

Get intimately involved... with your numbers

Mark Zweig offers six points on how to get the financial information you need.

I have seen – and still see – far too many firm owners who are divorced from their numbers. And their business performance reflects that fact.



Mark
Zweig

EDITORIAL

We had two guest speakers – both successful business owners in their 60s – speak to my entrepreneurship/small enterprise management classes recently. They each had essentially the same advice for my students: “Know where your money is coming from and where it’s going.”

Their thinking was similar. Open the mail. Make out the deposit or at least see the detailed deposit every day. Sign the checks. Know where the money is coming from and where it’s going. Don’t get so far divorced from the money that you lose your feel for the business.

I was thinking about how this applies to our clients and readers in the A/E/P and environmental consulting business. I have seen – and still see – far too many firm owners who are divorced from their numbers. And their business performance reflects that fact. These companies are usually too slow to cut costs or make the necessary changes to stay profitable.

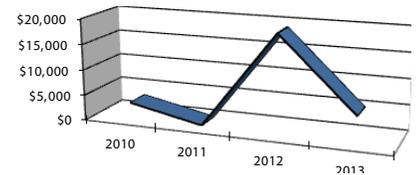
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TRENDLINES

Principal crisis



The 2013 “Principals, Partners, & Owners Survey” finds that principals’ overall median bonus dipped significantly this year after rising substantially in 2012. Principals’ median bonus dropped to \$5,000 in 2013, after climbing from a five-year low of \$0 in 2011 to \$19,000 last year. In 2010, this number decreased to \$3,000 from \$10,000 in 2009.
– Margot Suydam, Survey Manager

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**As firms grow, leaders become maestros |
What do design pros want? | Leaders also
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And knowing your numbers is more critical today – during periods of rapid change and general instability – than it ever was.

- 1) You cannot and should not delegate everything – even if ostensibly some of these activities may not be your highest and best use of time. This includes some of the mundane but necessary tasks related to money.
- 2) In lieu of doing everything yourself, you need the reporting mechanisms and other information flow to make up for that fact. Have the will – and devote the time and energy – to making this happen.

Not getting the results you used to? Get back involved with your numbers!

- 3) Your information needs can change. If you can't get all the info you need to run your business yourself, you need to have someone who will work with you and try to get you what you want to see. If your internal people sneer, scoff at, dismiss, or otherwise ignore your request, they may need replacement.
- 4) Don't ignore your instincts. Regardless of what your accounting system tells you about a unit's performance or a client's profitability, probe further to understand where that result came from. You may discover errors.
- 5) Manipulation will occur. There will always be certain people who'll manipulate the results due to your scorecard system or bonus plan. Call them out. Fix the system so they can't do it again. Once a manipulator, always a manipulator.
- 6) Vendors and subs who send you incorrect bills or overbill you have to be addressed. Let them know they have to get this straight or you can't work with them.

Things feeling out of control? Not getting the results you used to? Get involved with your numbers again!



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

A/E BUSINESS NEWS

CONSTRUCTION EMPLOYMENT UP:

Construction employment increased in 158 out of 339 metropolitan areas between February 2012 and February 2013, declined in 132 and was stagnant in 49, according to a new analysis of federal employment data released today by the Associated General Contractors of America. Association officials noted that the industry's long-awaited recovery could prove fleeting if public construction spending continues to decline and a reported immigration reform deal could undermine efforts to recruit skilled workers.

Pascagoula, Miss. added the highest percentage of new construction jobs (51 percent, 1,800 jobs) followed by El Centro, Calif. (23 percent, 300 jobs); Anchorage, Alaska (22 percent, 1,800 jobs), Fargo, N.D. (20 percent, 1,200 jobs) and Merced, Calif. (20 percent, 300 jobs). Houston-Sugar Land-Baytown, Texas (13,200 jobs, 8 percent) added the most jobs. Other areas adding a large number of jobs included Dallas-Plano-Irving, Texas (10,700 jobs, 10 percent); Los Angeles-Long Beach-Glendale, Calif. (8,500 jobs, 8 percent) and Fort Worth-Arlington, Texas (7,200 jobs, 12 percent).

