the San Diego-based author of "Managing Leadership," says that, "The degree to which you have this ability is not reflected in how neat or messy your desk is, or even in how well you manage information and records. The truth is, many people are obsessive about maintaining a clean desk or organizing all their files and records precisely because they're not really sure what they actually ought to be doing."

Stroup maintains that you have to organize around something. To figure out what that is, he suggests asking yourself these questions:

- What do I need to do to add value?
- What is my company's purpose, and how does my role fit in?
- What are some major headaches or distractions, and how can I help alleviate them?

"Not one of these things should be used to determine and prioritize your goals, but a review of all of them will help you accomplish both tasks," Stroup says. "Then, almost to your own surprise, you'll find that you are organized like you've never been before. And your goals, together with your new methods of determining them, will act as landmarks that will keep you on track." ▀

TZL time machine

10
years
ago

HEADLINES Editorial: Miscellaneous ramblings | Getting more out of your meetings | Focus on Recruitment & Retention: Screwing up an offer | Training investment drives “Best firms to work for” | The right way to fire employees | Integrating green building in your design practice

Is there a right way to fire an employee? Apparently there is. An article in the Dec. 6, 2004 issue of THE ZWEIG LETTER (#590), lays it out plainly.

Firstly, when it comes time to terminate an employee, leaders would be wise to start by talking to an attorney, the article said.

Sarita Peng, then an associate with Zweig Group’s staffing solutions department, told THE ZWEIG LETTER that firm leaders would be wise to address the following four points when thinking of firing a problematic employee:

1. Enforce a disciplinary process (prior to termination).
2. Provide fair opportunity to improve.
3. Take timely action (before the person has time to impact morale).
4. Manage the fallout (with the staff that is left).

On another topic, green design was just emerging as a major trend in 1994. At the time, more and more A/E firms were beginning to jump on the bandwagon to make their projects more environmentally friendly. However, not all were finding the venture into this new service area successful.

So, THE ZWEIG LETTER dished out some advice to firms trying to integrate green design into the traditional practice, including integrating green design in the earliest stages of project planning, researching and organizing information on green design, building alliances with other parties to bolster the case for green design and not neglecting the human element.

In his editorial, Mark Zweig wrote about when a valuable employee leaves to join the competition and about closing the books on time each month.



Miscellaneous ramblings

► Thoughts on what to do when a client hires one of your employees and speedy month-end closings.

■ When a client hires one of your people...In the last several months, we lost two of our people to clients—one at a high level and one at a mid-level. No one ever wants to lose good people—especially me—but occasionally, despite your best intentions and efforts to take care of people so they don’t leave, it does happen.

When someone is leaving to compete with us, I want them out of here as fast as possible. We probably aren’t going to be good friends down the road, either—they want to take food from my babies’ mouths as far as I am concerned. When the employee is going to work for a client, however, it’s a different matter.

As a firm principal, when one of your people tells you they are leaving to join a client organization, you have a choice: You can either feel angry about losing your good employee OR you can accept a certain amount of this as inevitable and try to see the bright side. I don’t think getting mad (in this case) helps anything. The client may become an even better client down the road IF you handle things well. Undoubtedly, the way the client and the employee handle the communication of the decision they have made, as well as the transition, makes a big difference in how you are going to feel about it. In this case, while our employees were both gracious and proper, the way each of the clients who hired them treated us was completely different.

One of the clients called and told us that he was speaking with someone in our firm about a job and would not proceed without our blessing. In the other case, there was no communication prior to, during, or after the hire was made. The client clearly feels bad about it. And, just so you don’t get the wrong idea, let me say that I don’t expect a competitor to call and tell us they are talking with one of our people. I would never do that myself. But this was a good client, and one where the principals are people I would consider my personal friends. I expected more from them.

