

What's going on NOW!

Mark Zweig provides six directions on where the market is heading.

Healthcare will be the single biggest, best vertical building market for years to come. There are a jillion reasons.



Mark Zweig

EDITORIAL

Here's a quick summary of where I see things going right now in the A/E business and the world at large:

1) The housing recovery is well underway.

In just about every market in the country the numbers are heading up in terms of volume of sales and sale prices. Some markets like San Francisco are already back to one-day sales. It's happening big and it's happening fast. Multifamily is really strong in growth markets and college towns. The biggest problem holding back the single family residential market is appraisers. They are scared to put too big a number down on paper after the last freefall in home prices. This is holding down values.

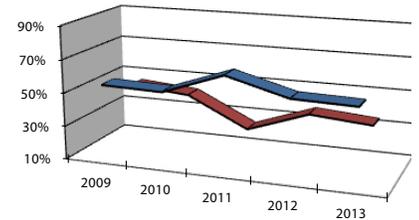
2) College and U work is booming but will stall in the next three- to five years.

Two reasons. College is getting too expensive and the economic case for its necessity is weakening. Too many graduates with \$200K degrees are working at Starbucks and Burger King. Second reason is simple demographics. The college-aged population isn't growing as quickly as it once was and will soon be going the other way. Colleges and universities are going to feel this shortly.

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TRENDLINES

No cuts



The 2013 "Principals, Partners & Owners Survey" finds that principals are slightly less willing to take a pay cut first before passing one onto their staff this year than they were last year. According to the recently released report, the percentage of principals who say they would take a pay cut first decreased to 55 percent this year from 56 percent in 2012, after dropping from a five-year high of 66 percent in 2011. Meanwhile, the percentage of principals who say that principals and staff should both take a pay cut decreased to 34 percent this year from 37 percent in 2012, after rising from a five-year low of 24 percent in 2011.

— Margot Suydam, Survey Manager

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3) Healthcare will be the single biggest, best vertical building market for years to come. There are a jillion reasons. Changing technology. Aging population. Pent-up demand. I could go on and on but healthcare is where I would be positioning my firm for some of what I do if I were in your business.

4) Design-build is making major inroads into some non-traditional markets such as transportation. Look at Florida. It's amazing. And the reason is simple. Cheaper and faster – and sometimes (but not always) better.

5) Office space may look bad in the U.S. right now but it will recover. With companies such as Yahoo (check – it was either them or Google) announcing that they will no longer allow telecommuting because they want to be a real company, that's a sign that the trend to tolerate telecommuting is over.

6) Office space is booming in Asia. The amount of large spaces being built out and outfitted in China, Singapore, India, and elsewhere over there is staggering. And U.S. design firms are cashing in on this boom. They love U.S. architecture and interior design.

I could go on. There's so much I would like to comment on. But the bottom line is I'm out of space! Have a great week, All! ▲▲

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

Design-build is making major inroads into some non-traditional markets such as transportation. Look at Florida. It's amazing. And the reason is simple. Cheaper and faster – and sometimes (but not always) better.

A/E BUSINESS NEWS

INSURANCE COSTS UP: For the second consecutive year, the insurance market for architects and engineers professional liability insurance continued its firming trend as a number of leading insurance companies providing this specialized coverage again achieved moderate price increases.

A new survey by insurance broker Ames & Gough finds a majority of insurers expect to seek further increases this year even as their overall claim experience in this line remains flat.

According to the Ames & Gough survey of 13 leading insurance companies (which, on a combined basis, represent more than 70 percent of the marketplace providing professional liability insurance to architects and engineers in the U.S.), 62 percent had rate increases last year and the remaining insurers had flat rates.

None saw their premium rates drop. Significantly, half those with the higher rates had average increases of 6- to 10 percent or more.

For 2013, 69 percent of insurers are planning rate increases. The expectations as to the size of these increases range from the low single digits to 10 percent or more with the average expected increase in the 4- to 8 percent range.

"Although professional liability insurance premiums are rising for most architectural and engineering firms, the market is far from uniform in its pricing," said Dan Knise, president and CEO of Ames & Gough.

"We're seeing different dynamics at play, as some insurers reconfigure their portfolios to include more small firms and lure them with competitive pricing while raising rates for larger firms. Similarly, insurers just beginning to offer this coverage are being more aggressive on pricing when compared to longer-term players who've paid some claims."

MILLENNIAL SURPRISE: Millennials continue to show a strong interest in purchasing a home, according to the PulteGroup Home Index Survey (PGHI) by national homebuilder PulteGroup, Inc.

For renters ages 18-34 with an income of more than \$50,000, 65 percent indicated their intention to buy has significantly or somewhat increased in the past year.

Additionally, the vast majority of millennials aren't moving into their first home on their own.

Millennials plan to be coupled in their home with 76 percent indicating they will live with a spouse or significant other, and of those not moving in with a significant

other, 22 percent anticipate having a roommate, including a friend, parent, in-law, grandparent or sibling living with them.

"Millennials have witnessed the housing boom and bust, but still believe home ownership is a good investment," said Fred Ehle, vice president for PulteGroup.

"Consistent with other third-party research that shows more than 90 percent of millennials plan to buy a home someday, we see a lot of young adults who are making financial sacrifices to afford a place of their own. With the combination of incredibly low mortgage rates, rising rental rates, and very low inventory levels, millennials realize now is a good time to purchase a home."

In 2012, PulteGroup sold just over 19,000 homes of which approximately 30 percent were first-time homebuyers, many of whom are part of this large demographic.