The largest job losses were in Northern Virginia (-3,100 jobs, -5 percent); followed by Cincinnati-Middletown, Ohio-Ky.-Ind. (-2,400 jobs, -7 percent); Raleigh-Cary, N.C. (-2,300 jobs, -8 percent); Charleston, W.V. (-2,100 jobs, -15 percent) and Detroit-Livonia-Dearborn (-2,100 jobs, -13 percent). Monroe, Mich. (-22 percent, -500 jobs) lost the highest percentage. Other areas experiencing large percentage declines in construction employment included Atlantic City-Hammonton, N.J. (-20 percent, -1,000 jobs) and Rockford, Ill. (-18 percent, -700 jobs).

Association officials noted that the rebound in construction employment in many parts of the country is taking place despite a 17 percent decline in public sector construction spending during the past four years. They added that additional cuts, including \$4 billion in construction cuts from the federal sequester, would have a significant impact, especially on firms that specialize in public sector work.

ARUP MEMBERS PEN BOOK: Arup (New York, NY), a multidisciplinary engineering and consulting firm with a reputation for delivering innovative and sustainable designs, announced that three of its sustainability thought leaders have authored a book about global warming, its impact on the world, and the associated opportunity to create economic development and unnoticed resilience.

Two Degrees: The Built Environment and Our Changing Climate (Two Degrees) is a practical guide intended for a broad audience that occupies and shapes our built environment.

Authors Alisdair McGregor, Cole Roberts, and Fiona Cousins review the outcomes that may occur if the earth's temperature rises at its current rate, and lay out a roadmap for keeping global temperature rise to less than 2 degrees centigrade. In Two Degrees, the authors provide a clear framework for communities, policymakers, planners, designers, developers, builders, and operators to help manage the impacts and capture the opportunities of our changing climate. Two Degrees is divided into three sections: Fundamentals, Mitigation, and Adaptation, covering a diverse array of topics ranging from climate-positive communities and low-carbon buildings to the psychology of choice and the cost of a low-carbon economy. The book covers planning and sustainability; urban design; green construction; environment and business; environment and society; environment and the city; and structure, materials and detailing.

"We have our challenge laid out," said Ed Mazria, founder and CEO of Architecture 2030. "Two Degrees provides a well-structured guide in which anyone who designs or builds in the built environment can find lasting value."

The book is available through Amazon.com.

THE ZWEIG LETTER

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LEADERSHIP

As firms grow, leaders become maestros

While they need to avoid getting bogged down by the details, they must set strategy and direction... and keep an ear to the ground.

By LIISA SULLIVAN
Correspondent

“While architecture is an art, it’s also a business and most importantly, it requires balance.”

When your company grows in size and stature, how can leaders set the direction without being involved in the details?

Vivian Lewis, president of **GeoConcepts Engineering** (Ashburn, VA), a 58-person geotechnical firm, says that while leaders should not get bogged down with the details, they must have some understanding of the day-to-day marketing strategy operations and win/loss information in order to develop a strategy for the firm to follow.

GOAL MANAGERS. “The most important factor in setting a firm’s direction is to be educated on the various markets, so we are navigating the firm toward areas of growth potential,” she says. “Our leadership focuses on developing a direction for the firm and entrusting our employees, both technical and marketing, to develop goals and action items to propel us forward.”

In addition, GeoConcepts’ staff is held accountable for their action items by goal managers to ensure the plan moves forward. The leadership remains involved throughout the process and focuses on evaluating the effective-



Vivian Lewis,
President,
GeoConcepts
Engineering.

ness of the strategies implemented to create growth.

KEEP AN EAR TO THE GROUND. From the perspective of a small business, Lewis says that it is critical to understand what is happening “in the trenches.” Otherwise, you have no idea whether the direction you have set is being implement-

ed. “The best way to know what is going on is to get out of your chair and walk around the office and talk to your staff,” Lewis says. “We find that maintaining an open-door policy and proactively communicating with staff is the most effective way to ensure the company is moving forward towards its envisioned direction.”

ENCOURAGE STAFF TO TAKE OWNERSHIP. At **Mackey Mitchell Architects** (St. Louis, MO), a 36-person planning and design firm, Gene Mackey, founder, says that from the firm’s beginning in 1968, his early philosophy was that the firm would maintain a consistent size – around 50 people, tops.

“While architecture is an art, it’s also a business and most importantly, it requires balance,” Mackey says. “We did not want the reputation of ‘hiring’ when the workload was heavy, then ‘firing’ when the workload lightened. While leadership sets the pace and provides needed guidance for what jobs to pursue and personnel assignments (which takes place in our scheduling meetings), they don’t interfere with a team’s progress,” he says. “Employees are painstakingly chosen, and the hir-



Gene Mackey,
Founder, Mackey
Mitchell
Architects.

ing process is serious business.”