The point is, the firm that communicated with us directly about the subject is one you can feel good about. And that good feeling rubs off on the former employee as →

In this issue:

- Mark Zweig talks about losing employees to one of your clients. **Page 1**
- Experts provide tips on the right way to let an employee go. **Page 2**
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- A/E Business News: Amtrak’s spending and the growth of health care costs are slowing down, while a New York power project stops. Plus, KS is lauded. **Page 3**
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- Focus on Recruitment & Retention: Screwing up an offer. Plus, becoming the best place to work for. **Pages 6-7**
- Big Dig builders go on the defensive in Boston. **Page 8**

Green Project Goals

Which of the following green project goals does your firm implement?

Use LEED as a goal-setting tool with clients..... 71%

Conduct internal LEED review of all projects 35%

Start with a green intent for all projects 35%

Source: Building Green, Inc.

For more information on green building, see article on page 4.

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Next week:

► Mark Zweig talks about project-driven businesses.

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20
years
ago

HEADLINES Editorial: Burdens of a boss | Deferred compensation | Organizing by studio

In its Dec. 5, 1994 issue (#88), THE ZWEIG LETTER looks at four firms organized by studio – that is: standing, multidiscipline teams take projects from beginning to end under the guidance of a team leader.

For the firms in the article, organizing this way was the right choice.

“The strengths of the studio approach are legion,” said Ed Stone Jr., then chairman of **Edward D. Stone, Jr. & Associates, P.A.** (Fort Lauderdale, FL). “It’s the only way that makes sense, at least in our profession. The client loves it because he sees the same people from start to finish. The very fashionable word ‘seamless’ comes to mind.”

In his editorial, Mark Zweig wrote about the responsibilities

of being a manager in an A/E/P or environmental firm. His advice:

1. You have to set the right example.
2. You have to lead fearlessly.
3. You have to create work for others first.
4. You have to be an optimist.
5. You have to be fair.
6. You have to put the team first.
7. You have to admit your mistakes.
8. You have to avoid the temptation to remind your people that you are the boss.



The Beacon Condo case

Are you responsible
for your client's decisions?



William
Quatman

GENERAL COUNSEL

According to the July 3, 2014 decision of the California Supreme Court, **A**yes! The recent case dealing a condominium project in San Francisco has created quite a stir in A/E legal circles. A developer hired two nationally known architectural firms (**SOM** and **HKS**) to provide design services for a 595-unit condo project located in San Francisco, known as “The Beacon.” Although the units were to be initially rented out as apartments for two years, the architects knew that eventually the units would be sold as condos.

The evidence showed that during the two years the units were rented, the developer received multiple complaints from renters that the apartments “became hot and stuffy on a constant basis, making them essentially uninhabitable and causing a health hazard.” Instead of fixing the problem, the developer allegedly made it worse by installing a film on the windows. That developer sold the project to yet another developer who marketed and sold the apartments as condominiums. The architects had no contract with this second developer, although they were related entities.

The condo association sued the original owners and developers of the project, as well as SOM and HKS for negligent architectural design, primarily “solar heat gain.” Now, keep in mind that the average high temperature in San Francisco peaks at 70 degrees in September, and averages in the high 60s from June through August. So who needs air-conditioning, right? Well, the condo owners complained that due to the use of less expensive, substandard windows and a building design that lacked adequate ventilation, the units were uninhabitable and unsafe during high temperature periods. The condo association seeks damages in excess of \$50 million in a case that is still ongoing.

In many states, the “economic loss rule” bars third parties for suing design professionals for pure monetary damages (absent personal injury or property damage). Based on this theory, the architects filed a motion (called a “demurrer”), which the trial court granted, finding that an architect who makes only “recommendations,” but not final decisions on construction, owes no duty of care to future homeowners with whom it has no contractual relationship. The condo owners appealed and The Executive Council of

What is the architect's role in this case? To stand outside the sales office with a signboard and alert potential condo buyers? Was the architect required to insist the developer use more expensive windows? To add air-conditioning? Not to add film to the windows? And if not, then what? Walk away and forfeit its fee?

Homeowners weighed in on their behalf, filing a “friend of the court” brief (called an “amicus curiae” brief).