In the company's internal buyer surveys, more than 50 percent of millennials reported that the desire to own/build equity was the primary reason for purchasing their new home. The second largest reason, at 12 percent, was that millennials were tired of apartment living.

THE ZWEIG LETTER

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TOP PLAYER

Niche work secret of success

Hot Firm has evolved to become a significant player in the oil and gas industry market.

EN Engineering (Warrenville, IL), a 428-person engineering and consulting firm, No. 17 on **THE ZWEIG LETTER** 2012 Hot Firm List, emerged as a specialty player in 2002, result of a combination of two divisions within two separate firms.

It was a good move. The oil and gas industry is a solid market, and EN's maintenance specialty work, combined with the firm's unique combination of talent, set them apart.

In this interview, Tom Ziegenfuss, president, talks about the importance of the Hot Firm status, the rise of EN Engineering and what the future holds for the firm.

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

Thomas Ziegenfuss: The opportunities that enabled us to achieve a high ranking Hot Firm status have been tremendous. It is nice to be recognized for our efforts in successfully growing the firm. Even more satisfying though is that we have been able to provide great employment opportunities to a significant number of people.

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

TZ: We will use the Hot Firm status in our marketing materials and business development presentations. I am not sure our clients are significantly plugged into what Hot Firm is but I think that the good publicity is a positive for the organization.

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?

TZ:

- 1) We predominantly work in the oil and gas industry. We never focused our efforts on chasing the mega-projects. Our focus has always been more maintenance oriented projects, which provided a more annuity-like stream of revenue.
- 2) The oil and gas industry has been one of the few positive industries in the past five years.
- 3) We have worked hard to provide a work environment that is highly attractive to employees. Generally, employees really enjoy working here.

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

TZ: Given the current projections for the oil and gas industry associated with the significant supply capabilities com-



Tom Ziegenfuss, President, EN Engineering.

"The biggest threat will come from increased competition. It is inevitable that the vast amount of workload will attract additional competitors into the market."

ing from the Shale regions, the country's desire to become energy independent, and the increased regulatory scrutiny on the infrastructure, the next 10 years looks to be a very positive picture for us to continue to grow. The biggest threat will come from increased competition. It is inevitable that the vast amount of workload will attract additional competitors into the market.

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

TZ:

- 1) Provide quality work products at competitive prices
- 2) Be able to react quickly to market opportunities
- 3) Hire great people
- 4) Be a great place to work

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?

TZ: My first paid job was as a newspaper delivery person. In this job, I learned that the customers have a dependency on you to deliver on time. In this case, failure had low consequences. In today's environment it is critical.

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

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TZ: My father had a great influence on me and shaping who I am today. I have had several mentors throughout my work career that I feel have had significant impact on my career from a business perspective. Most recently Joe Posewick, the founder of EN Engineering, provided significant guidance to me in learning how to successfully adapt to the consulting environment.

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

TZ: Passion for their work is something I always admire in people. I find this trait correlates with people who are driven to succeed themselves and also to develop those around them to be strong employees.

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

TZ: The most challenging thing I ever did was making the decision to leave my original workplace and come to work for EN Engineering. I was in a great position so it was a tough decision with an element of risk. Ultimately it was the best decision I ever made. Entering the AEP environment was a significant change in my life, quite a

challenge, and it has been hugely rewarding from a personal development perspective.

Outside of work, not sure, but over the past 20 years I have donated huge amounts of time to sports programs and schools my kids were involved with. The challenge was to manage the time, often 16 hours a day, between work and home and get everything done.

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?

TZ: You have just completed a rigorous education but you're learning has not ended. Education may only give you 5 percent of what you need to know in the business world. While a particular workplace will educate you on the technical aspects of your job, it is incumbent on you to strive to continuously develop your skills both technically and also from a business perspective.

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

TZ: How do you manage to maintain high quality in a high growth environment? ▲▲

CALENDAR

MARKETING IN TODAY'S WORLD:

ZweigWhite's popular "Marketing In Today's World" seminar has announced new dates.

Upcoming events are scheduled for May 9 in Charleston, S.C., June 28 in Tampa, Fla., July 11 in Chicago, and Sep. 12 in Los Angeles.

Marketing in our industry is changing! It is not business as usual for A/E/P and environmental firms. The tough economy and the increasing power of the Internet and electronic communications are changing everything marketing-wise.

Spend the day with the industry's leading management expert, Mark Zweig, for an in-depth discussion of how marketing needs to adapt to deliver results now.

Attendees will learn:

- The role management needs to play in marketing
- How everyone in the firm can be selling
- Ways to help technical people overcome marketing-phobia

For more information or to register, call 800-466-6275 or log on to www.zweigwhite.com/seminars/mktsem.

PRINCIPALS ACADEMY: The Principals Academy, a crash course in all aspects of managing a professional services firm, is coming to several cities in 2013.

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

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

The Principals Academy program also includes a case study workshop session that will provide an opportunity to practice implementing these management strategies in a supervised test-case scenario.

Upcoming events include June 13 and 14 in Chicago, Sept. 19 and 20 in Boston and Nov. 14 and 15 in San Francisco.

For more information or to register, call 800-466-6275 or log on to www.zweigwhite.com/seminars/tpa.

PRINCIPALS, PARTNERS & OWNERS SURVEY:

Have you been struggling to resolve disputes, clarify expectations, and set policies that work for principals in your architecture, engineering, or environmental firm?

Or would you just like to see how you and your firm stack up in comparison to hundreds and hundreds of other principals from around the country?