Principals try to make sure that each individual is technically competent as well as self-motivated, hard working and a team player. Mackey Mitchell strives to hire, train, and keep the best qualified professionals and allows them to do their jobs (although leadership is always there when it’s needed).

As Gene Mackey has always said – “We are a firm with high expectations.” He adds that, “A company really exists as a stage for people to perform on, and to achieve their full potential. I want people to take ownership for whatever they are doing, but I would never ask them to be totally responsible. Each one shares our experience to make sure we come up with the very best solutions. We strive to create that stage on which the performers can excel. I want to know that they are challenged and excited. I don’t do anything alone. The minute leaders go to the ‘ivory tower,’ they’re done.”

In the architectural profession, like many others, hundreds of decisions are made on a daily basis. All team members at Mackey Mitchell are involved in the decision-making process. Mackey Mitchell thinks “collectively” to make the best decisions for clients, whether it’s working on a campus master plan, designing a building, resolving a detail, or specifying a material that will provide significant savings.

KICK THE TIRES... It’s essential that firm leaders be involved at the ground level to identify ideas and best practices’ approaches and to share these ideas

See MAESTROS, page 4

GOOD TO KNOW

Principals list firm performance/growth/profitability as the second most important challenge they face, following business development/marketing.

Source: 2013 Principals, Partners & Owners Survey, ZweigWhite: www.zweigwhite.com/p-2153-principals-partners-owners-survey-2013.

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and insights with the entire organization.

“The head of the firm needs to be ‘kicking the tires’ and ‘touching the steel’ on a regular basis,” Mackey says. “We have become a ‘decentralized’ firm with a focus on client service. Mackey Mitchell is made up of a president and a three-person (elected by other shareholders) leadership team comprised of partners.”

“The head of the firm needs to be ‘kicking the tires’ and ‘touching the steel’ on a regular basis. We have become a ‘decentralized’ firm with a focus on client service.”

As in most firms, each project is run by a principal, project manager, project architect and a two- to three-person support team. With a flattened organization, every team member at Mackey Mitchell firm assumes a larger sense of responsibility – a sense of firm ownership.

“It’s not the leaders who need to be served in the architectural profession – it’s the clients,” Mackey says. “Our leaders strongly believe that it is the responsibility of management to serve by inspiration, to trust the team to go as far as they can, but leadership and experienced principals are always available when needed. The leadership makes sure staff members get what they need.”

MEET CHANGING NEEDS; PROVIDE SUPPORT. John McGrath, COO, **Advantage Engineers, Inc.**, (Columbia, MD), a 103-person engineering consulting firm, says that like with any growing organization, the role of the management team at Advantage Engineers had to evolve to meet the challenges of expansion.

“We feel that one of our most important roles is to communicate the vision, mission, and values that have led to our past success and are key to responsible growth. Equally important is



John McGrath,
COO, Advantage
Engineers, Inc.

providing proper guidance by implementing policies and procedures that give our experienced staff the tools they need to succeed as they take on more responsibility,” McGrath says. “We have a great deal of confidence in our engineers and project managers and want to enable them to progress in their careers with Advantage. While we continue to develop the structure that will support our expansion goals, we know that we must continue to foster the relationships with our staff to mentor them and with our customers to ensure their needs are met.”

McGrath illustrates this behavior with an example. Advantage’s fiber optic/OSP projects are an expanding market sector.

McGrath illustrates this behavior with an example. Advantage’s fiber optic/OSP projects are an expanding market sector.

“We have a number of staff who have been promoted and are now managing the entire project lifecycle,” McGrath says. “We are eager to give those opportunities to our staff, but we make sure that they have the resources and support they need to successfully pursue, win, and execute projects for new clients.”

McGrath, like Lewis at GeoConcepts, agrees that it’s important to have a sense of what’s going on at the project level, but without becoming bogged down in the details.

“Advantage provides specialized engineering and consulting services to a wide range of clients. Industry trends and technologies evolve rapidly and as a management team, we need to be aware of those changes to best position the company to capitalize on them,” McGrath says. “Whether it’s an expanding market sector or efficiencies that can be gained through a new technology, we want to evaluate it and be an early adaptor if we determine it is in the best interest of the company and our clients. We are constantly impressed with the industry knowledge and insight that our staff gains from their interactions with clients and other consultants on our projects. Keeping apprised of these developments enables us to make better decisions for the company.” ▲▲

RESOURCES

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 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.