The Court of Appeals reversed, however, concluding that an architect owes a duty of care to homeowners in these circumstances, both under the common law and under the Right to Repair Act (Cal.Civ.Code § 895 et seq.). The architects appealed to the California Supreme Court. Many third parties then filed *amicus curiae* briefs on behalf of the architects, including the Civil Justice Association of California, the California Building Industry Association, AIA California Council and AIA National. Despite all of these briefs, the state Supreme Court held that “an architect owes a duty of care to future homeowners in the design of a residential building where, as here, the architect is a *principal architect* on the project—that is, the architect, in providing professional design services, is not subordinate to other design professionals. The duty of care extends to such architects even when they do not actually build the project or exercise ultimate control over construction.”

See WILLIAM QUATMAN, page 8

The next 'rock star'

Five facts to consider during the recruiting process at your firm.



Randy Wilburn

SEARCH SAVVY

1) News flash: Good candidates are not necessarily looking for a new job.

One thing I've learned about finding and identifying good candidates for a potential job change is that in most, but not all cases, they are not looking for a job. Of course, many are open to hearing about other opportunities but normally they are pretty comfortable where they are. The art of recruiting good candidates is getting just enough of your foot in the door with these individuals so that you can sell them on the potential for growth with your firm and maybe even zero in on things they want to do in their profession but are not able to do where currently employed. You have to listen to the small subtle hints that can sometimes reveal to you what it would take for a perfectly happy employee to consider making a move.

2) Executive search timeframes vary and you have to be prepared for the long haul if necessary.

All positions in your firm will vary with regard to the time it takes to find the right person for your team. It may take twice or three times as long to find a CFO, COO or highly specialized position (think Clean Room MEP) that is hard to come by versus the ubiquitous CAD designer or entry level civil engineer (no offense to all of my civil engineer friends out there). Based on this, whether you are working with an internal recruiter or you've hired an executive search firm to help, you should be realistic about the time it will take to find the right person. If only recruiting was as simple as a snap of the finger life would be easy. But, alas it is not and you need to be prepared for the ride.

3) You have to 'sell' the opportunity – especially when you hire a search firm.

You will obviously know your company but your recruiter (whether in-house or outside) needs to be able to sell your firm and the opportunity as well as you can.

Once you've identified someone who could be a fit in your firm you need to make sure you don't drop the

Managing expectations in an executive search process can be a burdensome task. After all, you're eager to quickly find that perfect new team member and move on to the next challenge. Everybody is depending on you. But potential hires don't come neatly packaged with a bow on top. Here are five things to consider when looking to hire the next "rock star."

Once you've identified someone who could be a fit in your firm you need to make sure you don't drop the ball by making them feel like you are doing them a favor by considering them for employment. You would never do that with a potential client.

ball by making them feel like you are doing them a favor by considering them for employment. You would never do that with a potential client. You have to sell the benefits of working with your firm and maybe even share some inside information – not "Area 51" information but you know what I mean – to help seal the deal. This is especially true if you hire a firm to recruit on your behalf. You need to make sure they can sell your company and the opportunity almost as good as you can.

At the Zweig Group we rarely take executive search work without spending some time with the client, visiting their office, learning about their culture, and figuring out the prototypical candidate who could succeed in that environment. Employee acquisition is not cheap and whether you do it yourself or hire someone you want to make sure you are doing things the right way because, more than anything else in our industry, proper talent acquisition will ensure the future success and growth of your firm.

4) Timely feedback on presented candidates is a crucial piece of the puzzle.

You have to respond to all résumés and requests for info ASAP in order to ensure success in the recruitment process.

One of toughest things to do in such a competitive market for top talent is to give feedback on potential candidates in a timely manner. It may

See RANDY WILBURN, page 10



CALENDAR

THE 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 March 12 in Houston and June and 14 in Seattle.

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

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For their defense, the architects argued that they owed no duty to the unit owners since their client made the “value engineering” decision on what window to use and whether or not to include air conditioning. The trial court agreed, stating: “The allegations do not show that either of the architects went beyond the typical role of an architect, which is to make recommendations to the owner... so long as the final decision rested with the owner, there is no duty owed by the architect to the future condominium owners... The owner made the final decision.”