Look no further! The new edition of the most comprehensive study ever undertaken of owners and top managers of U.S. architecture, consulting engineering, and environmental consulting firms – ZweigWhite's 2013 "Principals, Partners & Owners Survey of Architecture, Engineering, Planning & Environmental Consulting Firms" – is now available.

It's the one annual report for, by, and about principals and top managers in U.S. A/E firms, and it's the only source of inside

information on the issues that principals are really concerned with.

For the 2013 edition, principals from across the U.S. were questioned about their compensation, perks, privileges, ownership, work habits, professional backgrounds, personal life, and feelings about business practices, fellow principals, and industry issues. Their responses were then tabulated and analyzed.

The result is an eye-opening 230-page report covering the roles, responsibilities, risks, and rewards of being a principal.

The Principals, Partners & Owners Survey has the lowdown on ownership, stock appreciation, buy/sell agreements, non-compete agreements, voting rights, and more.

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/p-2153-principals-partners-owners-survey-2013.

STRATEGY

Defining your mission important

Whether small or big, many firms undergo a deliberate process of defining what they are all about.

By LIISA SULLIVAN
Correspondent

Defining your mission is integral to what you are as a firm. It's not just a tagline or a motto, it's your reason for being. So, it's important to make sure your key players are involved in creating a solid mission statement so you don't miss the mark.

MID- TO LARGE-SIZE FIRMS LEAVE IT TO UPPER MANAGEMENT. F. Charles Kenley, vice president, **PND Engineers, Inc.** (Anchorage, AK), a 100-person civil engineering firm, says that when all members of the leadership team first sat down with the board of directors to define a mission, the encounter lasted several hours.

It ultimately took about 25 years to create a well-defined mission statement, Kenley admits.

"We felt it was necessary as part of our new website development," he says. That statement includes a description of the firm's vision (Improve human health, environments and prosperity through civil engineering), mission (Provide superior civil engineering services), and values (a six-point list that covers values such as integrity, technical innovation and employee loyalty).

David Ross, senior vice president, **SCS Engineers** (Long Beach, CA), a 774-person firm, says that SCS formed a strategic planning committee in 1997 comprised of 12 engineers and scientists (including, but not limited to, senior corporate officers), all of whom were part-owners of the firm through the Employee Stock Ownership Plan



David Ross,
Sr. VP, SCS
Engineers.

(ESOP).

"This group represented the company's major practice areas and geographic regions of operation," Ross says. "At the time, SCS had about 300 employees."

This committee's task included developing an updated strategic plan,

"As owners, we sat down and tried to decide what our clients needed from us and how we could best deliver the product to them. The purpose of the mission statement was to provide a concise and pointed description of what we do here at BRE."

including preparation of a new vision statement that included the following foundation statements: "Our Purpose; We believe in; and Our Mission." (The firm's original strategic plan was developed in 1987 and had been updated several times since then.)

"We retained a strategic planning facilitator (familiar with the A/E industry) to lead the planning process," Ross says. "The process involved staff interviews, submittal of suggested plan elements, and discussion of key issues at two meetings. The first meeting was devoted to discussion of optional vision statement content and consideration of optional strategic initiatives that would help us to strengthen our core practices and stretch into emerging fields. Following the second meeting, the committee finalized the vision statement and selected strategic initiatives for subsequent implementation by designated 'champions.' A subset of

the larger committee was tasked with preparing and distributing the written strategic plan, including the vision statement."

The firm's first formal mission statement was set forth in 1987, 17 years after founding, but the SCS vision statement developed in 1997 has been formally reviewed as part of four subsequent strategic planning sessions, including the sessions leading to the just-completed 2013 strategic plan.

Each planning committee concluded that the core of the 1997 vision was still applicable, and thus recommended no changes to the company's vision statement. Facets of the vision statement that pertain to financial goals have been

changed to reflect actual historical performance and updated forecasts for future performance.

"Our committee sought to create a vision statement that implicitly acknowledged the importance of its employees and clients for the long-term success of SCS," Ross says.

Ultimately, it was the CEO's responsibility to approve the mission statement.

"This approval was implicit throughout the committee's deliberations and recommendations, since the CEO was (and has always been) an active and guiding member of SCS's strategic planning committees," Ross says.

The firm's vision statement includes sections on the firm's vision, mission and values. It can be found here: www.scsengineers.com/Vision.html.

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GOOD TO KNOW

Practically all principals (96 percent) participate in their firm's business planning process. Among principals who participate in their firm's business planning process, nearly all (94 percent) provide input on the firm-wide business plan.

Source: 2012 "Principals, Partners & Owners Survey," ZweigWhite: www.zweigwhite.com/p-1064-principals-partners-owners-survey-2011.php.

Design firms should care about litigation

While traditionally the industry has dismissed threats, they are becoming more real. But there's some steps you can take to avoid trouble.

When a construction dispute is brought against a design firm, oftentimes there is a temptation to downplay its impact. Firms may discount the dispute with the prevailing belief that the case will settle, they will contribute a few dollars, and the general injustice of being dragged into such cases is simply the cost of doing business in a litigious society. Insurance companies frequently have a similar mindset.

There is good reason and ample evidence for this response. Construction cases against design professionals often appear to be frivolous and sometimes they are.

Design professionals frequently are included merely because of a misinterpretation – intentional or otherwise – of the clause, “Construction observation to ascertain if what is built is in conformance with design intent,” which is intended to limit their responsibility for construction phase activities. Moreover, in the United States, there is little cost to a disgruntled party filing a complaint and taking a shot in court, leaving contractors and design professionals particularly vulnerable.

