THE ZWEIG LETTER

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HR | FINANCE SUPPLEMENTS

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The archetypal design professional...

Follow your passions, people – for a rich and successful life!

Joe has many unusual qualities that made him so popular as a firm leader, with his clients, and with his peers in the profession.

Mark Zweig

EDITORIAL

It was an interesting week for me here in Fayetteville. This was the first time in months I didn't have to travel – a real treat. But I did have a visit from my old friend and client, Joe Lalli, chairman of Ft. Lauderdale-based, planning and landscape architecture firm, **EDSA**. Joe came to town to address the Fay Jones School of Architecture at the University of Arkansas – telling them a little about his fascinating life, worldwide travels, incredible projects, and business philosophy.

For those of you who don't know Joe, he is the archetypal design professional and international firm leader. The guy has been at EDSA for more than 40 years. He is a true "intrepreneur" – if there ever was such a thing – and in the 20 years that he led the firm it had unparalleled growth and profitability. Today, he is focusing on his clients, projects, and other passions – such as painting – although he never seemed to lose involvement in any of those, even when he was CEO.

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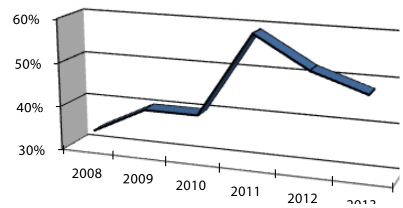
ALSO INSIDE

TRENDLINES

Increasingly flexible



The 2013 "Policies, Procedures, & Benefits Survey" finds that A/E firms continue to treat vacation, sick leave, and personal time as separate categories, as opposed to lumping them together in one category as flexible time off (FTO). However, the percentage of firms that do so has been on a decline in recent years. After climbing to a high of 59 percent in 2011, the percentage of firms that treat vacation, sick leave, and personal time as separate categories declined 7 percent to 52 percent in 2012. This year, that number dropped again to a median of 48 percent.
– *Margot Suydam, Survey Manager*

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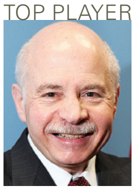
TOP PLAYER



Success rooted in strong beliefs

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Joe has many unusual qualities that made him so popular as a firm leader, with his clients, and with his peers in the profession. For starters, he is obsessed with his work. Within five minutes of seeing Joe or connecting with him on the telephone he will be telling you about what's going on with his projects. This, of course, never led to him becoming obsolete like so many other people in this business seem to when they ascend to the top job in their firms. He kept his hand in all of his projects and still does – even if that means travelling to China, the Middle East, Europe, and/or Latin America every month.

Because he is still so engaged with his work, Joe sells a lot of work – a whole lot. In spite of defying every stereotype of the extroverted, fast-talking seller (Joe is probably more often thought of as an introvert), the fact that he is so observant and can share his ideas without insulting a client allows him to demonstrate his quick insight. He's also honest. He will turn down a project (he's done it many times) if he doesn't think it will lead to success and a happy client in the end. And he is a great business builder and leader. Joe doesn't think a design firm should be headed up by someone who isn't a designer. I agree.

Joe also likes to do his own projects – even some very small ones, such as redoing a bathroom tile counter himself. He has a number of homes in Florida, an art studio, a palm oil plantation in Honduras, and a small compound on a pond in Maine. He loves to paint and has painting workshops at his place in Maine. He also has a zillion hobbies. He and I even stayed up late last night watching YouTube videos of Ferraris just because he loves the sound of them. The moral of the story: Follow your passions, people – for a rich and successful life!

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

A/E BUSINESS NEWS

SCHOOLS FAIL GRADE: The Center for Green Schools at the U.S. Green Building Council released its first "State of our Schools" report, highlighting the critical need to modernize school facilities to meet current health, safety and educational standards.

The report, featuring a foreword by former President Bill Clinton, states that schools are currently facing a $271 billion deferred maintenance bill just to bring the buildings up to working order – approximately $5,450 per student.

The last comprehensive report on America's school facilities was conducted by the Government Accountability Office (GAO) in 1995 and indicated that 15,000 U.S. schools were circulating air that at the time was deemed unfit to breathe. The USGBC report calls on the GAO to conduct an updated survey on the condition of America's schools in order to paint a more complete picture of the scale and scope of today's needs. The USGBC report also estimates that the cost to both bring schools into good repair and address modernization needs is $542 billion over the next 10 years for Pre-K-12 school buildings.

"The places where our children learn matter. This report is a critical first step to taking action and creating healthy, sustainable school buildings," said Rick Fedrizzi, president, CEO and founding chair, USGBC.

The Center for Green Schools at USGBC is urging the GAO to commission another survey on the condition of America's schools, with support from 24 organizations, including the 21st Century School Fund, the American Federation of Teachers, the American Lung Association, the National Education Association and the National PTA, among others.

Please visit centerforgreenschools.org/stateofschools to download the full report.

BRICK HOUSE: Taking a deep dive into current home buyer preferences, a new study shows that consumers prefer genuine clay brick exteriors on a national scale. Scoring highest nationally among all ages, races, income levels and household types, brick ranked number one over vinyl siding, stone, stucco, wood and fiber cement. Regionally, brick ranked highest in five out of nine census divisions including the South, West and Pacific areas, but second to vinyl siding in parts of the Northeast and Midwest and trailed stucco in parts of the West. The study, "What Home Buyers Really Want," was conducted online last July by the National Association of Home Builders Economics & Housing Policy Group.

New home buyers ranked energy efficiency as the most important factor – a key brick benefit from its exceptional thermal properties that keep homes warm in the winter and cool in the summer. Consumers also indicated how much more they are willing to pay for their preferences.