The architects argued that they had no role in the actual construction, but that the developer, contractors, and subcontractors retained primary control over the construction process, as well as final say on how the plans were implemented. But the Supreme Court ruled that did not matter. “[E]ven if an architect does not actually build the project or make final decisions on construction, a property owner typically employs an architect in order to rely on the architect’s specialized training, technical expertise, and professional judgment,” the Court said. As a trained and educated professional, with unique “expertise” about issues such as adequate ventilation or code-compliant windows, the architect “cannot escape such liability on the ground that the client makes the final decisions.” In a rather bold statement, the Court said, “An architect providing professional design services to a developer does not operate in a *client-controlled environment*.”

By doing weekly inspections at the construction site, monitoring contractor compliance with design plans, altering design requirements as issues arose, and advising the owner of any nonconforming work that should be rejected (for a fee of more than \$5 million), the Court felt that the architect could “ensure that [the project] would proceed according to approved designs.” The “defendants played a lead role not only in designing the Project but also in implementing the Project design.”

In its brief, the AIA argued that, “Architects are professionals, not manufacturers. They provide a service, not a product. As professionals they owe a duty of loyalty to the party who engages their services.” By expanding their liability to third parties, the AIA felt that architects are “forced to choose between two masters: the party who

has engaged his services, or the myriad unknown future parties who may ultimately be dissatisfied, long after the contracting party has signed off on and accepted the work.” In a project like the Beacon, “there are nearly 600 individual residential units within the building, and thus nearly 600 additional masters to be considered,” AIA argued. The Supreme Court countered that the architect could limit its liability in proportion to fault through an action for *equitable indemnification* against the developer. Good luck with that, especially when the developer is a single-purpose LLC, with one sole asset – the condo project which it no longer owns! The Court of Appeals recognized that this holding “may negatively impact the cost of housing,” and might even limit the willingness of design professionals to undertake large residential construction projects at all!

SOM and HKS had good contracts stating that they were “solely responsible to Owner and not to... condominium associations or purchasers for performance of Architect’s obligations under this Agreement; and... no such condominium association or purchaser shall be a third-party beneficiary or third-party obligee with respect to Architect’s obligations under this Agreement.” The Supreme Court blew right through that clause, however, holding that this showed that the architects “were more than well aware that future homeowners would necessarily be affected by the work that they performed.”

Here, the condo owners admitted that the owner of the building knew about the alleged defects, and specifically about the solar heat gain and lack of ventilation allegedly caused by the problems with the windows and the vents, prior to the time that the individual residential units were sold, but did not disclose either the problems or the alleged defects. What is the architect’s role in this case? To stand outside the sales office with a signboard and alert potential condo buyers? Was the architect required to insist the developer use more expensive windows? To add air-conditioning? Not to add film to the windows? And if not, then what? Walk away and forfeit its fee? This case leaves many unanswered questions, but will surely deter many firms from the condo market, especially in California. The case is *Beacon Residential Community Assn. v. Skidmore, Owings & Merrill LLP*, 327 P.3d 850 (Cal. 2014). ▀

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STRATEGY

What do you recruit for?

Firms often look for someone who can enhance their unique offerings and foster happy clients.

By LIISA SULLIVAN
Correspondent



Bethany Evans, Business Manager, EHS Support.

TALK TO US

Do you have an interesting story to tell? Is your company doing things differently and getting results? Let us know. We'd love to contact you and feature you in an upcoming case study. If interested, please email LSullivan@zweigwhite.com.

Clearly, different firms have different needs when it comes to recruiting staff. Some look for specific skill sets, while others seek softer skills that will serve as a solid foundation for future growth. So, here are some traits that these two firms seek as well as tips for where to find these well sought-after folks.

THE RIGHT STUFF? Joseph Doherty, principal and studio director, Mid-Atlantic region, **Array Architects** (Cleveland, OH), a 105-person firm, says that a trailblazer in healthcare design, Array is a very specialized practice.

“We recruit for specialized skills and then fine tune during the onboarding process.”

“Having such a laser focus often makes it challenging to find the right design professional,” Doherty says. “Our goal is to recruit designers who are up-to-date with current technology and have healthcare experience, but we also have a mentorship program in place to train new staff who have the right qualities.”

