

Idiotic management maxims

Twitter is riddled with management experts. Mark Zweig dispels them all.

They say:
 "I'd rather be lucky than good."
 Mark says:
 "Not me. I'd rather be good. Then I can create my own luck!"



Mark Zweig

EDITORIAL

I spend a little time every day on Twitter and there you will find every self-proclaimed management expert in the world – all offering up their wisdom, 140 characters at a time.

And it's not just on Twitter you'll see these idiotic management maxims that some people take as gospel. The cliché-wielding management junkies (most mature firms have at least one of them hiding somewhere in their ranks) just love this kind of junk.

Following are some of the most commonly heard statements that have become "conventional wisdom" in some circles (certainly not mine!):

"Fail early and fail often." Here's a better idea: Don't fail at all! Failure is costly. I would much rather plan and work like Hell to avoid failure than failing a lot and never accomplishing anything.

"It takes three years to make a new office profitable." Says who? Someone who heads up an unprofitable office? This is a load of B.S. Few firms wouldn't have made it from start-up to present if they operated as if they had three years to make money. It's ludicrous!

"You have to call on a new client seven

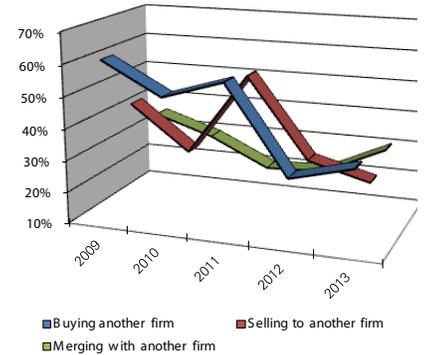
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TRENDLINES

M&A curiosity



The number of firms considering an acquisition or a merger increased slightly this year, according to the 2013 "Merger & Acquisition Survey."

The percentage of firms that report plans to buy another firm increased to 35 percent this year from 30 percent in 2012. Moreover, the percentage of respondents who say they are considering merging their firm with another firm increased to 30 percent from 25 percent in 2012.

Meanwhile, the percentage of those who are thinking about selling their firm decreased to 25 percent this year from 30 percent in 2012.

– Margot Suydam, Survey Manager

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times before they'll buy from you." This is just plain WRONG. I have actually sold A/E services to clients the first time I called on them. There's no magic number of times you have to call on someone to predict when you'll do business with them. It may happen the first time or you could call on them 20 times and they still won't hire you.

"The number one reason for business failure is undercapitalization." This statement is like saying the number one reason you go broke is you run out of money! How obvious is that? The ABSURDITY of it makes me want to throw up. A better way to look at it is that the business plan and practices were not appropriate for the limited capital the firm had. This is/was within control of management!

"Everyone who is a millionaire goes broke at least once." Again – wrong. By far more people I know who are millionaires never went broke than did!

"All ideas are good ideas." Read the Steve Jobs biography to see how the founder of the single most valuable technology company felt about this statement. He thought it was crap! And if he thought your ideas were dumb he'd tell you straight away! Saved a lot of time and work...

"You can even learn from a fool." My response to this is: Perhaps, but think how much more you could learn from an intelligent person! Hang out with smart people – not dummies – and learn!

"You can catch more flies with honey than you can with vinegar." Who cares about catching flies, though?

"Word-of-mouth is the best marketing." This is the biggest rationalization for doing nothing there ever was! When I hear this I say to myself that this company is doing no marketing whatsoever and praying for results.

"I'd rather be lucky than good." Not me. I'd rather be good. Then I can create my own luck! ▲▲

MARK ZWEIG is the chairman and CEO of ZweigWhite. Contact him with questions or comments at mzweig@zweigwhite.com.

A/E BUSINESS NEWS

GROWING CONSENSUS: Growing at a faster rate than the overall U.S. economy, the nonresidential construction industry is expected to see solid, yet measured, increases in activity this year.

High demand for hotels and retail projects have the commercial sector pacing what projects to be a rise in spending this year for nonresidential construction projects of 5 percent – up from a projection of a 4.4 percent increase in the July 2012 forecast. The American Institute of Architects semi-annual Consensus Construction Forecast, a survey of the nation's leading construction forecasters, also projects a 7.2 percent increase of spending in 2014.

"After seeing construction activity seesaw for much of last year, there is a much stronger sense that we have entered a recovery phase and the industry is positioned to see continued economic improvement as we move through year and into 2014," said Kermit Baker, AIA chief economist. "The resurgent housing market has led to a ripple effect where there is a need for more retail establishments and office buildings across the country."

Remarking on what could undermine this forecast, Baker added, "We can't truly think the design and construction industry is completely out of the woods until the continued uncertainty over federal budget and debt issues is resolved. This has caused enough anxiety in the real estate marketplace that has resulted in numerous delays and even cancellations of active construction projects. More than one quarter of architecture firms are reporting that this tenuous situation is a tremendous concern to clients and may lead to more delays or project terminations."

CALIFORNIA ADOPTS STANDARD: The California Building Standards Commission announced the adoption of the 2013 California Building Standards Code. The adoption of the 2013 code comes after a comprehensive multi-state agency and stakeholder update of the 2010 building codes. The Department of Housing and Community Development, Division of the State Architect, Office of Statewide Health Planning and Development, Office of the State Fire Marshal, Department of Public Health, the California Energy Commission, industry stakeholders and members of the public participated in the development of the new code.

"Our objective is to produce a practical building code that ensures public safety first and foremost while implementing the most efficient technology available

to conserve the state's natural resources and energy use," said California Building Standards Commission Executive Director Jim McGowan. "California's building code is applied to virtually every commercial and residential structure in the state."

The California Building Standards Commission is responsible for administering the state's building standards. The 13-volume code is published on a triennial basis. Updates are issued during an 18-month intervening cycle. The new code will be published online and available for purchase on July 1, 2013. By law, the public is given six months to review this new code before it goes into effect on Jan. 1, 2014. For more information visit the Commission website, www.bsc.ca.gov.