On a national level, respondents ranked brick highest at 34 percent, vinyl siding at 21 percent, stone at 16 percent, stucco at 12 percent, wood at 7 percent and fiber cement at 5 percent. To get brick, respondents reported they would add $7,500 in additional costs. Ranked by price point, brick topped other home exteriors in the $150,000- to $499,000 range, while vinyl was preferred in the $150,000 or less range; brick ranked second to stone in the $500,000-plus range, with stucco following in third place.

Although adding a brick front to a house would cost consumers an extra $7,500 over aluminum and vinyl siding and $6,750 more than wood and fiber cement, the study indicated that consumers preferred brick 60 percent more frequently than vinyl and 4.5 times more frequently than fiber cement. Brick was also preferred over twice as frequently as stone, which could be due in part to the fact that the study showed stone as having a 66 percent price premium over brick.

An earlier 2010 study by the NAHB Research Center comparing moisture resistance among typical residential exteriors evaluated genuine clay brick veneer as the highest in moisture resistance and dryness.

THE ZWEIG LETTER

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TOP PLAYER

Success rooted in strong beliefs

Hot Firm status a boost to Mabbett & Associates' image.

Arthur Mabbett was once told, during his military career, that he should start a business because he would be successful.

He did his former military superiors good on both accounts.

Mabbett & Associates, Inc. (Bedford, MA), a 42-person firm that provides integrated multidisciplinary environmental, health and safety and sustainability-energy consulting and engineering services, is No. 22 on **THE ZWEIG LETTER** 2012 Hot Firm List.

With a 30-year history, Mabbett has delivered value-added professional services to industry, commercial enterprise and federal, state and local agencies. Mabbett is a U.S. Department of Veterans Affairs, Center for Veterans Enterprise, verified Service-Disabled Veteran-Owned Small Business. Mabbett has regional offices in Providence, R.I.; Alexandria, Va., and Paramus, N.J.

Arthur Mabbett says that success in business isn't based on major trends but rather remaining committed to your clients and staff and adapting to market conditions and circumstances.

Read his Q&A below for more insight.

THE ZWEIG LETTER: How does it feel to be a Hot Firm?

Arthur Mabbett: Very good would be an understatement. We are pleased to be recognized by our peers for the efforts and realized success of our management and staff, based on their hard work and commitment.

TZL: How valuable will the Hot Firm status to your brand?

AM: It's very valuable. The recognition has enhanced the firm's image in our industry and has been positively noted by our clients and future business prospects. We've become a recognized and acknowledged leader as a Hot Firm.

Arthur Mabbett, President, Mabbett & Associates, Inc.

> "One must remain focused on quality work product, commitment, persistence, value added competitive services and the development and maintenance of lasting long-term relationships."

TZL: List three ingredients that allowed you to thrive when others have failed in difficult times? In other words, what makes a Hot Firm in 2012?

AM:

1) Creating and taking advantage of new market opportunities.

2) Developing and implementing sound strategic business, and marketing and business development plans.

3) Hard work, persistence, flexibility and commitment.

TZL: In 10 years, do you think you will still be a Hot Firm? What are the major threats to business success today?

AM: I'm not sure we'll be a Hot Firm, primarily because the market opportunities or circumstance might not be available to support double- or triple-digit growth. We will always focus on sustainable growth and may be a Hot Firm at different periods of our growth, but I don't think a firm can be continuously "Hot." As a firm matures, various factors come into play and although they may continue to be a leader in our industry, they may not meet the requirements to be designated a Hot Firm.

The major threats to business success today primarily relate to a more challenging and less friendly business environment from federal, state and local regulators/governments; increasing overhead of various benefit programs out of one's control; limited access to capital; and a lack of appreciation by young college graduates of what it really takes to succeed in business.

TZL: What are the major trends you must embrace to stay competitive?

AM: One must remain focused on quality work product, commitment, persistence, value added competitive services and the development and maintenance of lasting long-term relationships. Success in business isn't based on major trends but rather remaining committed to your clients and staff and adapting to market conditions and circumstances.

TZL: On a personal note, do you remember your first paid job? What did you learn then that still influences the way you work today?

AM: Hard work and persistence pays off in the long run.

TZL: Do you hold someone (inside or outside the industry) as a special mentor? How did this person influence who you are?

AM: I was fortunate to have a number of special mentors in my life but the most special mentor was my father. Arthur E. Mabbett, Jr. was an exceptional and inspiring registered professional electrical engineer who not only served his country as a member of the greatest generation fighting in the China-Burma-India Theater of Operations during WWII for over four years but was also a

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RESOURCES

POLICIES, PROCEDURES & BENEFITS SURVEY: The key to growing your firm and reaching your strategic goals often rests with the quality of your employees, and the quality of your firm's policies, procedures, and benefits is critical to hiring and retaining a top-notch workforce. But with benefits costs spiraling out of control, you also need to keep a close eye on the bottom line. How do you draw the line between offering benefits to attract the right staff to your firm and costly expenses that will break the bank?

The 2013 "Policies, Procedures & Benefits Survey of Architecture, Engineering, Planning & Environmental Consulting Firms" will help you benchmark your firm against industry standards so you can find out if you're overspending on benefits and compensation. The survey will also provide you with industry norms on policies and procedures so you can support your policy decisions with hard data. Get all the benchmarks you need on compensation policies, benefits, HR staff, and other major HR issues. The results are broken down by firm type, size, region, and other factors so you can make comparisons between your firm and others just like it. All information is the most current available, so decisions about your firm's policies and procedures can be made with confidence.