However, there can be a lot at stake in a construction case, and the passive approach of expecting a case to settle does not necessarily serve an engineer and architect best, nor is it an entirely safe bet. Indeed, in our uncertain economy, it has become increasingly common for cases not to settle and it is critical for design firms (as contractors and owners do) to recognize the risks early and respond accordingly.

Design firms should care about litigation because of the exposure they face: it is expensive, time consuming, disruptive to productive work, and potentially damaging to the design firm's reputation. It's also an increasing reality.

TODAY'S PROMINENT RISKS: CONTRACTOR BANKRUPTCIES AND INADEQUATE INSURANCE. Today, disputes that might once otherwise have settled are going to litigation. Why? Because in the current financial climate, contractor bankruptcies and inadequate insurance are commonplace and this exposes design firms in a new and dangerous way.

Here is an example: An engineer is sued because a faulty contractor blew out an adjacent townhouse wall due to a failure to prepare forms and pour concrete correctly. The damages exceed \$5 million. However, at the time of



Robert Banner

GUEST SPEAKER

the lawsuit, the contractor is bankrupt and the subcontractor has only \$1 million of insurance. The design professional on the project – including the engineer of record – has \$2 million of first-dollar defense insurance. This case is unlikely to settle because there are insufficient available settlement funds. And it's very possible that the lawyer for the plaintiff, knowing the bankrupt contractor has no insurance, will direct the entire case at the design professional. The design firm is now at great risk.

Design firms are also at risk in cases where they have inadequate insurance to cover their exposure. Consider a case of critical importance, perhaps a highway construction or a school construction project, or a courthouse construction project that went \$20 million over budget and took twice as long as scheduled. In such a complex and high-stakes case, the design professional may face serious exposure and insurance is potentially inadequate. Moreover, legal costs will either erode the deductible or more commonly be paid out of pocket against a high six-figure deductible. Again, the design firm is at great risk.

In addition to posing great financial threats to design firms, cases like these steal productivity from design firm professionals, requiring them to spend time and energy on legal proceedings and keeping them from the work they do best. Litigation takes a lot of time and energy and if the result is not good, the design firm loses stature and credibility.

WHAT'S A DESIGN FIRM TO DO? As with most things in life, the best way to avoid the risk of litigation is to take proactive steps to avoid the risk in the first place.

- Protect yourself upfront: Insist upon specific exclusions for work that you are not responsible for. For example, a clause such as, “Engineer is not responsible for underpinning, bracing or shoring and the review of documents

See BOB BANNER, page 8

Overboard on on-boarding

Several things happen when a new person joins your firm.
Don't scare them away.

This term seems to have come into popular usage among HR folks lately, referring to how a firm brings a person into the fold – bringing them “on board,” so to speak. Sounds too much like water-boarding to me – may be fine at Gitmo but it turns me off in the context of architecture, engineering and planning firms.

Various things happen during a new person's first experiences upon joining your firm and I want to describe some processes that I have found successful and important. We do, however, need a better term to describe this process. I'm open to any and all suggestions, so please feel free to send me your ideas. I'll post them in a future article. I'm hoping that somewhere in what I talk about below, a brilliant, warmer and more embracing term will occur to you... or me. I also hope that these ideas will help you bring new people into your firm in a way that engages them deeply and effectively in the work you do with each other for your clients.

I've learned the importance of first impressions over the years, usually in painful ways, when I would catch wind of the feedback my wonderful new hire had just given to a colleague, usually prefaced with, “Can you believe what happened to me on my first day...?” A new employee is particularly impressionable. They've made a big move. While starting a new job doesn't make the top 10 list of life's most stressful events (after all, it's competing with a spouse's death, divorce or a jail term), I suspect it might reach number 11. Everyone beginning a new job has doubts and fears. Will they like me? Will I like them? Will I be able to perform up to their expectations? Is the culture as fun and exciting as it seemed or is there some toxicity lurking inside once I've walked through the door? The first question their friends ask them is, “So how's the new job?” Their answer can steer additional potential hires to your door... or away from it. And it will most definitely determine their relative success as part of your firm.

So here are some ideas to make this process successful:

■ **Enrollment.** Every new employee must complete various documents – insurance enrollment, government forms, and various other firm specific documents. This is, at best, a tedious process. At worst, if it's the first thing a new employee does on their first day with a new firm, and the HR person is delayed on another matter, causing this fresh, impressionable new professional to cool his or her jets in the lobby, they will be sitting there feeling awkward as people they don't know pass by busily pursuing their business. You've made a terrible first impression at a time when your goal should be the



Ed
Friedrichs

FROM THE
CHAIRMAN

opposite. How about sending the forms to the person's home, asking them to fill out as much as they can before they arrive to start work, offering to meet with them sometime during the day to answer any questions they may have? A good strategy is for the HR person to take the new employee to lunch, welcome him or her to the firm, complete the forms with them, give them a briefing on what's going on in the office, and welcome them inside.

■ **The first hour.** I became particularly aware of the impression made in the first hour of a new employee's experience one morning after passing through our reception area a couple of times and noticing that a young person that I didn't recognize had been sitting there for quite a while. I stopped to introduce myself and found that he was waiting to meet with someone in the office to start his first day. I tracked my colleague down and learned that the reason he had left the new employee sitting in the reception area was because we hadn't figured out where he was going to sit and didn't have a computer terminal ready for him. No training had been arranged and our HR person was out of the office at a meeting. That started a revolution in our office. I promised myself this would never happen again. From then on, any new person was greeted in the lobby punctually at the appointed time by the person he or she would be working with, given a tour of the office to orient to where everything was, be introduced to a “buddy,”

See ED FRIEDRICHS, page 8

I've learned the importance of first impressions over the years, usually in painful ways, when I would catch wind of the feedback my wonderful new hire had just given to a colleague, usually prefaced with, ‘Can you believe what happened to me on my first day...?’