Californians will find a number of important updates in the 2013 code, such as:

- An extensive update of California's Energy Code
- Division of the State Architect's adoption of the 2010 Americans with Disabilities Act standards with California amendments
- Updated California Green Building Code – CALGreen – requirements for nonresidential building alterations and additions
- New plumbing code provisions pertaining to greywater and rainwater catchments.

THE ZWEIG LETTER

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STRATEGY

Building the marketing plan

For firms that put a plan together, it usually follows a deliberate and inclusive process.

By LIISA SULLIVAN
Correspondent

While marketing plans will vary based on budget and company size, what seems to be at the core of all marketing plans is a specific alignment with the company's strategic business plan.

"We focus our efforts on the market segments that fit our strengths. Like other well-managed firms, we set business targets for the year, and then we plan individual and firm marketing steps that will help us to meet those goals."

WHERE DOES IT FIT IN? Traci Nolan, business development manager at **GeoDesign, Inc.** (Portland, OR), a 100-person geotechnical engineering, environmental, geological, hydrogeological, mining, and pavement design consulting services firm, echoes the above assumption that marketing aligns with strategy.



Traci Nolan,
BD Manager,
GeoDesign, Inc.

"We remain true to the fundamentals of our practice, but are always open to new ideas and ways to strengthen that core," she says. "This includes offering supplemental, but complementary services, and opening new office locations to better serve existing clients."

Brian Buchholz, principal and director of marketing for **BWBR Architects** (St. Paul, MN), a 63-person architectural design, interior design and project management firm, says that to be a strong firm for its clients and employ-



Brian Buchholz,
Principal and
Director of
Marketing,
BWBR Architects.

ees, and still remain a firm of choice for organizations looking for successful designers and project managers, BWBR has to be deliberate in the ways it positions itself.

"This means promoting ourselves through proper channels, including one-on-one meetings, as well as choosing to pursue projects that need the skills, talent, and resources we bring," Buchholz says. "We focus our efforts on the market segments that fit our strengths. Like other well-managed firms, we set business targets for the year, and then we plan individual and firm marketing steps that will help us to meet those goals."

HOW IS THE PLAN DEVELOPED? GeoDesign's marketing plan is developed yearly. The plan is developed first by service line, and then further refined to take into consideration the geographic market differences of each of its six offices.

"Our marketing plan helps us to identify and prioritize marketing activities, determine the strategies and resources required, and assign responsibility to those who will implement it," Nolan says.

BWBR's Buchholz says that the firm does not view marketing as being in a bubble, but rather it's an annual campaign – an ongoing activity of nurturing relationships with current and potential clients as well as discovering tactics that will help build name recognition in the marketplace.

"Obviously, there are budgets to maintain, so we do establish annual budgets for the marketing efforts, based on previous year's activities and new

✓ GOOD TO KNOW

According to ZweigWhite's 2012 "Marketing Survey," **20 percent** of responding firms didn't have **any kind of formal marketing plan**. For those that did have a marketing plan, only 43 percent reported a "firm-wide marketing budget" was a component.

initiatives we may want to pursue," Buchholz says. "Our principals establish goals for reaching and meeting people and our marketing team executes strategies that can support our principals. As marketing goes, we also see it as a general firm activity, and we mentor and nurture others in the firm to develop plans that help them establish relationships through their work so that, as their careers develop, the firm remains strong in its outreach."

WHO PARTICIPATES? At GeoDesign, senior level management and the business development and marketing manager develop the marketing plan together. More importantly, implementation of the plan involves staff at all levels and each one plays an integral part in marketing the firm on a daily basis.

As an employee-owned firm, all have vested interest and contribute in a variety of ways – from doing a great job in the field while wearing GeoDesign's logo gear, to speaking to school and professional groups, attending conferences and tradeshows, and bringing new information and ideas to weekly marketing meetings," Nolan says.

At BWBR, all strategic planning is put together with the partners in the firm. That includes consultation with the CFO and the executive team matching budgets to plans to be effective in those strategies, while providing support and guidance for all the principals to be successful in their marketing efforts.

THREE TIPS FROM A MARKETING PRO. Annemarie Marek, principal, Marek & Company, a marketing communications and media firm based in Dallas, shares the following tips:

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NEWS

BIM continues to make inroads

Now adopted by a majority of firms in the A/E space.

According to its latest SmartMarket Report, “The Business Value of BIM in North America: Multi-Year Trend Analysis and User Ratings (2007–2012),” produced by McGraw-Hill Construction, building information modeling adoption expanded from 17 percent in 2007 to 71 percent in 2012, demonstrating impressive growth despite the recent economic pressures.

“The results of the survey validate many key trends we are seeing in North America – notably, the strong growth of BIM in construction and adoption amongst owners, architects and engineers.”

“Though it may seem counterintuitive to increase spending during a recession, the research indicates that the industry is continuing to invest in a more efficient and productive future by embracing technologies and processes of BIM,” said Stephen Jones, senior director at McGraw-Hill Construction and research director of the report.

“The results of the survey validate many key trends we are seeing in North America – notably, the strong growth of BIM in construction and adoption amongst owners, architects and engineers,” said Phil Bernstein, vice president, strategic industry relations at Autodesk.

“The results also point to the increased business benefits that all users derived from using BIM, such as better profits, more accurate documentation, less rework, reduced project duration, fewer claims and the ability to offer new ser-

vices.”

The report states that owners are becoming an important driving force to this increased adoption.

Patrick MacLeamy, CEO of **HOK** and chairman of buildingSMART International, predicted, “Over the next 10 years, building owners will demand ever-increasing usage of BIM as a precondition, ushering in a new era of accuracy, quality and sophistication for the building industry.”