Topics covered in the 2013 Policies, Procedures & Benefits Survey include:

- **Health, dental & life insurance:** We've structured this section to include firm and employee contributions both as a dollar amount and as a percentage amount – so no matter how your firm's insurance is set up, you can compare your costs to what other firms are spending.
- **Compensation:** Find out how much is enough – and how much is too much – for employee raises and set your firm's compensation budget with hard data from other firms just like yours.
- **Paid time off:** Whether you think employees in your firm deserve more time off or you think they're getting too much as it is, this section will give you the hard data to make a solid argument as to why you should change your firm's policies (or keep them the same).
- **Staffing:** Hiring is tough in any economy. This section includes data on everything from firms' difficulties and success with hiring to recruiting/HR budgets to what kinds of background checks firms conduct on potential hires.
- **Time & travel:** Make sure your firm's policies are consistent with the rest of the industry!
- **Human resources staff:** Find out what's normal for a firm of your size. Also get data on HR directors' education, experience, responsibilities, and compensation. HR is an important function in any firm – make sure your firm's staff is qualified!

This is only a sampling of the information covered in this report. Information on continuing education, general policies such as e-mail and Internet use, dress code, and work hours and overtime are also included. With the 2013 Policies, Procedures & Benefits Survey, not only will you see where your firm stands in every area of HR management, you'll get the hard facts you need to make money-saving decisions about your firm's compensation and benefits packages with authority!

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/p-2150-policies-procedures-benefits-survey-2013.

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leader in his field once the war ended. He taught me the value of doing a job right the first time, respect of others and helped me to understand the importance of effective writing and communications. He supported me as a boy scout serving on our Troop Advancement Committee and attending many of our events and camping trips as I worked to attain the Eagle rank. He truly helped me to become the man I am today. Most importantly, he gave me a note when I was 14 years old that I found out in my later years was written by President Calvin Coolidge that concludes with, "Persistence and determination alone are omnipotent." I'd recommend this statement be given to all young scientists and engineers, as it will help them to truly realize a key to success in life.

TZL: What's the one trait you most admire in people and why?

AM: I admire individuals who demonstrate leadership and commitment. Leaders are generally inspirational and based on their commitment to the mission and their staff, help to bring out the best in others. Based on my own military background (I served six years active duty as a U.S. army officer and another 13 years in the reserves), I had a unique opportunity to work with more senior general and other ranking staff officers who provided me with much more responsibility and authority than I would have ever been given as a young civilian graduate. They helped to bring out the best in me and actually recommended I leave the service and open my own business; they believed I had the ability to succeed. They were right.

TZL: Describe the most challenging thing you have ever done/the biggest challenge you have taken on outside of work.

AM: The biggest challenge I've ever faced was to assist my wife in raising three children; all of whom have made us very proud. I give her 90 percent of the credit. Being a successful parent isn't something one learns at university. Yet, I believe based upon the way my parents raised me and my two sisters and their example (the same for my wife) that my wife and I were successful. Our three children are all now successful professionals, have nine university degrees between them, enjoy what they do and pay their own bills. By the way, they have also given us four beautiful grandchildren as of this date! We are eternally grateful.

TZL: What lesson learned would you pass along to a recent college graduate embarking on a career in the A/E/P and environmental consulting fields?

AM: Work hard, focus on quality work product, be persistent, build long-lasting relationships and don't expect anything to be handed to you on a silver platter. PS: Dress for success and use electronic devices as tools. They are not the answer.

TZL: What question would you ask of another Hot Firm leader?

AM: What steps have you taken to address the very different expectations of young professionals under 35?

MARKETPLACE

Service offerings evolution

Following clients means expanding capabilities, whether that comes through new services, acquisitions or differentiators.

By LIISA SULLIVAN
Correspondent

Whether it stems from client demand or is part of a strategic plan, the reason for adding new services varies. But what remains consistent is that adding new or more services simply displays good business practices.

Make services easily accessible. Sean Knowles, vice president, business development, **McLean Engineering** (Moultrie, GA), a 12-person power engineering firm, says that the company's mission has always been to help community utilities succeed.

"While we have a growth plan, when we expand or adjust our services, it's always about listening to our clients and trying to provide the services they need in the way they want to be served," he says. "For instance, we provide firm-fixed pricing and levelized payments over 60 months for this service as a result of client requests."

McLean's concept of these "expanded engineering" service offerings is to make it affordable for smaller utilities to invest in its electric distribution systems. While the large investor-owned utilities are able to spend money on mapping, planning and forecasting, it's difficult for smaller utilities to do this on a consistent basis.

"Often, they don't have the in-house resources, or particularly in the case of some municipal electric systems, revenue generated by the electric utility is diverted to support another pressing need within the city's budget," Knowles says.

During the first year of this five-year plan, McLean provides an update and conversion of the existing maps (often from AutoCAD or paper) to a cloud-based GIS mapping platform provided to clients for free and can be accessed from any Internet-connected device. During the second year, McLean combines their location (GIS), billing, and energy usage information into an engineering model of their system, which is the foundation for the next three studies. In year three, it develops a five-year plan to guide their investments in their system.

"This is particularly effective in helping the electric department to communicate with city leaders about their needs," Knowles says. "As we like to say, you wouldn't build a house without a blueprint. In a similar way, you should plan your investments in your largest asset, which is your utility system."

> "With shrinking budgets, our clients are looking for innovative ways to do more with less. As a result, we are continually listening to what they are telling us, and evaluating our service offerings to make sure we are meeting their demands."

Year four is a coordination study that focuses on limiting the impact and duration of power outages. This has a clear payback in the form of fewer disruptions and happier customers. Year five consists of a power factor analysis where McLean helps to create a more energy efficient electric system.