ED FRIEDRICHS, from page 7

someone who would always be available to help make connections in the office and throughout the firm, given whatever training was needed to be sure that the person could “hit the ground running,” and was made to feel wanted, needed and supported.

- **The first day.** Realizing that you want to make your new employee’s experience with the firm feel like a career, to be shared with like-minded professionals, and not just a job, have a few

colleagues in the office take the person out for a coffee or a beer after work to see how the day has gone and what else they may need to be able to work most effectively.

- **The first week/the first month:** At the end of the first week and the first month, formally check in with your new employee to see how they are doing, what they enjoyed, whether they have what they need to work effectively and whether their talents are being applied in the work they’re doing.

These are steps that will make that wonderful new person that you spent so much time and energy recruiting be successful and develop the referrals you need to keep excellent candidates knocking on your door. See why the term “on-boarding” isn’t cutting it for me? ▲▲

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BOB BANNER, from page 6

prepared by others containing such information shall not in any way cause the Engineer to be responsible for such activities” will maximize your chance to be dismissed from cases for which you should not face exposure or legal fees.

- Do not write emails or speak at meetings regarding areas for which you don’t have responsibility. Recognize what duties are yours and which are not.
- Vet the other parties at the initiation of each project: Have the contractors, subcontractors and other design professionals been around a long time? What is their reputation? Exactly what insurance do they have? If the fee is too low

and the warning signs too prevalent, walk away or insist on very specific scope exclusions.

- Assess which current projects have high risk and assign an experienced, articulate architect or engineer to the project team immediately. Should the need arise, this person will be your firm’s representative espousing your positions. His or her ability to communicate technical concepts in a forthright and clear manner is critical and can make or break your case.

In the commercial world – and in the construction world of contractors and owners – the heads of companies, or their general counsel, take a long time reviewing their contracts, studying

insurance, deciding on whether to take jobs, deciding how to staff jobs and vetting the attorneys who represent them. Given the high costs of litigation, each and every design firm should be asking the same questions. ▲▲

ROBERT BANNER, a partner at Ingram Yuzek in New York, has practiced law for over 30 years. Banner has an active litigation practice with a concentration in construction law and complex construction litigation. He has tried or arbitrated many complex construction cases and successfully mediated or settled dozens of others. Banner’s construction law practice also includes negotiating and drafting construction agreements representing design professionals, owners, and contractors. Contact him at rbanner@ingramllp.com or 212-907-9654.

MISSION, from page 5

SMALLER FIRMS SEEK COLLEAGUES’ OPINIONS. Theodore Bayer, partner at **Bayer-Risse Engineering, Inc.** (Hampton, NJ), a four-person multi-disciplined infrastructure and environmental engineering firm, says that he and partner Steve Risse wrote the mission statement.

“As owners, we sat down and tried to decide what our clients needed from us and how we could best deliver the product to them. The purpose of the mission statement was to provide a concise and pointed description of what we do here at BRE,” Bayer says.

The mission statement (“It is the mission of Bayer-Risse Engineering, Inc. to provide timely, cost-effective solutions specific to each client’s individual requirements.”) was created approximately five or six years after the company was founded and was designed for



Theodore Bayer, Partner, Bayer-Risse Engineering, Inc.

its first website.

The company was founded in 1994, but the mission statement was modified two years ago when they hired a business coach.

“She assisted in tweaking the wording a little,” Bayer adds.

Laura Kaehler of **Laura Kaehler Architects, L.L.C.** (Greenwich, CT), a five-person, full-service architectural and interior design firm, says that when she started in 1993, “We defined one of our primary goals as designing residential homes that were ‘places of lived art,’” she says.

Over a three-month period, several meetings were structured that all staff architects had to attend. At that time, there were approximately eight, full-time architects. They were asked to talk

about not just the mission statement’s purpose and values, but more importantly, to identify the firm’s goals and to define the key measures of the organization’s success.

“As the firm’s principal, I took the initial draft of our mission statement and reviewed and revised it (the draft we developed during our all-team meeting was rather extensive and needed to be condensed into a succinct statement). I then presented the final mission statement to the staff and we all agreed that it represented some of the key steps we needed to take as a business to live our vision.” (The mission statement can be read here: www.kaehlerarchitects.com/about.)

“We don’t formally review the mission statement on a monthly or even yearly basis, but I feel the practices outlined in the statement are thoroughly ingrained in the culture,” Kaehler says. ▲▲

MORALE

How to avoid preferential treatment

Sometimes it's better to offer praise individually and focus on performance, not people.

By LIISA SULLIVAN
Correspondent

While most organizations have established reward systems (e.g., bonus, merit increases, promotions, stock) for formally rewarding performance, it's important to understand some nuances so you don't play "teacher's pet."



SOME THINGS BEST LEFT IN PRIVATE.

"The best managers use these systems already in place to reward accordingly; they don't give everyone the same thing – they differentiate and give honest feedback to everyone," says Terri Swain of the

HR Consultant, LLC in Fort Worth, Texas. "However, we believe that great managers go a step further. They know their employees and what motivates them and use that as their above and beyond rewards for their high-performing employees. These are easy to do privately, where no one else has to know, but they are especially rewarding when they are aligned with that employee's value system."