As a way to quantify users’ level of commitment to BIM, McGraw-Hill Construction developed a BIM Engagement Index, calculated from each BIM user’s skill level, years of BIM experience, and percentage their projects that use BIM. McGraw-Hill Construction found that:

- 13 percent of BIM users demonstrate a very high BIM engagement level (e-level), requiring expert skill level, five or more years of experience, and implementation of BIM on more than 60 percent of their projects.
- 67 percent of the very high e-level users report a very positive ROI on BIM (25 percent or higher) versus only 20 percent of low e-level BIM users, two-thirds of whom are at negative of break-even ROI.
- 52 percent of very high e-level users experience increased profits from their use of BIM compared to the 36 percent average for all users.

BIM, an innovative approach to design and construction for pioneering early adopters just a few years ago, is now taking its place firmly in the mainstream of the North American construction industry.

“McGraw-Hill’s SmartMarket Report series on the Business Value of BIM has provided the industry with relevant research and metrics on BIM adoption and return on investment,” said Mike Ozatlar, vice president and manager of engineering, **Parsons**. ▀▲

RESOURCES

M&A SURVEY: Is your firm considering a merger, an acquisition, or a sale? Or have you recently completed a merger or acquisition transaction?

If so, then you’ll want to see the survey results in the 2013 “Merger & Acquisition Survey of Architecture, Engineering, Planning & Environmental Consulting Firms.”

The 23rd edition of this comprehensive report includes all the latest data on the state of merger and acquisition activity in the design and environmental consulting industry.

Whether you want to get a projected value for your own firm or one you’re looking to buy or you want to find out how the details of the deal you recently made compare to other similar deals, this report has the answers you need.

If you’re considering selling your firm, use the Merger & Acquisition Survey to:

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

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

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

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

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

Even if M&A activity isn’t currently in your firm’s plans, it may be sooner than you think, so you’ll still need a copy of this new resource. Don’t miss out on the 2013 Merger & Acquisition Survey!

For more information or to order at pre-publication special price, call 800-466-6275 or log on to www.zweigwhite.com/p-2146-Merger_Acquisition_Survey_2013.

POLICY

Investigate wrongdoing with care

What employers should know while conducting a wrongdoing investigation to prevent violation of employee rights.

Second of a two-part series.

By LIISA SULLIVAN
Correspondent

Your employee may exaggerating the number of hours spent on the field or working from home on a project to be seen in a positive light by you, but forget about using a lie detector. The law prohibits it.

Again, attorney Robin Roberts of Roberts and Associates, a law practice that has a focus on employment law, offers advice on this and some other fairly obscure rules regarding employee wrongdoing.

EMPLOYEE POLYGRAPH PROTECTION ACT (EPPA). The EPPA states that an employer may not require an employee in the private sector to submit to a polygraph test, and that the employee may not be subject to any disciplinary action for refusing to take the polygraph test.

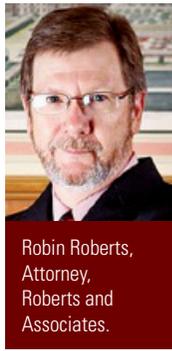
“While there are several exceptions to the EPPA, the most important to note is that an employer may require a polygraph test if the employee is reasonably suspected of involvement in misconduct that resulted in a substantial economic loss or injury to the employer,” Roberts says.

In cases where the economic loss or injury exception is being utilized, the employer still must provide a written statement with the following information:

- 1) Identification of the specific loss or injury
- 2) Description of employee’s access to the property that is the subject of the investigation
- 3) Detailed description of the basis of the suspicion that the employee is involved

- 4) Signature of a person authorized to legally bind the employer

SOCIAL MEDIA SITES AND EMPLOYEE MISCONDUCT.



Robin Roberts,
Attorney,
Roberts and
Associates.

“The use of social networking sites like Facebook, Twitter, Tumblr, etc. in determining and sanctioning employee misconduct is a fast-growing area of concern for employers,” Roberts says. “Case law is being decided and refined constantly as new social networking sites and technologies arise.”

Here are some important decisions and trends (as of the end of 2011):

- As a general rule, the courts are upholding individual companies’ policies regarding employee privacy and use of social networking sites. This is why it is so important to craft a clear set of policies for your company and to examine and refine them regularly to keep up with current technological advances.
- In some cases, use of social media to post confidential or unflattering information about an employer or company can be grounds for an investigation and disciplinary action. So, if an employer has clearly defined policies about what is and is not personal and private in social media, then it is easier to prove that there is no “reasonable expectation of privacy” and posts on social media may be used against an employee in a misconduct investigation.
- In several recent cases, courts have ruled that there is NO reasonable expectation of privacy in electronic communication, if it occurs on company equipment, like a cell phone or computer issued for work. Even if an account is personal and password-protected, if the communication is conducted on work equipment, it can be accessed for an investigation.

PUBLIC RECORDS AND EMPLOYEE CONDUCT.

“Using social media to determine employee misconduct is a potential minefield for employers since the case law is in its infancy, and precedent frequently does not exist,” Rob-

GOOD TO KNOW

USE OF RECORDING EQUIPMENT AUDIO RECORDING LAWS:

- The Electronic Communications Privacy Act (ECPA) states that you can audio record a conversation as long as one of the parties participating in the conversation consents. The recording party can also be the party to consent.
- Hidden audio recording equipment is illegal.

VIDEO RECORDING LAWS:

- Visible video recording equipment is legal as long as the camera is in a non-private place. You can record audio as well, as long as one party consents under the ECPA.
- Hidden cameras are legal as long as they are in non-private areas and they do NOT record sound. In Mississippi (where Roberts is based), employee break rooms and lunch rooms are considered private areas.

erts says. “However, accessing public records is a time-honored and unambiguously legal way to check up on your employees, with the exception of running a credit check (you must have the employee’s consent for this).”

Roberts says that you can access and view public records pertaining to your employees through online search services like Accurant and KnowX. And, for a small fee or a subscription, these companies can generate detailed reports about an employee based on public record. For example: if an employee has any judgments pending against him; if he has declared bankruptcy; if she has an arrest record; and other useful information.