So, what are these “right qualities”? At Array, Doherty says they look for:

- Creativity
- Enthusiasm
- Great listening skills
- Confidence in abilities
- A collaborative spirit
- Open-mindedness

There are experts at Array who work with newer staff to teach them the “healthcare” part of the work, how to use the BIM platform and, more importantly, explain how Array uses it.

“This is all part of an intense training program that all new applicants must go through before they even

get on a project team,” Doherty says. “We recruit for specialized skills and then fine tune during the onboarding process.”

RECRUITING FOR CLIENT SATISFACTION. What makes the **EHS Support** recruiting team tick? For this 100 percent virtual environmental, health, and safety solutions specialist firm, effective recruiting starts with getting HR and marketing to work together.

“Our recruiting approach is tied directly to our success in client satisfaction and has also proven to be a valuable marketing tool as we continue to brand ourselves in new industries and growing markets around the globe,” says Bethany Evans, business manager.

For EHS, it’s important to focus on culture, deliver innovative and cost-effective solutions to clients, and to recruit a team that will be the best in the business. As a result, EHS places its recruiting focus on hiring people who have the key attributes that it values in each current team member. Those attributes include:

- Self-motivation
- Strong sense of ownership
- Ambitious nature
- Focus on customer service
- Confidence in their abilities
- Resolve to follow through on commitments

RECRUITING FOR SUCCESS. So, now that you have an idea of traits to be on the lookout for, where do you find these people? Susan Heathfield, HR consultant and member of the Society for Human Resource Management, provides the following tips:

1) Tap your employee networks in recruiting candidates. Spread word-of-mouth information about the position availability, or eventual availability, to employees. They have social networks that only they can reach. Also, encourage employees to gather business cards from, and develop relationships with, high potential possible employees.

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RECRUITING, from page 9

2) Take advantage of your industry contacts, association memberships and trade groups. Pay for employees to participate in and network in industry groups, conferences and trade shows. Periodically, create master lists of industry leaders and other potential employees from customers, colleagues, coworkers and friends.

3) Use your website for recruiting candidates. Do you present a message about how people are valued? Do you express your commitment to quality and to your customers? If not, you are missing out on one of the most important recruiting tools you have to appeal to prospective high-potential employees. Instead of the typical, dryly-written job listings about available positions, your website needs to include this vision, this information that sets your company apart from others in your industry. Your job listings must sparkle with personality so a potential candidate thinks, "This organization is for me."

4) Maintain frequent contact with interested candidates. Don't let potential employees submit their résumés and never hear from you again. Continue to nurture the relationship. For example, invite interested candidates to subscribe to the company newsletter. Send a periodic update about your job openings. Your professional, ongoing contact with interested people ensures recruiting success.

5) Become an employer of choice. Think about what a potential employee considers before agreeing to join your organization or business. Are you stable, making money and growing? Are you employee-friendly? Does your mission catch the mindshare and/or the heartstrings of the people you most want to recruit? Will a new employee feel part of something bigger than themselves if they join you? Will your organization nurture their talent and provide exciting opportunities for challenge and professional growth? If you want to be an employer of choice, you must act like an employer of choice and communicate this to prospective employees.

6) Recruit using the Internet. For example, post your

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seem like common sense but you can spend time and money looking for the right people but drop the ball by not getting back to them or a participating recruiter and managing their expectations throughout the courtship process. Even if you are not sure about a potential candidate you should treat them the way you would want to be treated – and not like a commodity. It's always easier to be upfront with people about your interest or lack thereof. They will probably appreciate you more for your candor. Obviously, if you are working directly with a recruiter, getting back to them with timely feedback will greatly enhance the speed at which a position can be filled.

5) Be slow to hire and quick to fire. This doesn't mean you can take eight months to hire someone because I can guarantee you that in this market they will not stick around, but you get the idea.