"We have found the simple payback to the utility on this service is often less than five years," Knowles says. "By spreading these investments across five years, we hope to help utilities keep their overall cost manageable and consistent for budget purposes, and we hope it will give us enough consistent touch points with our clients to help ensure they are able to follow through on our recommendations. All of this results in a happy client and a satisfied engineer."

Continue to evaluate and evolve. Karen Jensen, president and CEO of **Farnsworth Group** (Colorado Springs, CO), a 300-person full-service engineering and architecture firm, says the company expanded abilities through acquisitions aimed at bolstering its strength and offer clients additional resources. The two Colorado acquisitions include **The Engineering Company**, a 20-person water/wastewater, municipal and survey firm based in Fort Collins, and **Systems Engineering**, a five-person MEP firm in Colorado Springs. The addition of these two companies has introduced Farnsworth to new clients and has allowed them to further meet the demands of its clients in Colorado and westward.

Karen Jensen, President and CEO, Farnsworth Group.

"We are always looking for opportunities to enhance our business and to meet the growing demands of our clients," Jensen says. "With shrinking

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GOOD TO KNOW

A third of **very high profit** (36 percent) and **two-thirds** of **fast-growth** (67 percent) firms are **considering buying another firm**.

Source: 2012-2013 Successful Firm Survey, ZweigWhite. www.zweigwhite.com/p-1163-successful-firm-survey-2012-2013.php

Grey hair and cheater glasses

How best to articulate attributes to differentiate your firm from the competition.

In our society today, grey hair and cheater glasses are far from being considered assets. If you turn the television on, you are likely to see a commercial advertising a hair coloring or surgical procedure to correct these maladies. However, when you look around the typical boardroom of our industry today, you will undoubtedly see a lot of grey hair and cheater glasses. (And, by the way, if you're reading this now and these attributes don't describe you, they will eventually, so read on!) Notably, these characteristics are perceived by many as being indicative of experience, knowledge, skill and credibility. These too are the characteristics that many of us would use to differentiate ourselves from our competition, and instill confidence in a prospective client.

The point to be made here is that in the marketing and sales of A/E services, we all need to recognize the importance and significance of being able to differentiate ourselves from our competition. While our brochures and SOQs might get us in the door, they don't sell the work. In the A/E arena today, the successful firms have come to realize that they need to tell prospective clients why they should hire them; tell them why they are better; and, tell them why they can do a job better than their competition. In effect, they need to tell the prospect why grey hair and cheater glasses are important.

As experienced marketers of A/E services will readily attest, clients don't always know, and you should never assume that they do. This is particularly evident when working in the public sector, where local government officials and decision-makers might not have an appreciation or understanding of the technical nuances of a task or proposal, and therefore demonstrate a tendency to lean toward staff recommendations, colorful brochures, or charismatic interview personalities. In these instances, like most, the key to successful selling is in knowing the "whys" and being able to communicate why these things should be important to the prospective client.

If it's grey hair and cheater glasses, tell them why that's important. But, if it's something else, know what it is before you submit your proposal, and before your arrive at the interview, and be ready to articulate it. Don't assume that the client knows, and don't be bashful about telling him or her why your firm's attributes make you the best choice for the job.

This year, successful firms will be those that invest additional time and effort gathering client intelligence before making their submittals, in order that they may determine how best to articulate their attributes in a manner that differentiates them from their competition and compels the client to hire them over the competition.

Marc Florian

GUEST SPEAKER

HOW TO SELL THE WORK

Colorful brochures and thick SOQs might get your firm in the door, but they won't sell the work – you will.

- Know what makes you different.
- Know what's important to the client.
- Tell the client why the things that make you different should be important to them.

MARC FLORIAN is associate vice president of site restoration for the Midwest region of **Environmental Consulting & Technology, Inc.**, a 220-person, Florida-based environmental engineering and consulting firm. Contact him at 269-927-3366 or at mflorian@ectinc.com.

If it's grey hair and cheater glasses, tell them why that's important. But, if it's something else, know what it is before you submit your proposal, and before your arrive at the interview, and be ready to articulate it.

zweigwhite

The importance of your front door

Our industry is so focused on billable time that we often forget those who help enable our success.

Chad Clinehens

BRAND BUILDING

Watch any home improvement show on television these days and you will certainly see the importance of your front door to any home improvement project. The front door is often at the top of the list of to-dos when looking to maximize curb appeal. Why is it, then that we believe that our businesses are exempt from this important basic rule?

Let's take a moment to define the "front door" of our businesses. Similar to our homes, it is the first impression that people get when either calling our firms or coming to our offices for a visit. The person tasked with answering your phones is also often the person who sits up front to greet visitors coming into your offices. The person given this role is often unaware of the importance of the charge and how to properly do it. Much of the time this person has the title of "receptionist" or "administrative assistant", but for the purposes of this article, I will refer to them as your "critical marketer" or "CM". The power of the CM is immense. You have heard the saying that it takes 12 positive impressions to undo the negative effects of a negative first impression. If we are to believe this, then why in the world do we give so little attention and accountability to the person often responsible for this critical first impression?

There are three things that greatly affect the front door on your house: the general style of door, the paint color, and the hardware. Those features affect how it fits into the overall architecture of you house, how it looks, and how it operates. Let's dissect each of those features and present how they affect your business.

First and foremost, the overall style of the door and how it fits into the style of your home is critical. For the CM role, we will liken this feature to the overall personality of the person in the role. You must have someone with a personality that reflects the firm's values and is able to energetically present those values consistently, day in and day out. This person must be a clear fit for a role that requires them to interact with people and present a positive impression. Do not try to fit the square peg in the round hole when it comes to this feature. You must have someone with a personality who can do this job or the two following features will not work.