“Learning that an employee is having financial trouble can lend credibility to an allegation of theft or fraud and learning that an employee has an arrest record for an offense similar to that which they’ve been accused can help substantiate allegations of all kinds,” Roberts says. ▀▲

Governance avoidance

Most architects and engineers never studied how to run a business, so the issue of governance becomes increasingly complex with growth.

It seems that, while I'm rarely engaged by my clients to work on governance (it's usually strategic planning, acquisition or merger, marketing and sales, or some other issue the leadership of the firm is confronting), the subject of governance seems to rear its ugly head early in our conversations. Why do I say "ugly?" Because governance seems to be a painful discussion topic for most firms since it involves personalities... and egos... and emotions... and conflicts... and we all know that no one wants to deal with that stuff.

So it has been shoved under the carpet or out the door and ignored for years. Sometimes the problems come out as questions about organizational structure; the catalyst may be leadership transition or how to insert a new person from outside the firm into a leadership role; often it's about the configuration, role and makeup of the board of directors mandated by the firm's bylaws and whether the board should include outside members. If so, should they be voting members or simply serve in an advisory capacity? (Or, for professional service firms, a board of directors seems so formal, so corporate. Do we really need to have one?) In other words, people nibble around the tactical issues without addressing the core questions – what needs to be "governed" and who's going to do it?

Governance is a tricky issue to address as the role, requirements and the time that the governance function consumes varies broadly as a firm scales from a handful of people through various sizes – 50, 100, 150, up to 1,000 or more in multiple offices scattered all over the world. Fundamentally, governance embodies the following:

LEADERSHIP

- Where is the firm going and why?
- Who serves in a governance role and how will they transition over time?
- What businesses should we be in and how will these businesses be led and managed?

KEY ROLES IN THE FIRM

- When and who should hire senior people from outside the firm
- Promotions to new levels of responsibility and authority
- Termination of underperformers

DECISION-MAKING RESPONSIBILITY



Ed Friedrichs

FROM THE CHAIRMAN

- Who has authority for what?
- What are the rules by which we all agree to live?

FINANCIAL PERFORMANCE

- Assuring rigorous process management and reporting
- Responsible oversight of the firm's balance sheet and profitability
- Investment decisions about new offices, new practice areas, acquisitions or divestitures, new hires, equipment and training
- Compensation, reward systems and benefits

Or, to say it another way, the tough decisions on difficult subjects that no one wants to confront, let alone stay with long enough to resolve.

Every firm needs to identify where guidance and direction for these issues is going to come from and where the buck stops when a direction needs to be chosen and tough issues confronted. It's easy when a firm forms around an individual. He or she just calls all the shots. Partners add complexity. They're never perfectly aligned and must come to terms with each other's differences to avoid confusion for the firm. Corporate structures in larger firms add another level of potential for conflict over authority and direction. And, of course, generational succession requires the firm's leadership to

See ED FRIEDRICHS, page 8

As you can imagine, there are no one-size-fits-all formulas for governance. I can't even give you five templates; a menu from which you can find the model that fits your firm the best.

Management practices of a Hot Firm

If you follow their strategies, your firm may attain similar status in 2013.

I attend **THE ZWEIG LETTER** Hot Firm conference every year with the intent of understanding what business practices makes a firm HOT. In working with hundreds of A/E firms over the years, I see many that are successful, and many that are not. In trying to help my clients succeed, I am looking for the secret sauce that can help them stand out and rise above the average firm.

THE ZWEIG LETTER Hot firm conference, held in October each year, is a celebration of the best in the industry. Firms are recognized for their growth in comparison to their peers. They come together to meet and share ideas and solutions to common industry challenges and market opportunities.

While the firms that are recognized at this premier event are not all the same, there are some common patterns that can be recognized and emulated by firms hoping to attain this status. I have spoken with many of the CEOs attending the last Hot Firm conference in Aspen, Colo., and identified six management practices that many of these firms have utilized to grow and improve their bottom lines.

INVESTING IN MARKETING. Most Hot Firm CEOs I spoke with are focused on marketing as a way to differentiate their businesses. While many A/E firms cut back on their marketing expenses during the economic downturn, the majority of the hot firms increased their marketing expenditures as a percentage of their total revenue. ZweigWhite's 2012 "Marketing Survey" shows that the average firm spends about 3.5 percent of their net revenues on marketing, while the most successful firms are spending closer to 7 percent – or double the average.

PUBLIC WORK. Almost all of the hot firms are involved in some type of public work. This fact helped many of them escape the severe downturn in the economy five years ago and weather the storm until private development started to come back. Most of the hot firms are diversified, with both public and private work to help them get through the ups and downs of the economy and boost the availability of projects to pursue.

FOCUS ON CLIENT RELATIONSHIPS. All of the CEOs that spoke on the Hot Firm panels are involved personally in developing deep relationships with their most valued clients. They make it a priority to visit with each client face to face at least quarterly, and take a vested interest in the success of their clients. Several spoke of putting client



June
Jewell

**GUEST
SPEAKER**

retention programs in place, such as monthly calls and other types of reach-out, as a part of their regular processes.

RECRUITING AND RETAINING TOP TALENT. Hot firms are all proud of their teams and especially the mid-level managers that drive a significant portion of their firm's project revenue. They have development plans for their staff, are constantly improving their skill sets through training and mentoring, and are always looking to hire the best talent when recruiting. Many of the firm leaders spoke about their culture and how they have intentionally transformed their firm to be a "best place to work." There does seem to be a correlation between the firms with the best cultures, and the greatest financial success.

SERVICE SPECIALIZATION. Most hot firms have narrowed the focus of their marketing pursuits to one or two key specialties. They are focused on creating a brand image for their firm in their niche market segments and make good decisions about the projects that they invest in pursuing. There is also a trend toward thought leadership in specific niche markets, and with the growth of inbound marketing, they are finding their work is coming from unexpected places.