Sometimes you find what you think is the right person but they end up being a dud. It happens. As painful as it sounds, the more time you spend trying to fix something will ultimately cost you more money than admitting the mistake and pulling the plug and starting over. It will cost you less in the long run. This is the biggest mistake we see our clients make, especially after they've spent money and effort trying to fill that

"Our recruiting approach is tied directly to our success in client satisfaction and has also proven to be a valuable marketing tool."

positions on professional association websites. This includes local chapter websites or professional associations related to the job. Post open positions on websites that private vendors or your state and/or local government provide.

7) Use headhunters and recruiters. Some of the best headhunters have done much of this homework and candidate pool development for you. Additionally, recruiters have an already-developed pool of candidates. They provide a second pair of experienced eyes to help you with your search.

8) Use temporary agencies and firms for recruitment. Consider using temporary staff as a solution to try a person out in a position or to staff a position you are not sure you need for the long haul. Temporary employees can also provide a useful buffer for the ups and downs of the business cycle so that you do not have to affect your core staff during down times.

9) Find out where your ideal candidates live. Identify what your needed candidates read, notice the websites they visit, study the forums on which they participate, etc. Now, use this information to develop creative, fun recruiting strategies for your potential openings. Sit with an interested group that includes members of the group you are trying to recruit and brainstorm other potential ways to locate a well-qualified pool of candidates for each position.

10) Get publicity. The publicity your organization receives in the news media, in print, on television, on the radio and online is tremendously important for recruiting. A few good words, an interesting article or a piece about your mission that reflects your organization in a favorable light, will result in potential employees coming to you. ▀

Senior Project Manager position. This doesn't happen that often in our industry because we can usually tell if someone is the "real deal" fairly quickly; because of the discipline experience it's harder for a mechanical or structural engineer (or architect for that matter) to pretend to be something they are not. It usually ends up being a personality clash or lack of good work habits, which can easily be masked through the search process and sometimes you don't find out until well after the ink is dry on the employment contract. Again, when these issues arise you should consider cutting ties sooner, rather than later. People can certainly change but you will have to ask yourself if you're willing to wait for the caterpillar to become a butterfly? The choice is yours.

These are just a few of the key ingredients and facts to consider when looking for the next "rock star!" addition for your office. Just remember to listen more than you talk and let the facts stand on their own accord. If you need help or guidance in this area or just want to talk about your recruitment process, please don't hesitate to reach out and ask. We are here to serve. ▀

RANDY WILBURN is director of Executive Search with Zweig Group. Contact him at rwilburn@zweiggroup.com or find him on Twitter at [@randywilburn](https://twitter.com/randywilburn).

FEES

What's the best way to charge?

AIA survey finds that fixed fee projects take the larger slice and are on the increase, which makes sense to many – but not all.

By LIISA SULLIVAN
Correspondent



Nicole Washburn,
Principal and
Project
Operations
Manager,
JLG Architects.

The American Institute of Architects Firm Survey Report 2014 indicates that fixed fee projects continue to grow. Projects done under a stipulated sum are now 38.1 percent of all architecture firm billings, the report found, compared to 36 percent in 2011.

So, what's the dish? Why are more firms negotiating fees ahead of time? What's the impact?

TWO FIRMS FAVOR FIXED FEES. Nicole Washburn, principal and project operations manager, **JLG Architects** (Minneapolis, MN), a 100-person firm, says that indicators that fixed compensation agreements are on the rise can be a positive indicator for the profession.



Mark Furgeson,
Managing
Principal,
FreemanWhite.

"The risk associated with fixed compensation can be mitigated when an architect properly aligns the scope of their work with compensation and successfully communicates it to their clients," she says. "This form of compensation offers the greatest opportunity for reward when paired with a value proposition. In the end, clients appreciate knowing that they have a clear scope of work with defined compensation that isn't perceived as arbitrarily changing when construction cost changes."

Bryan Cripe, strategic project manager, **Davis Bews Design Group, Inc.** (Oldsmar, FL), a 32-person firm, says that historically, fixed-fee arrangements with their clients have accounted for the vast majority of their work (more than 90 percent).



Keith Russeau,
Principal, THE
COLLABORATIVE.