The survey will help you:

- Learn what’s normal in terms of principal compensation and perks
- Find out what common issues principals in firms like yours are grappling with today
- Make sure you’re getting what you’re worth in every way, including company cars and other special benefits
- Learn what it takes to become and stay a principal in a firm in this industry
- Discover what other firms are doing in terms of employment agreements, non-competes, and stock buyback provisions
- Find out how principals in firms like yours manage their time and break down their work day

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.

SURVEY

Principals feeling battered and bruised

A/E/P and environmental consulting industry stakeholders took a big hit during the recession, and while they may see the light at the end of the tunnel, most have yet to reap the benefits of an improving economy.

By CHRISTINA ZWEIG
Contributing editor

While the 2012 version of ZweigWhite's "Principals, Partners and Owners Survey" showed that most principals' fortunes were improving, the most recent (2013) version saw a small reversal, with a reported decrease in median base salary and bonus payments.

Given these numbers, it's no surprise that the number of principals who feel their investment in their firm was worth more than a good mutual fund also decreased this year, something that reflects the lagging state of the A/E/P and environmental industry in relation to the rest of the economy.

"The market as a whole far outperformed many firms in our industry. The benefit of economic recovery in our business is latent and we are not yet seeing the returns of the magnitude being earned in the overall markets," says Chad Clinehens, executive VP at ZweigWhite.

Lack of growth and small profits have impacted the way in which many current design firm stockholders see their investment and the way future stockholders may consider investing. The survey found that 38 percent of respondents stated they had received a shareholder distribution or owner dividend in 2012, 55 percent had not, and 7 percent didn't specify.

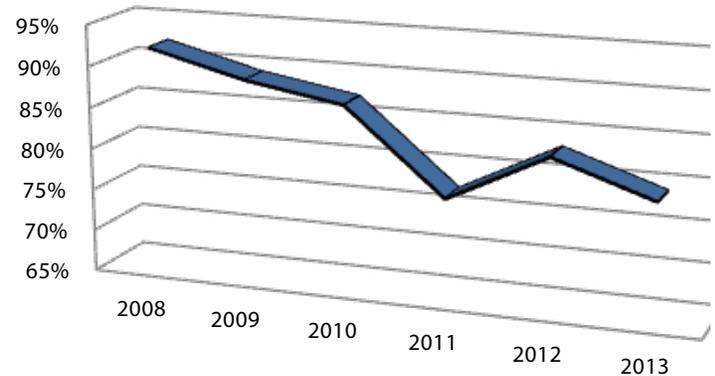
WORTHWHILE INVESTMENT? When survey respondents were asked if they bought the maximum amount of stock available when they became principals, 59 percent said "yes," 12 percent said "no," and almost 30 percent did not specify. Almost 60 percent of respondents said they would not perceive those who don't invest as much as possible as lacking commitment or belief in the firm.

In 2008, 92 percent of respondents felt their investment in their firm was worth more than they paid for it. In 2013, this number has decreased to 78 percent.

Brad Workman, VP of technology and special projects at ZweigWhite, says this phenomenon is most likely caused to decreased profitability or ROI percentage of AEC firms in comparison to the strong recovery of stock markets.

"Just look at the S&P 500 over the last three years. Even if the ROI of the firms hasn't declined, then I'm sure it hasn't

IS MY INVESTMENT WORTH IT?



Source: 2013 Principals, Partners and Owners Survey.

followed the upward overall stock market curve. Naturally, this would cause the valuation of the respective markets to reflect this. I'm sure the principals have investments and 401(k)s, and therefore have compared their own ROIs," Workman says.

"The ease of buying and selling stock in the broad market makes the highly restrictive stock that many firms offer less appealing," Clinehens says. "Firms have got to adjust their buy-sell agreements to reflect this new culture and appropriately protect their interests while maximizing the ease of buying and selling stock to keep demand healthy. It's a tough balance, no doubt."

SHARING AND SELLING. According to the survey, 19 percent of respondents were given shares of stock by their firm, amounting to a median of 20 percent of their current total stock ownership (23 percent of respondents were founders and therefore not applicable). When the time comes to divest their stock, most stockholders (63 percent – a large decrease from 2008's figure of 78 percent) would still prefer to sell it internally, but a growing number (20 percent) would sell it for the highest price regardless.