The second feature, paint color, can be likened to attitude. Unlike personality, attitude is more dependent on environment and working conditions. Like it or not, managers share a big responsibility in the attitude of our staff. All too often I see firms that tolerate a bad attitude from people in this position or simply just do not emphasize the importance and value of the job. When a culture views overhead as a "necessary evil" – like we typically do in the technical consulting arena – it nearly always creates morale problems in administrative staff. Engineers, architects, and other technical professionals strongly emphasize billable time and likewise foster a culture that perceives the value of the company is in the employee groups that are billable. That mentality leads to morale problems in administrative staff, including that all-important "CM". Having the CM report directly to a manager who is able to communicate importance of their role in the organization can work wonders. This, of course, starts at the top and must resonate down. An organization that does not give their administrative side the attention and importance it deserves hampers their performance and damages their brand. Make sure the systems you set up to reward and incentivize employees are equal on the

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Similar to our homes, it is the first impression that people get when either calling our firms or coming to our offices for a visit. The person tasked with answering your phones is also often the person who sits up front to greet visitors coming into your offices.

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technical and administrative sides of your company. Create custom rewards for administrative staff to overcome the natural tendency to bias toward the technical side of the organization. Most importantly, put someone in charge of this who will place appropriate time and energy on motivating and energizing the administrative personnel in your organization.

The third feature is hardware. Hardware affects how the door functions. It is also critically important. All too often the people in these CM roles are not given clear direction on what their highest and most important job tasks are. Instead, many firms in our industry try to load up the CM with a lot of administrative work or other busy work that often distracts them from their most important job, to provide the absolute best first impression of your firm to clients. Because our industry is often obsessed with overhead, we spend far too much time trying to minimize or micromanage it. Some of the numerous side effects of this include job duties that are unclear or mismatching duties that conflict with important tasks. Providing the training and accountability for the most important tasks of the CM can improve their performance greatly. This investment is often overlooked but can provide tremendous returns to your brand.

The CM can easily brand your company as helpful, friendly, and interested in client success or, on the contrary, brand your company as too busy to help, uninterested in the caller's needs, and generally unfriendly. They are truly the front door to you company. They provide the first thing people hear or see and those clients immediately make judgments that either benefit your firm or potentially harm it.

I hope this emphasis on the importance of your front door was helpful. The front door is known as the soul of your home's exterior and holds a major key to your home's overall curb appeal. Likewise, the CM can be the soul of your company, reflecting the brand, its values, and an overall expectation of service. If it's time to get a new front door and/or hardware for your existing front door, it will be money well spent. Making improvements to this part of your business should be a priority. Create the brand you want and start with your front door.

CHAD CLINEHENS is ZweigWhite's executive vice president. Contact him at cclinehens@zweigwhite.com.

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budgets, our clients are looking for innovative ways to do more with less. As a result, we are continually listening to what they are telling us, and evaluating our service offerings to make sure we are meeting their demands."

Concierge architecture. Travis Kerr, president, **Architects RZK** (Cocoa Beach, FL), a 9-person architecture, interior design and master-planning firm, says that RZK has evolved into what they like to think of as a "concierge architecture" firm.

Travis Kerr, President, Architects RZK.

"We provide extreme customer service to all of our clients and focus on developing relationships," Kerr says. "Being available day or night, 24/7, and seeing a project through from start to finish, no matter what it takes, is our top priority. It's this service that sets us apart from other firms."

These concierge services also help RZK to keep their name in front of their clients. Clients can phone, text, email at anytime. And Kerr does mean anytime. He got a text, phone call and email on Christmas Day from a client and he responded without hesitation. Kerr also reports that he is a bit of a night owl, so getting a late-night client call does not faze him in the least.

"Our concierge service also helps to justify fees and to make them relevant because we are always present," he says. "The principals of the firms deal directly with the clients and work hard to establish trust and credibility. We work around the clock to keep all the plates spinning that are required to get a project design and built per code, schedule and budget."

Concierge architecture is also prevalent during construction, when many architects tend to stay in their offices.

"We are in the field making sure the building is being constructed per plans and specs, but also looking for possible improvements that could only be found by being on site and seeing the walls go up," Kerr adds. "Concierge architecture is our customer service philosophy and it permeates all aspects of our company. It's good business and it makes everyone happy… including us."

REGULATION

Obamacare looming for businesses

What's your firm doing to prepare? It depends on your size, among other things.

By LIISA SULLIVAN
Correspondent

The U.S. health reform law (also known as Omabacare) is scheduled to shift into high gear in 2014. So, 2013 is a good time for businesses to start preparing for things to cyome. Sorting it all out will be a challenge as there are still certain portions of the law and details on the plans to be offered on new exchanges, that need to be sorted out.

What can small business do? Businesses with fewer than 50 employees, while not required to provide health insurance, need to inform employees about the law and make sure new healthcare plans (if they offer them) comply with Obamacare.

According to the Department of Health and Human Services:

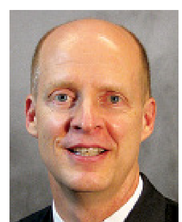
- If you have up to 25 employees, pay average annual wages below $50,000, and provide health insurance, you may qualify for a small business tax credit of up to 35 percent to offset the cost of your insurance. This will bring down the cost of providing insurance.
- Under the healthcare law, employer-based plans that provide health insurance to retirees ages 55- to 64 can now get financial help through the Early Retiree Reinsurance Program. This program is designed to lower the cost of premiums for all employees and reduce employer health costs.
- Starting in 2014, the small business tax credit goes up to 50 percent for qualifying businesses. This will make the cost of providing insurance even lower.
- In 2014, small businesses with generally fewer than 100 employees can shop in an Affordable Insurance Exchange that gives them power similar to what large businesses have to get better choices and lower prices. An exchange is a new marketplace where individuals and small businesses can buy affordable health benefit plans.
- Employers with fewer than 50 employees are exempt from new employer responsibility policies. They don't have to pay an assessment if their employees get tax credits through an exchange.