LEADERSHIP WITH A BUSINESS FOCUS. Hot Firm leaders are very focused on good business management practices. They have expanded their personal capabilities to understand best practices for financial

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We can certainly learn from hot firms about how to succeed in the A/E industry. These firms have outperformed their competitors and established a name for their growing firms.

ED FRIEDRICHS, from page 6

come to terms with new personalities and, often, values as governance transition takes place.

I know, I know, you just wanted to be an architect or engineer. When you were studying no one ever told you that you were going to have to run a business. There weren't any courses focused on these subjects, except a perfunctory one-semester 3-unit Professional Practice seminar, usually taught by a practitioner whose total experience in the subject was leading a 10-person firm for which his wife kept the books (and the reality is that most of the firms in this country have less than 10 people in them).

Small firms simply don't have sufficient cash flow to generate a sufficient margin to dedicate some thinking time to these issues, let alone to "professionalize" them. They are, indeed, run out of the hip pockets of one, two or three partners who got together and hung out the proverbial shingle. The problem is that if you start to grow, you find that the time dedicated to governance issues grows as well. You wake up one morning and say, "I just want to go back to doing engineering, or architecture," decide not to grow ("Gee, wasn't it wonderful when there were just 10 of us?"), and self-limit your potential.

The problem here is that the world has begun to shift. Projects are becoming more complex, larger and sophisticated requiring larger, well-integrated teams of specialists; clients have become regional, national or global. While small, one-off projects still exist and are suitable for small local firms, the work they do is often with unsophisticated purchasers of their service; clients who don't know how to buy from or work with an architect or engineer, and they tend to be high-risk, low-reward relationships. A handful of small firms have been able to expand their geographic and project scale and reach by developing a unique, world-class, narrowly focused expertise that is unique in the marketplace. But they usually grow to 25 or 50 people, a size too small with clients too sophisticated and responsibilities too great to allow firm governance to be done out of your hip pocket.

As you can imagine, there are no one-size-fits-all formulas for governance. I can't even give you five templates; a menu from which you can find the model that fits your firm the best. Nor is there a model that, once you've fitted yourself

into it, will guide your firm well forever. In a healthy and growing firm, size, work mix, geographic footprint, personalities (who is best suited to lead various functions) will and should continue to evolve.

At Gensler we grew from one office in one city with a handful of people when I joined the firm in 1969, to 2,400 people in 25 offices around the world when I retired in 2003. Today the firm has 3,500 people in 42 offices with a truly global reach. When I was there, our governance structure needed to continually adapt, and it did. As I speak with Gensler's firm leaders today, their governance continues to evolve. For me, our most difficult times were when we were smaller (offices under 50-100 people; overall firm size under 500) because we had difficulty finding firm role models or leaders who had figured out how to govern. There simply weren't large, complex firms out there in those days to learn from. We had a great deal of difficulty finding someone to talk to.

It's different today. There are people running around (like me and a few others at ZweigWhite) who have "been there/done that." We're here to help you. Call us! ▲▲

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

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management and invested in technology to automate operational processes, project financial management, and reporting.

We can certainly learn from hot firms about how to succeed in the A/E industry. These firms have outperformed their competitors and established a name for their growing firms. Their management is focused on employing the best people, business practices, and technology to differentiate themselves and optimize the performance of their teams. What can your firm do to ensure that you are a Hot Firm in 2013? ▲▲

JUNE JEWELL is the author of the upcoming book, *Find the Lost Dollars: 6 Steps to Increase Profits in Architecture, Engineering and Environmental Firms*. She is the president and CEO of Acuity Business Solutions, an award winning Deltek Premier Partner, focused on helping A&E firms and government contractors find opportunities, win business, deliver projects, and increase their profitability. Read more tips for A&E firms at her blog at www.AcuityBusiness.com/blog.

MARKETING, from page 3

1) A solid marketing plan begins with a sound business plan. Review your business goals and each market niche that your firm occupies. Evaluate the potential to exploit that niche. Consider your prospects, projects and potential profit margins. What expertise can you leverage to grow revenues in those niche markets? Beware of chasing RFPs and future customers who are only interested in commoditizing your relationship.

2) The best plans have champions who see them through to the

finish line. Your chief marketing officer should lead in the development of the plan, but collaboration and inclusiveness are integral to a successful planning process. Gather insights and explore ideas from your business development team, your project managers, and your senior leaders. Include those whose views about your business and marketing may be opposite yours. By understanding the challenges, based on different views, you will begin to see a path that makes the most sense for your firm.

3) Thinking trumps budget. A big

budget is not the same as innovative thinking and embracing an entrepreneurial spirit. Think David versus Goliath here. Every successful marketing plan requires a deep understanding of client engagements and pursuits, and the ability to articulate your firm's key differentiators. Amp up your technology support, partner to leverage your capabilities or acquire specialty credentials that go above and beyond your competition. The best marketing plans net big results because they exploit a firm's unique business proposition and are well thought out and executed. ▲▲

CULTURE

Create a desirable workplace

No matter what approach you take in working to make your firm a best place to work for in 2013, remember to take care of those who take care of your clients.

By BRYAN SULLIVAN
Correspondent

What will make your firm a desirable place to work in 2013? What will make your company a top place to work? We gathered some insight from past “Best Firms to Work For” winners and here is how they plan to keep employees happy and coming back for more.

STABILITY SAVES THE DAY. Jen Salvesen, office manager at **ARW Engineers** (Odgen, UT), a 23-person structural engineering firm, says that ARW is stable and growing.



Jen Salvesen,
Office Manager,
ARW Engineers.

“Given the many uncertainties that lie in the economic future of our country and our industry overall, (that) makes me feel that stability is a key factor in determining desirability in the workforce,” she says.

ARW has grown steadily and remained a competitive force in the field for 44 years.