"We prefer this arrangement for a number of reasons, including simplicity, transparency, and a means of 'partnering' with our many valued clients," he says. "We always strive to exceed our clients' expectations and prefer that they focus on our inspired designs and accuracy of our construction documents versus the number of hours we have logged to a particular project."

Cripe believes that the growth being seen in the area of fixed fee projects will compel firms to take a closer look at their systems and processes to continually improve.

"A thorough understanding of the scope of work and the estimated resources to complete, as well as elimination of redundancy and inefficiencies in all facets of the production cycle directly result in a greater billable rate for projects with these fee structures," he says. "A firm that can streamline anything from the conceptual design process, to their preferred system of drawing, to tracking and invoicing projects will enjoy an advantage over other firms who measure their projects in terms of hours billed."

A NICHE FIRM SHEDS LIGHT. Mark Furgeson, managing principal, **FreemanWhite** (Charlotte, NC), a 104-person multidisciplinary firm focusing on healthcare, says that the shift from the percentage of construction to fixed fee work is an interesting phenomenon, and the obvious impact to the industry would be increased risk. But, the answer is probably more in the specifics of the actual contract terms.

"Most fixed fee contracts we sign still have contract language that allows the fee to be adjusted if assumptions change," Furgeson says.

Fixed fee contracts have impacted the firm in several ways:

■ **De-customization.** "One of the things that separates custom construction (virtually 100 percent of our work) from manufacturing is that there is no prototype. When you are making widgets, the amount of variance (and risk) decreases over time. Since we are generally dealing with a one-off design, the labor variability is high – both in design and construction," Furgeson says. "An increasing amount of our work is shifting to the outpatient arena where an evolving trend is prototyping. For example, we have a current client who is building 10 outpatient clinics in the same city, and while they will need to be site adapted, their intention is to develop a prototype and replicate it 10 times in the same way that CVS, Starbucks, and others have done for years."

■ **Healthcare consolidation.** Healthcare systems are realizing they can save money and improve quality outcomes by replicating a best-in-class-concept. The fees are lower, but the risk is lower as well. "We are not yet being asked to bear the risk of unknown site

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Ticker	Name	Market	Share Pricing							Valuation				
			Market Cap	Close Sep 30, 2014	Close Oct 31, 2014	Beginning of Month Change	% Month Change	Change from 50 -day MA	% Change from 50 -day MA	EPS	EV/ Revenue	EV/ EBITDA	Price/ Sales	Price/ Book Value
ACM	AECOM Technology Corp	NYSE	3.24B	32.55	32.32	(0.23)	-1%	(0.05)	-0.17%	2.47	0.48	9.36	0.41	1.42
CBI	Chicago Bridge and Iron Co.	NYSE	5.84B	57.85	54.64	(3.21)	-6%	(0.35)	-0.64%	5.41	0.61	6.80	0.45	2.10
EEI	Ecology and Environment	Nasdaq	41.94M	9.67	9.91	0.24	2%	(0.06)	-0.66%	(0.32)	0.28	34.24	0.33	1.12
EME	EMCOR Group Inc	NYSE	2.88B	39.96	44.13	4.17	10%	2.96	7.12%	2.54	0.43	7.82	0.45	1.92
ENG	ENGGlobal	Nasdaq	43.29M	2.15	1.31	(0.84)	-39%	(0.31)	-16.40%	0.00	0.29	5.62	0.32	1.54
EXPO	Exponent Inc.	Nasdaq	1.07B	70.88	79.82	8.94	13%	5.22	7.06%	2.89	3.19	13.74	3.68	4.41
FLR	Fluor Corp	NYSE	10.23B	66.79	66.42	(0.37)	-1%	0.00	-0.01%	2.86	0.38	6.16	0.45	2.80
FWLT	Foster Wheeler AG	Nasdaq	3.05B	31.62	31.03	(0.59)	-2%	(0.39)	-1.27%	1.16	0.81	11.10	0.91	3.59
HIL	Hill International Inc	NYSE	179.9M	4.00	3.88	(0.12)	-3%	0.12	3.09%	0.07	0.50	7.05	0.32	1.09
JEC	Jacobs Engineering Group Inc	NYSE	6.38B	48.82	47.45	(1.37)	-3%	(0.23)	-0.49%	2.67	0.50	8.90	0.49	1.38
KBR	KBR Inc.	NYSE	2.7B	18.83	18.86	0.03	0%	(0.31)	-1.63%	(1.04)	0.27	227.03	0.40	1.15
STN	Stantec Inc	NYSE	2.91B	65.23	63.46	(1.77)	-3%	(1.52)	-2.39%	3.04	1.80	13.22	1.67	3.37
TRR	TRC Companies	NYSE	209.48M	6.53	7.28	0.75	11%	0.22	3.23%	0.40	0.51	6.73	0.58	1.72
TTEK	Tetra Tech Inc.	Nasdaq	1.71B	24.98	26.81	1.83	7%	1.28	5.05%	1.70	0.89	8.64	0.88	1.59
VSR	Versar Inc.	NYSE MKT	31.28M	3.23	3.25	0.02	1%	(0.26)	-7.38%	(0.04)	0.21	15.35	0.29	0.84
WLDN	Willdan Group Inc	Nasdaq	105.27M	14.46	13.12	(1.34)	-9%	0.44	3.25%	0.63	0.96	17.28	1.08	4.22
DJIA	DOW Jones Industrial Avg.	NYSE		17042.90	17390.52	347.62	2%							
*information at close of day Nov. 5, 2014										Average	12.11x	24.94x		
										Median		0.5x	9.13x	