"We are benchmarking our benefits against peers in our industry and educating our employees."

What about larger businesses? Businesses with 50 or more full-time employees may be faced with fines if they fail to provide full-time workers with affordable health insurance that meets specific standards. In some cases, the fine may actually be the more cost-effective option. Experts advise that business owners should check with their accountants or other advisors about which option make the most sense.

So, the biggest job in 2013 for small business owners may simply be to determine the size of their workforces as defined by the Affordable Care Act. This is important because it can mean the difference between paying fines or not.

What are A/E firms doing? Tim Anderson, human resources manager at **KJWW Engineering Consultants** (Rock Island, IL), says the company's current health insurance plans are good ones, and they have an excellent benefits' advisor, so they have not had to do too much. KJWW has more than 450 employees in 11 offices in the U.S. and abroad.


Tim Anderson, HR Manager, KJWW Engineering Consultants.

"Once the state-based exchanges take place, I think we will still continue to offer health insurance and am confident that our medical insurance plans will exceed all mandated requirements," Anderson says.

Here are three things that KJWW has already done:

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HELPFUL RESOURCES

- United States Department of Labor. This website addresses everything you ever wanted to know about the Affordable Care Act and were afraid to ask: www.dol.gov/ebsa/healthreform/#4
- The Department of Health and Human Services. This website provides a number of online resources on the topic: www.healthcare.gov/law/information-for-you/small-business.html
- The Kaiser Family Foundation. This website acts as a go-to clearinghouse of news and information for the health policy community. It serves as a non-partisan source of facts, information, and analysis for policymakers, the media, the health care community, and the public. It also has posted a subsidy calculator that can help businesses make some assumptions: www.kff.org/.

GOOD TO KNOW

The **vast majority of firms** (73 percent) offer a preferred provider organization **(PPO) plan** for health insurance; close to **a third** (29 percent) offer a health maintenance organization **(HMO) plan**.

Source: 2012 Policies, Procedures & Benefits Survey, ZweigWhite. www.zweigwhite.com/p-1134-policies-procedures-benefits-survey-2012.php.

ON THE MOVE

PERKINS+WILL PROMOTES: Perkins+Will (Chicago, IL), a 1,500-person architecture and design firm, announced that **Gina Berndt**, principal, has been promoted to managing director of the Chicago office.

This appointment recognizes Berndt's 30 years of experience as a proven business leader, her dynamic and positive management style and her strong client engagement skills.

Since merging her thriving firm **The Environments Group** with Perkins+Will in 2008, Berndt has been a consummate leader and mentor, gaining more and more influence across the entire Perkins+Will platform over the past five years.

Her insight and instincts have helped cultivate exceptional interdisciplinary design teams who have been recognized with numerous awards and loyal repeat clients.

"Gina Berndt's appointment reflects our commitment to innovative firm leadership," said Phil Harrison, president and CEO of Perkins+Will.

"We are entirely confident that Gina will be a superb leader for our Chicago office. Her personal dynamism, her collegial spirit and her passion for excellence will bring together the immense talents of our Chicago practice – the largest, most established and most essential part of Perkins+Will."

"I look forward to using my business management expertise to continue to build our vibrant and successful practice in Chicago. I'm honored to lead Perkins+Will's founding office and to work with a remarkably dedicated and talented staff," Berndt said.

Berndt succeeds former Managing Director Ray Clark, who has resigned to pursue other interests.

The Chicago office of Perkins+Will is the firm's founding office. Established in 1935 by Lawrence Perkins and Philip Will, Jr., the office remains the largest in the firm, harnessing the expertise of more than 250 architects, interior designers and planners.

FINLEY HIRES: FINLEY Engineering Group (Tallahassee, FL), a 36-person engineering firm specializing in complex concrete, steel, segmental and cable-stayed bridges, has made two hires.

Jacqueline Petrozzino-Roche has joined FINLEY as a bridge designer. Her experience includes steel fabrication estimating and preparation of steel joist designs.

She will be the bridge designer on the $160 million I-49 North Segment K (I-220 to Martin Luther King, Jr. Drive) in Caddo Parish, La. This project includes three precast segmental bridges erected by balanced cantilever method with cranes.

FINLEY is providing segmental bridge design and construction engineering services on this project.

Petrozzino-Roche will also be working on pre-bid design and estimating for the Dulles Corridor Metrorail Project Phase Two located in Fairfax/Loudoun Counties, Va. This project will extend the Silver Line 11.4 miles northwest, through Washington Dulles International Airport to a terminus near Route 772 in eastern Loudoun County.

FINLEY will be responsible for the segmental bridge design of the rail tracks on elevated (aerial) structures within the boundaries of Dulles Airport.

Ivan Liu has joined FINLEY as a bridge designer as well. His experience includes on-site structural engineering as well as graduate research projects for transportation systems.

Liu will be the bridge designer for new FINLEY project, Road 1 Motza Bridge in Israel. This $170 million cast-in-place segmental bridge includes two 800-meter bridges with three lanes in each direction and wide shoulders over the Motza Valley on the main Tel Aviv-Jerusalem highway.

There will be three 25-meter spans above the valley floor and the project will take into consideration the unique landscaping and historic value of the area.