Stock ownership may be becoming less desirable, especially for the future generation of stockholders.

"Naturally, they want the best return on their hard earned money, so many have picked ETF's and mutual funds over their own firms stock. Also, they may be pessimistic about the speed of the construction industry recovery, but if you follow the recent Wall Street Journal articles about the construction outlook (heck we should look at our outlook surveys), then this attitude may change," Workman says.

Though long work hours and less income may be leaving principals feeling pessimistic, not all signs are gloomy. The 2013 survey found that only a very small percentage of respondents felt their input in firm decision-making did not

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Scary stories about government contracts

Even a signed contract may be voided and your fee placed at risk if all the formalities are not followed.

Design professionals must be extra cautious when dealing with local governments and their agencies. The same rules that apply to the private sector don't apply to the government. For example, if your firm is hired by a corporation and you sign a contract with a corporate officer, you have a legal, enforceable deal. What if the client's treasurer forgot to have the project funds approved by the board of directors? Or, the board did not pass a resolution authorizing the contract. Not your problem, right? You've got a signed contract. But it's different when working for local governments. Many states have strict laws on how government contracts can be awarded, and failure to comply can result in the inability to get paid – even if your firm has performed services in good faith.

Sometimes these rules are buried deep in a city charter, such as the Charter of the City of Los Angeles, which requires that every contract for over \$500 must be made in writing, formally approved, and signed on behalf of the city by the mayor, or some other person authorized by resolution of the city council. In a 1998 case, a developer negotiated with the city for several years for a contract to develop a parcel of city-owned land. However, the mayor never signed a contract. When the city decided not to proceed with the project, the developer sued, claiming damages of over \$26 million. In ruling for the city, the court held that despite the fact that the City Council adopted a resolution approving the proposed project, and recommended it to the mayor, there was no binding contract as required by the city's charter. – See *First Street Plaza Partners v. City of Los Angeles*, 76 Cal.Rptr.2d 626 (Cal. App. 2 Dist. 1998). In a similar case, the owners of the Pittsburgh Pirates baseball team lost their lawsuit against the city and stadium authority, which was based on an alleged oral promise by the mayor to pay \$4.2 million in exchange for their agreement to purchase the team and keep it in Pittsburgh. The court held that under applicable law, all city contracts had to be authorized by ordinance and awarded in the manner prescribed by the council. Despite the mayor's verbal promise, with no authorized contract, the team's owners could not bind the city. – See *Pittsburgh Baseball, Inc. v. City of Pittsburgh*, 630 A.2d 505 (Pa. Cmwlth. 1993).

In another suit against the City of Los Angeles, a company had a city council resolution authorizing it to drill for oil on city property. However, the contract was not signed by the city manager. Despite the fact that the city attorney and city manager agreed upon the terms of a draft contract



WILLIAM
QUATMAN

GENERAL
COUNSEL

and submitted it to the city council, which approved it by resolution, the contract was never signed by the city manager, as required. Therefore, the action taken by the council was not binding. Quoting from an old New York decision, the California court said, "It may sometimes seem a hardship upon a contractor that all compensation for work done, etc., should be denied him; but it should be remembered that he, no less than the officers of the corporation, when he deals in a matter expressly provided for in the charter, is bound to see to it that the charter is complied with. If he neglect this, or choose to take the hazard, he is a mere volunteer, and suffers only what he ought to have anticipated. If the statute forbids the contract which he has made, he knows it, or ought to know it, before he places his money or services at hazard." – See *Dynamic Ind. Co. v. City of Long Beach*, 323 P.2d 768 (Cal.App.1958). Ouch!

Even if the contract is signed, it may not be valid if not approved by the city council. For example, in a 2003 Iowa case the court struck a signed contract entered into with a city to buy electricity generated by a wind turbine since the contract was never approved by motion, resolution, amendment or ordinance. The wind energy vendor (a school district) built the wind turbine in reliance on a written contract with the city. However, Iowa statutes provide that a, "city council shall exercise a power only by the passage of a motion, a resolution, an amendment, or an ordinance." The court ruled that the contract was void and warned that, "Those who negotiate or enter contracts with a municipality are charged with notice of the limits on the municipality's authority." The court added, "In all likelihood this holding will not go down well with the school district officials who obviously acted in the best of good faith in what they perceived as the public interest. We think our holding is nevertheless demanded." – See *City of Akron v. Akron Westfield Comm. School Dist.*, 659

See WILLIAM QUATMAN, page 8

The few and the mighty...