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conditions, abnormal regulatory delays, etc. The shift to multifamily housing may have a similar effect although this is not our area of specialty,” Ferguson says.

■ **An increase in other services.** FreemanWhite has a very robust practice in data analytics related to healthcare. That means employing more business-oriented personnel. “As we take on more risk, we have in-house resources that are experts in business proformas, workflow mapping, and lean design,” Ferguson says. “In theory, that should allow us to make better decisions about mitigating risk in our firm. It’s something that may be applicable to other firms as well.”

■ **Smarter design-build.** Instead of giving design away with a requisite and predictable level of unsophistication, design-build firms (and clients) in healthcare are starting to realize that building the right thing, in the right place, in the right way is a much bigger value to the clients (lifecycle cost) than just fast and cheap.

FIXED FEES SHOULD HAVE MINIMAL IMPACT, SAYS ONE FIRM. Keith Russeau, principal, **THE COLLABORATIVE**, a 47-person firm, believes that the slight increase in percentage of billings from projects using stipulated sums (fixed fees) should not have a major financial impact on firms, especially given the more dramatic increase in percentage of billings from projects using professional fees, plus reimbursable expenses (from 21 percent in 2011 to 26.7 in 2013, the AIA survey found).

“In our opinion, the latter of the two models represents a more equitable agreement for both parties; with reimburs-

able expenses as the main differentiator,” he says. “For large, and even mid-size projects that require a lot of travel, reimbursable expenses can be difficult to predict. Billing ‘actual’ in lieu of ‘estimated’ reimbursable expenses minimizes the firm’s risk from underestimating its value; while sheltering the client from a potentially higher fixed fee resulting from overestimated reimbursable expenses.”

Russeau says that more alarming is the dramatic decrease in billings from projects using percentage of construction cost (from 13.6 to 9.6 percent between 2011 and 2013, again according to AIA’s survey).

“While this model ranks among the least risky billing methods, projects with lump sum billings (fixed fee or professional fee plus reimbursable expenses – both of which are typically derived from percentage of construction cost) can oftentimes be equally profitable. The differentiator here is the ‘estimated’ versus ‘actual’ construction cost,” he says. “Typically, in percentage-based projects, professional fee adjustments resulting from a variance in construction cost are more clearly defined in the professional services contract language. Conversely, those same fee adjustments for lump sum projects, while justified, can often times be more subjective.”

At the end of the day, Russeau says that the potential billings from both methods might be similar. However, the latter of the two models places more burden on the firm to evaluate the value of the ‘ask’ against the client’s willingness to approve and, more importantly, its overall satisfaction with the firm’s professional services. ▀