For example, some people thrive on praise – having the "big boss" (maybe the CEO or someone above their manager) call them in and let them know what a good job they are doing. In some cases, this notice may be enough. Granting extra time off, or giving away

tickets to a sports event to someone who has been working extra hard (outside of their PTO schedule) is also a valuable reward.

"So that others are not 'snubbed,' these transactions should be kept private; a 'between you and I kind of thing,'" Swain says.

FOCUS ON PERFORMANCE, NOT PEOPLE. Managers also need to be aware that they should reward performance, not just who they like.

"Again, being aware of what motivates every team member helps to reward and inspire performance out of everyone and is the best way to avoid preferential treatment," Swain says.

Swain shares a personal experience. "I'll never forget working very late, every night, for a week. My VP left before I did. One Thursday, late, he dropped by my office and let me know a vendor had given him four, prime seat baseball tickets. He knew I had two little boys who would love that and so he just said, 'Hey, why don't you take my tickets tomorrow night; thanks for all the hard work.' No one was around and I didn't have to share this information with everyone. I'm sure he did that for others as well."

That being said, managers should praise as much as possible publicly and punish privately.

"You can't help but 'prefer' your high performers, but you should seek to get optimal performance out of every employee," Swain says. "The motivators rarely cost money."

STUDY SUGGESTS STRIKING A DELICATE BALANCE. Some recent research suggests that giving stand-

out employees preferential treatment helps build top-performing teams. Just take note that this approach requires walking a fine line to keep all employees happy and productive.

"So that others are not 'snubbed,' these transactions should be kept private; a 'between you and I kind of thing'."

In a series of experiments, University of British Columbia Sauder School of Business researchers discovered that when a leader treated participants relatively better than others in their group, they were more likely to experience heightened self-esteem, follow workplace norms and perform tasks that benefited their group.

The study, "Satisfying Individual Desires or Moral Standards? Preferential Treatment and Group Members' Self-Worth, Affect, and Behavior," surveyed 357 people online to assess their level of preferential treatment in the workplace.

Respondents who said they received superior treatment from their bosses reported feeling "a greater sense of self-worth in their jobs," while their colleagues determined this group behaved less anti-socially and more productively at work.

In another experiment, a sample of 41 students was split into groups of three and asked to provide suggestions to a "team leader" for improving education at the university, according to study authors. Participants received a group re-

See PREFERENTIAL, page 10

GOOD TO KNOW

More than two-thirds of firms (71 percent) have a formal procedure to follow when dealing with employee grievances.

Source: 2013 "Policies, Procedures & Benefits Survey," ZweigWhite: www.zweigwhite.com/p-2150-policies-procedures-benefits-survey-2013.

ON THE MOVE

BLACK & VEATCH PICKS LEADER: The board of directors of **Black & Veatch** (Overland Park, KS), a energy, water, telecommunications and government services firm, has selected a new chairman, president and CEO for the company upon the decision of Len Rodman to retire at the end of 2013 after 42 years of outstanding leadership, service and dedication to the company. Rodman will continue in his leadership role through the remainder of 2013 while guiding a transition period for **Steve Edwards**, who will succeed Rodman. Edwards becomes only the seventh senior leader in the founder, managing partner or chairman role in Black & Veatch's 98-year history.

Rodman, as the sitting chairman, president and CEO, announced to the Black & Veatch Board of Directors his pending retirement, and worked with the Compensation & Development Committee to provide a slate of internal candidates for them to select the replacement and create a formal transition period for 2013. During the remainder of 2013, Edwards becomes CEO of Black & Veatch until he assumes management of the company in January 2014.

An executive vice president currently serving as executive director Global EPC for Black & Veatch's global energy business, Edwards joined the company in 1978. In his current role he maintained profit and loss responsibility for expanded scope, or engineering, procurement and construction (EPC) efforts, and recently led the company's Indonesia growth platform strategy.

Rodman said his decision to retire was based on his desire for the new chairman to be in place at the beginning of the year and to have the benefit of a formal transition period. Additionally, Rodman said the timing also will allow new leadership to be in place at the end of the company's current world headquarters renovation and for Black & Veatch's upcoming centennial celebration in 2015.

LEO A DALY PROMOTES: The Washington, D.C., office of international architecture/engineering firm **LEO A DALY** (Omaha, NE), promoted **Jordan Taylor** to vice president.

Taylor, who joined the firm in 2007 as the office's aviation market sector leader, has more than 30 years of experience in the aviation industry. He has managed the design of commercial service terminals and concourses, baggage handling systems, greenfield facilities, renovations, interiors, airport and airline offices, automated people movers, military hangars, maintenance facilities, aircraft gating and parking garages. His portfolio includes multiple projects for clients at Philadelphia International, Wilkes-Barre Scranton International, Akron Canton, Newark Liberty International, Washington Dulles International and Ronald Reagan National Airports.

"In the last five years, Jordan Taylor's aviation expertise has played a critical role in further establishing our firm as a leader in a key

market," said Charles Dalluge, LEO A DALY's executive vice president.

VOA PROMOTES: VOA Associates Incorporated (Orlando, FL), a 200-person international architecture, planning and interior design firm, announced that **Jeanette Gurtis**, **Michelle O'Shaughnessy** and **Stephanie Moss** have been promoted to senior associate.

THE LIRO GROUP HIRES: The The LiRo Group (Syosset, NY), a 500-person multi-disciplinary design and construction management firm, announced that **Michael Rennard** has joined the firm as vice president, and will head its engineering business unit.