“Our employees enjoy competitive salaries, an attractive benefits’ package, and a work environment that is family-friendly and fun,” Salvesen says. “Our

“For 2013, we have exciting projects on the horizon. Just one of these elements would make a company desirable, but ARW has them all.”

2011 recognition by ZweigWhite as the ‘Best Firm to Work For’ (structural engineering category) has only increased our name recognition among those looking for work and other professionals in the A/E industry. For 2013, we have exciting projects on the horizon. Just one of these elements would make a company desirable, but ARW has them all. For these reasons, I anticipate our desirability will continue to increase well into the New Year and beyond.”

OVER-THE-TOP PERKS. **Hodges, Harbin, Newberry & Tribble, Inc.** (Macon, GA), a 25-person consulting engineering firm specializing in the design and environmental permitting of solid waste facilities and other complex environmental projects, is comprised of principal-led teams, where every employee works with a senior member of the firm. Leaders say their future is looking extremely busy.



W. Michael Stubbs,
Principal,
HHNT.

W. Michael Stubbs, principal, says that the company seeks to improve its corporate culture continuously and how it impacts all employees’ lives – personal and professionally.

In an effort to expedite travel from long overnight trips to just a few hours a day, HHNT purchased two airplanes and hired a full-time pilot.

“Our airplanes can traverse a broader region more effectively for our clients while maintaining a higher quality work/life balance for our employees,” Stubbs says.

GOOD TO KNOW

According to ZweigWhite’s “2012 Incentive Compensation Survey,” there is a very clear correlation between profit, growth and the desire/ability to reward employees. Incentive compensation as a percentage of net service revenue was highest in fast-growth companies, at 10.5 percent. Stable firms reported a median of 2.5 percent and firms experiencing a decline reported only 1.9 percent.

Additionally, at HHNT every employee is held accountable for his/her work and performance, and every employee knows what to expect based on his/her individual performance and how that impacts the company’s success.

HHNT also has an active and frequently improved senior professional certification program used to guide young professionals on how to become senior professionals based on knowledge and experience. It is a motivational tool that benefits the employees’ professional development and provides the company with more skilled employees.

“HHNT is very fortunate to be extremely busy with many challenging, exciting, and complex projects already on the schedule for completion this year,” Stubbs says.

In addition to a conscientious corporate culture and encouraged professional development, HHNT also provides employees with extensive benefits, including a generous profit-sharing plan, frequent raises, quarterly bonuses, company-paid health insurance, life insurance, and disability insurance, continued education programs, company iPhones and iPads, and other rewards and incentives throughout the year. And, despite the slow economy, the owners have decided that maintaining and even increasing employee benefits in 2013 is critical to the con-

See DESIRABLE, page 10

ON THE MOVE

PARTNER HIRES: **Partner Engineering and Science Inc.** (Torrance, CA), an environmental and engineering consulting firm, has hired the highly respected industry veteran **Roy Canino** as technical director in the Dallas office.

A registered architect since 1974, Canino brings over 40 years of experience in all phases of architecture and with a variety of building types. He is experienced in all aspects of project planning, project management, scheduling and construction observation.

"The addition of Roy is a major win for our national building sciences group, as well as for our Dallas office," said Joseph Derhake, partner president. "We have every confidence that Roy's tremendous arsenal of industry know-how will help grow our already robust engineering practice."

Prior to joining Partner, Canino was the director of facilities services with GaiaTech Inc. He was also a vice president of building sciences for **AEI Consultants**, where he developed templates, checklists, standards and processes to complete property condition assessments and helped grow the building sciences program.

"I am excited to join the many experts at Partner in providing quality engineering services," Canino said.

SUMMERS RETURNS TO HART CROWSER: **Echo Summers**, a senior associate environmental and regulatory specialist, has returned to **Hart Crowser** (Seattle, WA), an employee-owned environmental and engineering consulting firm.

For the past 10 years, Summers has managed environmental, safety and health programs at Terex Aerial Work Platforms and Esterline Korry Electronics. Previous consulting clients have included the US Navy, NASA, US Coast Guard, US Navy, EPA, Washington State Department of Ecology, YMCA, and Miller Brewing.

At Hart Crowser, she will help clients apply regulatory requirements to facilitate environmental compliance and a safe work environment. She has vast experience developing and conducting environmental and safety training programs for managers, supervisors, and employees.

MERRICK HIRES: **Luis Linares**, has joined **Merrick & Company** (Aurora, CO) as senior business development manager. Working out of the engineering, architecture, design-build, surveying, planning, and geospatial solutions firm's Mexico City office, Linares will take the lead in developing Merrick's life sciences market throughout Mexico and Latin America.

"We're excited to have Luis join our team. In his new position, Luis will help us continue our growth in the life sciences market," said Brad Andersen, vice president of Merrick. "Luis provides a strong combination of technical knowledge, familiarity with local Mexican partners and the life science client base in Mexico and Latin America."

Merrick and Linares' former employer, **Smith Carter Architects and Engineers Inc.**, have agreed to work together to provide uninterrupted services to current clients.

Linares brings nearly 15 years of experience in life sciences and research lab planning and design to the biocontainment and biosecurity research facilities market. Prior to joining Merrick, Linares served as a leader in design and development of research and containment laboratory projects in Mexico, Canada, and the U.S.

KLOTZ APPOINTED: **D. Wayne Klotz**, president of **Klotz Associates** (Houston, TX), a 110-person transportation, traffic, ITS, water and sewer, aviation, drainage, land development and consulting engineering services firm, has been elected chair of the Institute for Sustainable Infrastructure.

ISI is a non-profit organization structured to develop and maintain a sustainability rating system for civil infrastructure in the United States. It was founded by the American Council of Engineering Companies, the American Public Works Association and the American Society of Civil Engineers (ASCE). Klotz served as national president of ASCE in 2008-2009 and has also earned Awards of Honor from ASCE's Texas Section and Houston Branch.