PHILLIPS JOINS SYSKA HENNESSY: Syska Hennessy Group, Inc. (New York, NY), a global consulting, engineering and commissioning firm, announced that industry thought leader **Spencer Phillips** has joined the company's Atlanta location as a site leader to expand their regional practice.

Phillips' hiring represents another component of the growth of Syska Hennessy Group and supports their continued dedication to creating exceptional environments for clients.

With 19 years of experience on more than 130 projects, Phillips will oversee the firm's Atlanta staff, comprised of a multidiscipline group of over 30 engineers focusing on high performance engineering, consulting and commissioning work.

Phillips has a genuine understanding of the opportunities and challenges that Syska Hennessy's clients face in today's market.

His familiarity with their business practices and depth of hands-on experience is elevated by his passion for "the art of design," design that he believes will support his clients' needs and provide them with facilities that will serve them well into the future.

With a portfolio of experience that ranges from higher education, with dozens of learning institutions across the Southeast, to aviation, science and technology, institutional, central plant, and commercial projects, Phillips has led teams that delivered award-winning projects.

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1) Reported the cost of health insurance benefits on the 2012 W-2 forms
2) Conducted employee information sessions to discuss changes, such as the coverage of preventive services; and
3) Because the cap on 2013 Flexible Spending Plan contributions was lowered, KJWW offered employees the option of selecting a high deductible health plan with a health savings account, in addition to its traditional plan.

Laurie Iulg, HR manager, **LJB, Inc.** (Dayton, OH), an engineering, environmental sciences, planning and surveying firm, is doing the following to prepare for Obamacare:

1) "With the help of our broker, we analyzed the impact the Affordable Care Act will have based on our current employment and benefits offered so that we can evaluate our options – in particular whether to 'pay or play'," she says.
2) The firm is starting to plan ways to manage part-time and flexible workforce so that it doesn't put in a situation where they are consistently working more than 30 hours per week, which would require LJB to provide health insurance.
3) "We are benchmarking our benefits against peers in our industry and educating our employees," Iulg says.

OWNERSHIP

The pros and cons of ESOPs

As firms grow, employee ownership may be a good option. Know the pros and cons.

Editor's note: This is the first of a two-part article.

By BRYAN SULLIVAN
Correspondent

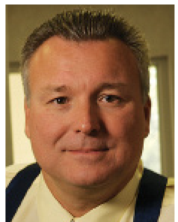
"Eventually, employees will understand the ESOP and the fact that they are truly owners and start acting and caring like owners."

Is an Employee Stock Ownership Plan (ESOP) in your firm's future? This question faces many professional firms as they grow, including those in the A/E/P and environmental industry. So, in order to provide you with a better understanding of the pros and cons involved, we approached two A/E firms to see what they had to say.

A CFO'S VIEW OF ESOP. Thomas Lee, CFO at **Ayers Saint Gross** (Baltimore, MD), a 130-person professional design firm, says that working in an ESOP environment is both challenging and rewarding.

In the early years of an ESOP, much education and communication is needed with fellow employees, as everyone has a different perspective of the ESOP.

"In the first few years, one major challenge for ESOPs is to educate the employees about their ESOP statements and the reasons that the fair market value of the stock is so much lower than the issuance price," Lee says. "In the later years, another challenge presents itself that surrounds ESOP sustainability. For instance, will the next generation be able to grow the firm; what about cash flow and ESOP stock value? Eventually, employees will understand the ESOP and the fact that they are truly owners and start acting and caring like owners."



Thomas Lee, CFO, Ayers Saint Gross.

TOP FIVE PROS AND CONS. Lee shares the following pros and cons of ESOP ownership:

PROS

1) **Tax advantages to the sellers**. The equity owners/sellers of a C-corporation may enjoy a zero federal tax bill by rolling the sale proceeds into a qualifying publicly traded security.

2) **Real ownership**. Employees receive ownership in the business, over time, for free.

3) **Workforce motivation**. Employee owners care more about the business and want to see it succeed as success equates into increased stock value and eventual money in the employee's pockets.

4) **Tax advantages to the company**. The business can expense payments to the ESOP and the ESOP Trust is a non-taxable entity.

5) **Flexibility**. The equity owners can sell any portion of their ownership to the ESOP and simultaneously sell or gift any portion of their ownership to any other party in any manner they choose.

CONS

1) **Cash flow obligation with a financial institution**. Requires a monthly payment to a bank where financial covenants must be met and defaulting is not an option!

2) **Owner transitioning**. Who are the next leaders? Will they be internal employees or will they be hired from the outside? How long should the equity owners/sellers stay involved in the business? Will the departing seller "ever" leave the decision-making of the business to the next leadership group? These are many questions that must be addressed and a plan needs to be in place before an ESOP is to be considered. You must also be able to make changes once the ESOP is formed, since the plan before an ESOP is formed isn't always a "reality" once the transition takes place.

3) **More cash flow obligations**. A reserve is required to buy back the stock of departing and retiring employees – sometimes before the obligation with the bank is satisfied.

4) **The early years of an ESOP**. Many employees don't appreciate the ESOP concept, especially when they see the annual ESOP statements and the FMV is far below the issuance stock value. There is constant selling and educating employees on the ESOP concept and value in the first three years.

5) **Sustainability**. Can the next group of leaders maintain the growth, stock value and cash flow to sustain the ESOP, making sure that retiring employees receive distributions?

STATS SHOW... Rex Fisher, director of corporate communications for **HDR** (Omaha, NE), a global employee-owned firm of more than 8,000 employees that provides architecture, engineer-

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GOOD TO KNOW

ESOP, ERISA, and IRS value ratios exceeded the overall median in four out of six categories. This may be because all ESOP, ERISA, and IRS valuations are federally mandated to reflect fair market value.