A single person or small group of people can have a dramatic impact on our brand.

It was 28 years ago this April that one of the biggest brand failures of all time forever marked history. This company was not an average U.S. company with an average record of trial and error in the marketplace. This company was the titan of all companies. They were the king of all brands. The company to earn this distinction was Coca-Cola.

Coca-Cola has the kind of credentials we in the A/E/P industry think is real important: lots of experience. Started in 1886, Coca-Cola had been around for a long time and gets credit for creating the concept of the “brand.” Coca-Cola’s awesome credentials couldn’t nevertheless help them avoid making the biggest perceived brand rollout failure of all time. It all started in the late 1970s and early 1980s as Coca-Cola was seeing a rise in popularity of rival Pepsi. Pepsi had a sweeter formula and during many of the taste tests, which were popular at the time, significant numbers of people were preferring Pepsi over Coke. Coca-Cola executives responded by unveiling a plan to change (or sweeten) the original Coca-Cola formula and roll it out as part of their centennial celebration. As any big, smart company would do before making such a drastic change, they held focus groups to verify that they were doing the right thing. The results of the surveys were strong. The new, sweeter formula overwhelmingly beat both the original Coca-Cola formula and Pepsi. Most respondents said they would buy and drink it if it were Coca-Cola. The new formula they were testing was to become the future “New Coke”.

But all of the careful planning and testing that Coca-Cola was performing revealed a major problem – a clear warning of things to come. Of the people surveyed, a small minority, about 10- to 12 percent, did not like the new mixture. They reportedly felt angry and alienated at the very thought of changing the original formula. Some said they might stop drinking Coke altogether. Their presence in focus groups was so strong that they tended to skew results in a more negative direction as they exerted indirect peer pressure on other participants. However, because the majority of those surveyed liked the new formula, management dismissed the small percentage who did not like it and decided to move forward with changing the original Coca-Cola formula.

On April 23, 1985, Coca-Cola introduced “New Coke.” It came with great anticipation, fanfare and well, many other emotions. It is interesting to note that the formula hit shelves in the northern states of the U.S. first and



Chad
Clinehens

BRAND BUILDING

immediate reaction to the new formula was positive, just as the focus groups suggested. Sales were up 8 percent over the previous year. But as the formula and new packaging hit shelves in the southern part of the U.S., the response was not nearly as favorable. Remember that 10- to 12 percent of testers who were angry and strongly opposed the new coke? Well, those folks had a big impact in the rollout and acceptance of New Coke. The focus groups had provided a clue as to how this would play out in a public context, a data point that the company downplayed. The very vocal opposition got lots of air time, which destroyed the brand image of New Coke. There were many examples of bad publicity. For example, Chicago Tribune columnist Bob Greene wrote some widely reprinted pieces ridiculing the new flavor and damning Coke’s executives for having changed it. Talk show hosts made fun of the change. Ads for New Coke were booed heavily when they appeared on the scoreboard at the Houston Astrodome. The examples are numerous. Less than three months later, Coca-Cola switched back to the original formula.

So how does this apply to the A/E/P industry? In many ways. One person on a selection committee, if strong enough, can sway other votes and ruin your chances of getting a job you deserve. I have had this

See CHAD CLINEHENS, page 8

One person on a selection committee, if strong enough, can sway other votes and ruin your chances of getting a job you deserve. I have had this happen several times in my career.

CHAD CLINEHENS, from page 7

happen several times in my career; we had nearly every selection committee member on our side, and then lose it because of that one person against us. It can also be a force within your own company, such as a rogue board member or principal who can convince others to take actions not in the best interest of the company. It can be one sour and jaded employee who ruins the work environment for your star employees. All of these factors can have major impact on your business and your pocketbook. One single person can undo years of planning or building.

As a firm leader, consider the many big decisions your firm faces daily that require large investments or have potentially big consequences. These are the kinds of things that require extra attention to every detail, every person, and every risk. Do not dismiss the clues out there to help you make good decisions and decide when it is appropriate to take risk. Do everything you can to address all the needs and wants of the people who can affect your business. Coca-Cola rebounded quite well, thanks to their swift action and their powerful brand. After the reintroduction of the

original formula on July 10, 1985, sales were stronger than before New Coke's introduction, leading some skeptics to believe the entire thing was a PR stunt. When a Coca-Cola executive was asked if that was the case he said, "We weren't that smart... and we weren't that stupid."