"I am honored to serve as chair of the Institute for Sustainable Infrastructure," Klotz said. "ISI represents an important collaboration among national organizations. Promoting sustainability in infrastructure will guide us to building better communities."

DESIRABLE, from page 9

tinued success of the company and to creating an exciting and challenging environment to work.

"Our outlook for 2013 is extremely exciting and promising," Stubbs says. "I believe our firm will be a desirable place to work this year."

A BALANCED APPROACH. Tracy Rohrbaugh, director of interior design at **Crabtree, Rohrbaugh & Associates** (Mechanicsburg, PA), says that this firm strives to create a family atmosphere.

"We place a very strong emphasis on family and work/life balance. We have a flexible leave policy that allows staff to pick schedules that best suit their needs, whether for childcare or the opportunity to coach a local baseball team," Rohrbaugh says.



Tracy Rohrbaugh,
Director of
Interior Design,
Crabtree,
Rohrbaugh &
Associates.

Communication, education and mentoring are also keys to success.

"We continue to communicate with our staff and keep them informed of all pertinent firm information in addition to providing education and training to enhance their work experience," she says. "The exchange of suggestions and input from our staff allows

our management team to stay in tune with our staff. When our staff participates in surveys on employee engagement, we listen to their thoughts/concerns and use them to strengthen our work environment."

The firm's work environment follows a team approach. This allows the op-

portunity to collaborate with diverse teams working in varied markets and allows for full staff development.

"We have a hands-on approach; all members have stake in the success of the projects and the overall well being of the firm. We also have state-of-the-art technology to support our staff and projects. To ensure full engagement of our software, we have a former national trainer/leader from Autodesk as a part of our team for training in BIM/Revit. We offer continuing education and training on site to further the development of our staff on a weekly basis," Rohrbaugh says.

While CRA faces similar challenges in the workplace as other architectural firms, Rohrbaugh believes that the culture they develop in their office environment creates a place where everyone is eager to engage and has the common goal of success. ▀▀

SURVEY

Purpose can impact value

ZweigWhite's 'Valuation Survey' finds that the reason, as well as who conducts, a valuation yield different results.

By CHRISTINA ZWEIG
Contributing editor

Calculating the value of a privately held architecture, engineering, planning or environmental consulting firm can be a daunting task. Before attempting a valuation, it is important to understand exactly what is being valued and for what purpose. For the past 22 years, ZweigWhite has researched and published a definitive survey, the "Valuation Survey of Architecture, Engineering, Planning & Environmental Consulting Firms," on how privately held firms in the industry value themselves.

The 2013 edition of the survey contains a comprehensive section outlining potential reasons and circumstances for a valuation, appropriate valuation approaches for each scenario, a survey of firms that have undergone a valuation, a bank of case studies, and a section on what firms can do to enhance or maximize their value.

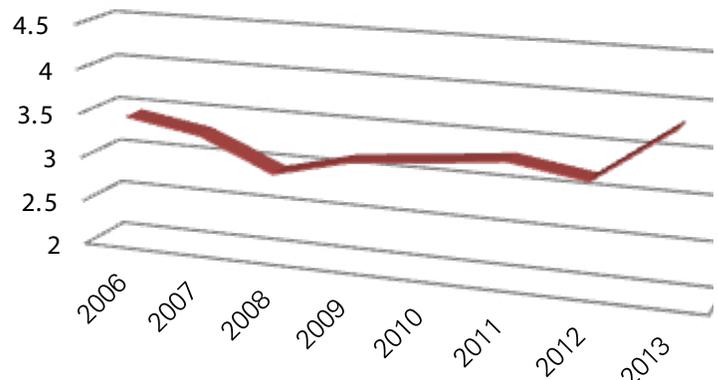
"There are many reasons and circumstances that might give rise to a need for a valuation. In many cases the purpose and use of the valuation may impact the value itself," says Tracey Jeffers, principal, ZweigWhite Valuation Consulting. "This decision (on how to value) can have far-reaching implications, impacting both the firm and its shareholders on a financial, organizational, and cultural level."

A business valuation report prepared properly should provide owners with an independent view of the value of the firm's shares and also an independent assessment of the firm's performance and financial condition relative to its peers. A full valuation report will also provide an assessment of the current economic and industry conditions and outlook.

By understanding the factors that contribute to or detract from value, a firm can set policies, take actions, and plan a long-term strategy that enhances the value for the benefit of all stakeholders, Jeffers says. Fundamental factors that contribute to a firm's value include those within the control of the firm, such as operating efficiency, the rate of growth in revenue and earnings and the reliability (or lack of volatility) of earnings; and also those outside the control of the firm, such as economic and industry conditions, and the current tax and interest rate environment.

SURVEY FINDINGS. The valuations in the report span a three-year period from 2010 to 2012. Forty-nine percent of all valuations were performed for an internal owner-

TIC EQUITY VALUE/PROFIT



Source: 2013 Valuation Survey, ZweigWhite.

ship transfer, 37 percent were the requirements of a buy/sell agreement, 15 percent were a ERISA/ESOP/IRS requirement, and 6 percent were a potential or actual sale or merger. Other reasons included divorce, desire to obtain financing, company dissolution, and others unspecified.

Most often valuations were performed by firm principal(s) (31 percent), independent business appraiser (20 percent), the usual outside accountant (16 percent), or an inside accountant (16 percent).

Jeffers recommends using at least two methods to perform a valuation. In the survey, the most common methods used to determine value included DCF (discounted cash flow) by 65 percent of respondents, public company comparables (49 percent), capitalization of earnings (47 percent), and transactional data (40 percent).

Among responding firms, most of the valuation ratios were reported to be improving. Medians for all six ratios for 2012 valuations were found to be above the overall medians.

The total invested capital (TIC) value per employee, an indicator of how much revenue is generated per employee, has steadily increased over the past 10 years, reaching an all-time high of a median of \$58,934 this year. In general, younger firms are usually valued higher than older firms. Median TIC value per employee increased for firms that were founded in the past decade.