In this position, Rennard will direct all engineering design activities, including civil, structural, transportation, traffic, and MEP engineering, as well as landscape architecture. Additionally, he will be responsible for identifying and securing new design opportunities both directly with the various city and state agencies as well as through partnership arrangements.

Rennard has a broad range of technical and managerial experience with public works projects in New York City. He has previously held senior management positions at the New York City Department of Environmental Protection and the New York City Department of Design and Construction, and served as chief engineer in the Office of the New York City Comptroller.

Key projects under his direction included the design of the Croton Water Filtration Plant, reconstruction of Columbus Avenue in Manhattan, upgrade of water treatment facilities on the NYC watershed, and the design and construction of a major intercepting sewer in Staten Island.

In the private sector, Rennard has held several executive roles, including manager of transportation and rail staff, director of design-build work for federal projects, and project principal for major projects in the municipal, state, federal and private sectors.

SVT PROMOTES: James Cardillo, chief structural engineer for **STV's** (New York, NY) Buildings & Facilities Division, has been promoted to vice president. SVT is an architectural, engineering, planning, environmental services and construction management services firm.

Cardillo brings more than 30 years of experience in structural design, including forensic engineering and the analysis and design of repairs to distressed structures. He has been involved in the design of a variety of projects, including low-rise and high-rise buildings and industrial structures. Cardillo has been with STV since 2010, where he has managed STV's structures group in Douglassville. In that time, he has overseen a number of important projects for the firm. Recently, he served as the chief structural engineer for a new four-story, suite-style residence hall at Lock Haven University in Pennsylvania.

PREFERENTIAL, from page 9

ply from their leader, which included itemized responses to all suggestions. In half of the groups, all recipients received the same email response, which showed them preferential treatment in comparison to their peers. The other half of the respondents received responses showing positive, but equal respect for all of the participants' suggestions. In a follow-up survey, individuals receiving special treatment were more willing to take on a task beneficial to their group than those who were treated with respect, but not preferentially.

"There's a lot of research showing that positive treatment leads to good team outcomes. What we show in our study is that when people are treated equally but well, they do not seem to react as favorably compared to when everyone is treated well, but they are treated just a little better," says Karl Aquino, a professor in the organizational behavior and human resources division at Sauder and co-author of the study.

"The conclusion is that that there are added benefits that can be gained by showing preferential treatment to

some, assuming that everyone is treated reasonably well."

Ultimately, Aquino says that there is no right answer to what the correct balance is.

"But, rest assured that employees are paying attention to how they're treated in general and in comparison to their colleagues. As such, managers must be creative about finding ways to make everyone feel special without creating too much envy or giving the appearance of bias or nepotism," Aquino says. ▲▲

PLANNING

Sharing wealth challenge for CFOs

Set goals, plan ahead and have some reserves on the side. Communicate and compromise and you should be able to keep most people happy.

By BRYAN SULLIVAN
Correspondent

“A CFO needs to ensure the various budget requests align with the strategic goals set out by management and if they don’t, the CFO needs to explain why a budget request is not approved or reduced.”

A firm’s CFO does not only have the challenge of creating a budget, but sharing among the firm’s departments. And, allotting money is never an easy task. Often, the firm’s size dictates the difficulty level of budget divvying.

SMOOTH SAILING. Planning and setting spending parameters is always wise.

Tim Davis, controller at **Sullivan International Group, Inc.** (San Diego, CA), a 150-person applied science, environmental, and technology firm, says that he has little to no trouble dividing up and spending monies on slated projects and sudden needs due to their budgeting approach.

“Fortunately, we are still at a size where we can mostly avoid the departmental silos,” he says. “For the more cost-intensive areas like IT, we budget the normal and recurring expenses, and set



Tim Davis,
Controller,
Sullivan
International
Group, Inc.

aside additional funds that are only available once a committee reviews the cost/benefit of specific strategic proposals. This ensures that we have sufficient resources to serve and grow the business, while being deliberate about authorizing expenditures on non-routine items.”

LEARN HOW TO WEATHER THE TOUGH TIMES. Most firms plan in advance for large and other budgetary needs. They want to be prepared for the expected, but also for the unexpected.



Roy Mitchell,
CFO, MBP.

Roy Mitchell, CFO at **MBP** (Fairfax, VA), a 270-person multi-disciplined construction consulting firm, says that they plan annually and are covered for turbulent times that may lie ahead.

“We create our budgets on an annual basis,” Mitchell says. “To better manage the turbulent economic times in recent years, we have also added a monthly projection process where we continuously refine the budget based on events that have transpired or what we now expect to occur differently than when we created the original budget. When deciding on who gets what funding for their budgets/projections, we primarily base that on need with an eye on expected availability of funds.”

CAPITAL SPENDING PLANS HELP. It’s one thing to plan for spending, but a firm needs to be profitable and have the cash flow and ability to lend to fund the departments that need assistance. As the old saying goes, “It takes money to make money.”



Stuart Forbes,
CFO, Klohn
Crippen Berger.

Stuart Forbes, CFO, **Klohn Crippen Berger** (Vancouver, BC), a 500-person engineering services firm, says that in his five-year tenure they have not had any major conflicts over capital funding.

“This is due, in part, to good profitability and availability of cash in recent years, but also to our approach to spending. I am sure there would have been tough decisions to make in prior years,” he says.

Klohn Crippen Berger prepares capital-spending plans each year. However, the plan is more for guidance/information and approval of the plan is not the green light for managers to spend.