Learn from those in front of you. In the A/E/P industry, we can glean valuable business intelligence from outside the engineering world. Stories like this, from the consumer products industry, are extremely relevant to our business and can help us make smarter decisions. The biggest lesson from this story is that a single person or small group of people can have a dramatic impact on our brand. They may be few in number, but they can be mighty in strength. We must do everything we can to know the selection committee, know our clients, know our employees, and know our partners. And when we do make a mistake, have a recovery plan that is swift and effective. Don't be afraid to try something new, but be always prepared to go back to your original formula. ▲▲

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WILLIAM QUATMAN, from page 6

N.W.2d 223 (Iowa 2003).

In a similar Illinois case, an engineering firm entered into a contract with a park district, signed by the district superintendent, for structural inspection of a maintenance building. The engineers performed work on the project and invoiced for partial payment. The district refused to pay and the engineers sued. The trial court awarded the fees based on the signed contract, but the court of appeals reversed. Illinois statutes said that, "No member of the board of any park district, nor any person, whether in the employ of said board or otherwise, shall have power to create any debt, obligation, claim or liability, for or on account of said park district, or the monies or property of the same, except with the express authority of said board conferred at a meeting thereof and duly recorded in a record of its proceedings." The appeals court held that the district superintendent had no authority to bind the district in the absence of prior approval by the park district board, therefore, the contract was void from the beginning. Further, the fact that the district may have benefited from the firm's efforts did not validate the contract. – See *D.C. Consulting Engineers, Inc. v.*

Batavia Park Dist., 492 N.E.2d 1000 (Ill. App. 2 Dist. 1986).

Also, some states require prior formal appropriation of funding before the contract is signed. A Missouri architect learned this lesson the hard way in 1993 and was denied his fee in full because the contract lacked a certification by the county accounting officer that sufficient funds had been appropriated. In that case the court ruled that a person who contracts with a class 2 county is by law to ensure that the required certification is obtained, otherwise he volunteers his services since the law forbids the contract. In that case, the architect lost over \$35,000 in fees for work performed. – See *Jablonsky v. Callaway County, 865 S.W.2d 698* (Mo. App. 1993).

These scary stories show the importance of knowing the local requirements before entering into government contracts. Even a signed contract may be voided and your fee placed at risk if all the formalities are not followed. ▲▲

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SURVEY, from page 5

reflect their share of ownership, and the majority of respondents still felt that the rewards outweighed or were well balanced with the risks of firm ownership.

LOWER EXPECTATIONS. Bruce Sadler, a partner at **Austin Brockenbrough & Associates, LLP** (Richmond, VA), a 50-person multidiscipline consulting engineering firm, expressed excitement about 2013 last November in an interview with **THE ZWEIG LETTER**. Since then, he has toned down his outlook.

"Due to our success in 2012, we expect to add to our current

staffing levels by around 10 percent by increasing our marketing/business development staff, acquiring a new service, and adding to our core technical staff," he said in November.

So far, the promise has not materialized.

"Regarding my comments back in November, we have made a couple of the anticipated additions. We hired a business develop manager and added architecture (via a small acquisition) in January," Sadler says. "We have not added any other staff, because we have not seen the anticipated increase in work load for our core businesses. Thus, we are still optimistic, but our first quarter was not nearly as good as expected." ▲▲

PERKS

What do design pros want?

Times have evolved and so have people's expectations. What was once reserved for a few is now offered to all.

By BRYAN SULLIVAN
Correspondent

When professionals in the A/E/P and environmental consulting industry seek positions, what have they come to expect in terms of benefits and perks? It's important for HR pros to know and stay ahead of the curve. So, what is your company offering? Are your benefits and perks strong enough to land you the candidates your firm needs to keep ahead of the competition?

BE AN 'EMPLOYER OF CHOICE'. Erin Bushnell, associate vice president and director of human resources at **Pennoni Associates Inc.**, (Philadelphia, PA), a 1,000-person engineering, design and consulting firm, says that the A/E profession is competitive when it comes to benefits and perks.



Erin Bushnell,
Associate VP
and HR Director,
Pennoni
Associates Inc.

"Typically, the plans we offer in our industry are rich and generous in the cost-sharing structure. We have to find a way to compete for talent that goes beyond the typical benefits by being an 'employer of choice' through our culture and project opportunities," she says. "For example, community involvement is very important to our

firm. We have a grant program that provides funding to employees who participate in charitable organizations in their community."