Source: 2013 Valuation Survey, ZweigWhite. www.zweigwhite.com/p-1167-valuation-survey-2013.

TRANSACTIONS

HDR EXPANDS IN EUROPE: TMK Architekten • Ingenieure, one of Germany's leading healthcare architecture firms, announced that it is joining forces with **HDR Architecture**, the 1,300-person healthcare and science and technology design division of **HDR, Inc.** (Omaha, NE).

The merged company will conduct business as **HDR TMK**, and will be the hub for the firm's healthcare and science and technology design programs in Europe.

TMK joins the HDR family with nearly 200 employees located in offices in Berlin, Dortmund, Duesseldorf, Erfurt, Kiel, and Leipzig, Germany. Since its foundation more than 50 years ago, the firm has designed more than 1,500 healthcare projects throughout Europe, ranging from large-scale replacement hospitals to community clinics, surgical centers and outpatient facilities.

The firm is well-known as an innovator in designing contemporary buildings for health – buildings that are distinctively designed to focus on people and to aid in the healing process.

"This is an exciting announcement for both HDR and TMK and a key part of our global strategy," says Doug Wignall, president of HDR Architecture.

"As a firm, HDR has made a commitment not only to designing projects all over the world and bringing the best ideas from around the globe to our clients, but to establishing a permanent presence in strategic locations around the globe. We are excited about the opportunity to blend the unique perspective that TMK offers as a German healthcare practice into HDR's global team of thought leaders from North America, the Middle East and the Pacific Rim."

Reflecting on the merger of the practices, Guido Messthaler, a senior partner with TMK Architekten, said, "Both firms are compatible on many levels, specifically in our commitment to our clients and to design excellence.

"The merger will deepen our healthcare expertise and enable us to reach deeper in the European marketplace. And with access to HDR's expertise and portfolio, we will also be able to further develop work in the science and technology and higher education markets," he said.

Global acquisitions are a key part of HDR Architecture's growth strategy; with the addition of TMK, over 20 percent of the firm's employees are located outside of the United States.

TENGBOM BUYS: Tengbom Architects (Stockholm, Sweden), one of the leading architectural firms in Northern Europe, strengthen its position through the acquisition of **Eriksson Architects** in Helsinki, Finland.

Tengbom Architects has since 1906 combined innovative and holistic design for present and future generations. The company was founded by the world-famous architect Ivar Tengbom, known for the Stockholm Concert Hall, where the Nobel Prize ceremony is held every year.

During the past years Tengbom has grown substantially and has, with the acquisition of Eriksson Architects, almost 600 employees in 12 cities in the Nordics, as well as an office in Cambodia through a cooperation with **The Room Design Studio**.

Tengbom also has a strong presence in countries such as Russia, Tanzania and China.

"Tengbom´s goal is to continue growing in Northern Europe and the acquisition of Eriksson Architects is a key step. We have seen a strong demand for our services, especially within the field of urban planning, in Finland and the acquisition will strongly benefit our clients," said Magnus Meyer, CEO, Tengbom.

Eriksson Architects is one of the 10 largest architectural firms in Finland and has several projects in the Baltic countries, as well as in Russia and China.

"Our next step will be to look into further strategic acquisitions in northern Europe such as Norway, Denmark and the UK," Magnus Meyer said.

ARUP ACQUIRES: Arup (New York, NY), a 10,000-person design, engineering, planning, and consulting firm, and **Artec** (New York, NY), announced the integration of their practices, effective immediately.

This combines two of the world's premier practices specializing in the planning, design, and engineering of venues for performing arts, contemporary entertainment, education, conference, convention, sports and worship venues.

"Our expanded team offers clients around the world unrivaled knowledge, experience, skills, and cutting-edge tools to plan and design innovative venues for the 21st century," said Raj Patel, principal, Americas Arts and Culture business leader.

"Joining forces with Arup, enhances our collective ability to provide highly specialist skills anywhere in the world, through the resources of a large, global organization, serving projects of any scale, with the best international design thinking, delivered to clients locally from start to finish," said Tateo Nakajima, Principal, former partner at Artec.

Arup has integrated former Artec staff into the New York team led by Raj Patel. With this move, Tateo Nakajima, Ed Arenius, Todd Brooks, Christopher Darland and Tom Clark from Artec join the leadership team and will work closely with Arup's regional leaders.

This enhanced team of acoustics, audio visual and theatre consultants strengthens Arup's ability to provide clients and their projects whole life relationships.

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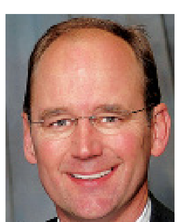
ing, consulting, construction and related services through its various operating companies, says that, "Statistics show that employee-owned companies typically outperform publicly traded companies, and employees save for retirement at a higher rate."

Fisher's opinion is backed by the National Center for Employee Ownership, a nonprofit membership organization that provides unbiased information and research on broad-based employee stock plans. Over the years, the NCEO has conducted and reported on research on employee ownership and corporate performance. The research comes to a very definite conclusion: the combination of ownership and participative management is a powerful and competitive tool.



Rex Fisher, Director of Corporate Communications, HDR.

In part two of this article series, John Menke, founder and president of Menke & Associates, Inc. and of Menke Capital Corp. in San Francisco, will share his professional insights on the pros and cons of ESOPs. Menke has been involved in designing and administering ESOPs for more than 30 years and has written more than 20 articles and a leading book on the subject. Menke also co-drafted the original ESOP legislation which helped spawn employee ownership in this country.