“In fact, there is very little discussion around the capital spending plan,” Forbes says. “During the year, significant capital expenditures are evaluated on their merits and approval is given based on business risks at the time. For example, an office may outgrow its lease space and new office locations are evaluated based on the increase in rent, tenant improvement costs and any inducements. The cash flow projects are adjusted accordingly.”

Additionally, at Klohn Crippen Berger, funds are used for laptop replacements,

See SHARING, page 12

GOOD TO KNOW

Most firms’ assets consist primarily of their accounts receivable (53.3 percent). Furniture, fixtures, and equipment (13.5 percent) make up the second-largest component of firms’ assets.

Source: 2013 “Financial Performance Survey,” ZweigWhite:
www.zweigwhite.com/p-1141-financial-performance-survey-2012.php.

TRANSACTIONS

HDR ACQUIRES: HDR (Omaha, NE), an 8,000-person architecture, engineering, consulting, construction and related services firm, has acquired **Salva Resources** (Brisbane, Australia), a global provider of key technical and commercial services for mining exploration and investment. The acquisition includes both Salva Resources' exploration and mining consultancy and Salva Reports' commodity analysis group. Salva Resources has more than 200 employees in Australia, India, Indonesia, Mongolia and the United Kingdom. Going forward, Salva Resources will do business as **HDR|Salva**. Financial terms of the agreement were not disclosed.

"Salva professionals are greatly respected throughout the mining industry, and we couldn't be more pleased they decided to join HDR. Their talents mesh perfectly with our goals of strengthening our mining/resources practice and global presence," said Eric Keen, HDR Engineering, Inc. president. "Just as importantly, their values and commitment to their clients mirror HDR's client-driven philosophy."

Salva Resources' Managing Director, Lachlan Broadfoot, said, "We are very excited that this acquisition solidifies Salva's international growth strategy. Collaborating with HDR enables Salva to offer our clients additional services, including turnkey pit-to-port solutions. Moreover, this acquisition recognises Australia being at the forefront of providing world-class mining capabilities."

Broadfoot joins HDR as the engineering operating company's mining sector director. Lindsay Crutch joins HDR as HDR|Salva operations director. Both of them will work closely with David Bell, HDR's managing director in Australia. HDR's other Australian operations

include HDR|DKS, which joined HDR in July 2012.

TLC GETS SHAREHOLDERS: **TLC Engineering for Architecture, Inc.** (Orlando, FL), a consulting engineering firm, announced three long term staff members have become shareholders in the firm, recognizing their commitment and contributions to the success of the firm to date and in the future.

The new principals in the firm include:

Aimee Weiner, HR manager, joined TLC in 1993 and has had increasing responsibilities in TLC's human resources department, which she has managed since 2003. Weiner's efforts have kept TLC at the forefront of area employers, earning TLC a position among the Orlando Sentinel's "Top 100 Companies for Working Families" for the past ten years.

Mark Murphy is a senior electrical engineer and project manager in TLC's Dallas office. Murphy worked in the Jacksonville for nine years before transitioning to the Dallas office 2011 after a brief stop at another firm in San Antonio. Murphy works closely with architects, end-users and contractors focused on sustainable design projects in healthcare, commercial development and for the federal government.

Cheryl Maze, corporate marketing and branding manager, brought several years of prior business development and marketing experience in the AEC industry to TLC in 2008. Maze and her team support TLC's offices across Florida, Tennessee and Texas in the pursuit of new projects and teaming opportunities anywhere in the universe.

SHARING, from page 11

occasionally a vehicle, and from time-to-time they might make a large-server acquisition.

"Major expenditures are for tenant improvements relating to new offices," Forbes says.

A/E EXPERT OFFERS INSIGHT. Sometimes the best advice comes from outside your firm.

Jacqueline Weir, director of A/E services with Feeley & Driscoll, P.C., a Boston CPA firm, says that a CFO's main roles should be:

- 1) To be a resource to a company's various departments when gathering financial information;
- 2) To ensure the departments' financial information is in alignment with the company's strategic goals; and
- 3) To use the budget as a tool to manage the company going forward.

So, when a CFO struggles with balancing a budget, he/she needs to reach out to department heads and challenge the

information submitted.

"A CFO needs to ensure the various budget requests align with the strategic goals set out by management and if they don't, the CFO needs to explain why a budget request is not approved or reduced," Weir says.

COMPROMISE, COMMUNICATION AND PLANNING. Communicating and defining the firm's goals is a solid start when it comes to dividing up money.

"Keeping communication open and having clear goals that are known company-wide is the key to resolving budgeting conflicts," Weir says. "The CFO must be seen as a resource to managers in order to resolve conflict. Buy-in from managers is important to using the final budget as a management tool so tough decisions need to be made and explained to those affected."

Ultimately, it all comes down to compromise and planning.

"Just like life, achieving a balanced budget takes compromise. Funding the departments' main goals and objectives



Jacqueline Weir,
Director of A/E
Services, Feeley
& Driscoll, P.C.

should assist you with keeping everyone happy. Offering additional contingent funds when they exceed their goals midyear can also help with making people happy," Weir says.

And, just like a family plans for its future, so should any business. Planning for your future just makes sense no matter what size your firm.

"The entire budget process should be outlined in advance," Weir says. "Goals should be communicated and monies should be allocated to main initiatives so success is achievable. For instance, you can't charge someone with growing their client service sector by 20 percent and not increase their personal budget to hire people, nor can you expect to launch a new project management system without allocating funds to training. All successful budgets need buy-in and must be aligned with corporate goals to be truly successful." ■■■