The median TIC value/net revenue also increased to a 10-year high of 0.53 this year, after a large drop to 0.46 was reported in last year's survey. Firms headquartered in the Middle Atlantic and South Central states have a higher median TIC value/net revenue ratio than firms in other parts of the

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FIRMS ON THE MOVE

GEI EXPANDS PRACTICE: **GEI Consultants, Inc.** (Woburn, MA), a 500-person geotechnical, environmental, water resources, and ecological science and engineering firms announced the accelerated growth of its national Contaminated Sediments Practice. The company has strengthened its offerings both through acquisition and the hire of a number of senior experts and mid-level technical staff in waste engineering, marine ecology, shoreline restoration, and construction management services.

The move underscores GEI's commitment to offering a full array of scientific and consulting engineering services to site owners and teaming partners seeking innovative solutions to complex contaminated sediment problems. GEI's services range from complete sediment site characterization and management, and related civil and structural engineering to alternative shoreline stabilization design; river, harbor and estuary management; and species assessment and impact mitigation. Services may be delivered separately or seamlessly, depending upon scope, need, and timing.

"GEI has been and is engaged in a number of complex projects involving contaminated sediment in streams, rivers, canals, estuaries and harbors," said Francis Leathers, GEI president. "Clients are looking for innovative design and remediation solutions in all phases of the project lifecycle, and GEI is positioned to support such initiatives, including site investigation, permitting, remedial design, capping, dredging, transport and more."

One recent project, a contaminated boat slip in New Bedford, Mass., exemplifies GEI's contaminated sediments work. The project's location – within the New Bedford Harbor PCB Superfund site – required unusually close collaboration and coordination with the project and property owners, as well as approvals from seven different state and federal regulatory agencies. The award-winning project also focused on preserving marine sediments in the harbor. GEI's remediation work was the first phase of a multi-phase project aimed at redeveloping and revitalizing the former industrial property.

GEI's sediment characterization services now include physical, chemical, and biological sampling programs; in-house aquatic biology and ecotoxicity laboratory testing; human and ecologic risk assessments; forensic chemistry; deposit mapping and geophysics; GIS and 3D modeling; fate and transport studies and modeling; and physical properties and stabilized strength. Sediment management services include dredging method evaluation; dewatering method evaluation; in-situ sediment capping design and permitting; sediment cap material procurement; in-situ/ex-situ solidification and stabilization; confined disposal facility design and permitting; co-disposal facility design, permitting, and operations; dredge and sediment cap verification sampling and testing; and related construction management services.

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country, and environmental consulting firms were reported to have the highest ratios of all firm types.

Firms predicting EBITDA (earnings before interest, taxes, depreciation and amortization) stability have higher equity value/profit ratios than have firms projecting growing and declining EBITDA. After decreasing last year, firms' equity value/profit ratio increased this year to 3.81, though firms' medi-

an equity value/book value ratio decreased to 1.56. Firms' median TIC value/EBITDA ratio increased this year, as did TIC value/backlog. It's no surprise that firms projecting growth in their backlog have median value ratios at or above the overall medians in four out of six categories.

Other interesting survey findings included firms that had an independent business appraiser conduct their valuation had the highest median TIC value/EBITDA ratio (4.49). Valuations per-

GREEN VENTURE LAUNCHED: **McKim & Creed Inc.** (Raleigh, NC), in partnership with AXvantage Inc., launched **McKim & Creed Green**, a firm focused on the design, construction and maintenance of renewable energy generation systems and microgrids. Headquartered in Denver, McKim & Creed Green designs, procures, builds and maintains facilities that generate renewable energy and produce and deliver electric power. The company focuses on sustainability with an emphasis on microgrids.

"Microgrids have a unique ability to become 'power islands' when you combine renewable energy generation and combined heat and power technology with advanced control systems. McKim & Creed Green's clients are energy providers whose goal is to create innovative, sustainable and cost-effective energy-generation systems; reduce some types of air pollution; and decrease or eliminate carbon dioxide emissions," said Michael Creed, chairman and CEO of McKim & Creed, Inc.

McKim & Creed Green is partnering with McKim & Creed Inc., Green Energy Corp, Horizon Energy Group and AXvantage Inc. to provide microgrid and renewable energy services. McKim & Creed Inc., 400-person engineering, geomatics and planning firm with offices throughout the U.S., will provide engineering support. Green Energy Corp, with offices in Denver and Raleigh, will supply programming and software solutions. Horizon Energy Group, located in Tennessee, Illinois and California, will furnish solution architecture, high-level integration and testing services. Denver-based AXvantage Inc. will be responsible for construction services.

The president of McKim & Creed Green is Brian Dodd, a veteran of the construction industry who specializes in green building practices and large-scale construction projects. Prior to joining McKim & Creed Green, Dodd worked with the fourth largest green contractor in the U.S., as ranked by Engineering News Record. "Due to the fact that power can be supplied more sustainably, more efficiently, more reliably, and more economically, microgrids have become the wave of the future, and the future is now. Our team is at the forefront of the industry," Dodd said.

"McKim & Creed Inc. has long had an interest in renewable energy and sustainability," said Herbert McKim, president and chief operating officer of McKim & Creed Inc. and chairman of the board of McKim & Creed Green. "By pooling our resources with such outstanding industry leaders as Green Energy Corp, Horizon Energy and AXvantage, we are able to offer complete turnkey services to energy providers who are interested in renewable energy generation and microgrids."

McKim & Creed Green is currently pursuing renewable energy projects in North Carolina and California.

formed by firms' usual outside accountants tend to yield lower ratios than those performed by other appraisers. Of firms valued by their usual outside accountant, five out of six value ratios are below the overall survey medians.

"This might be explained by the tendency of accountants to rely on formulas, which tend to undervalue the typical architecture, engineering, or environmental consulting firm," Jeffers says. ■▲