Bushnell explains that some of the standard benefits that have come to be expected include:

- Health and wellness benefits
- Educational assistance, professional development
- Dues payments for industry groups
- Cell phones and/or reimbursements (depending on the job)
- Tax-free benefits like parking, transit, medical and dependent spending accounts, retirement plans, and time off.

And offering more is slowing becoming a new standard.



Jen Salvesen,
Office Manager,
ARW Engineers.

THE LITTLE THINGS. Jen Salvesen, office manager, **ARW Engineers** (Ogden, UT), a 24-person structural engineering firm, says that it is more than just the standard offerings that candidates are looking for.

"Benefits and perks are becoming an important part of hiring and maintaining quality employees," she says. "Our full-time employees enjoy a great benefits' package, including health, dental, long term disability and 401(k). This type of a benefits package has become standard and expected by prospective employees."

At ARW, perks have also been heavily influenced by technology. As a result, it offers incentives in the form of

cell phones, cell phone reimbursement plans, and iPads.

ARW also offers regular treats for employee birthdays, activity outings such as their annual bowling tournament, and monthly lunch barbecues.

"These perks are small, but very meaningful to all of our employees. After all, as the saying goes, sometimes it's the little things," Salvesen says.

A NEW NORMAL. In many cases, benefits' packages that used to be reserved for seasoned professionals are now being offered to new hires. Why? There is a change in what is becoming "the new standard in the business."



Melissa Lynch,
HR Manager,
Ayers Saint
Gross.

Melissa Lynch, human resources manager at **Ayers Saint Gross** (Baltimore, MD), a 140-person professional design firm, says that it's most important to create a benefit plan that is relatively equal from the top to the bottom.

"In the past, it was common to provide more perks to senior level staff," she says. "Today, A/E professionals are more likely to work for several firms throughout their career, rather than staying at one firm. So, when changing jobs, they expect a benefits' package equal to or better than the firm they are leaving."

Lynch says that flex time and telecommuting have become high on the list of perks that people want.

See DESIGN PROS, page 10

GOOD TO KNOW

Less than a quarter of firms (19 percent) have career "tracks" that employees can follow and less than half (40 percent) restrict the number of professional societies they'll pay for per employee.

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

ON THE MOVE

LEADERSHIP TRANSITION: Structural Consultants, Inc. (Denver, CO), a full service structural engineering design and consulting firm providing services to the building construction industry, and a leader in the implementation of BIM, VDC and integrated project delivery processes, announced the following changes in leadership roles effective as of January 2013.

R. Wayne Muir assumed the title of chairman of the board. Muir, a University of Illinois graduate, joined Structural Consultants in 1984 as an owner, principal and officer. He has played a key role in leadership of the management of all aspects of the firm business activities and served as principal-in-charge of many of SCI's landmark projects over this 29-year tenure. Wayne has served as the president of the firm since 1999. As the chairman, he will continue his involvement in business development, enabling technology and process changes, and driving strategic initiatives and implementation.

Paul Hause has been elected to the office of president for Structural Consultants. Hause joined the firm in 1997 as a project manager, leading technical development and managing key projects. He became an owner in 1999. He has served in the capacity of a managing principal and held the office of vice president since January of 2002, combining principal-in-charge of project duties with overall responsibility for firm operations. Hause has 30 years of experience as a consultant in the construction industry.

Frank Bumgarner has been promoted to vice president of Structural Consultants. Bumgarner joined the firm in 1997 upon graduation from the University of Colorado Denver. Frank became an owner in 2002, and has held the title of principal since 2008. He has served as the senior project manager on key commercial, healthcare, and educational facilities for Structural Consultants. Bumgarner started in the construction industry in 1982 in the masonry trades, and

progressed to the level of superintendent prior to joining Structural Consultants, Inc.

AEROMETRIC HIRES: AeroMetric (Sheboygan, WI), has hired **Ross Amick** as an account manager based out of Gainesville, Ga. In this role he will be connecting with public and private sector clients, particularly in the power transmission and distribution segments. Amick is well known in the industry and brings over 30 years of experience in the geospatial solutions field.

"I'm thrilled to be working for AeroMetric because it's a company that offers the best geospatial services in the industry. My focus will initially be on North American electric utilities, which will allow me to continue to work with my former customers and offer them the added value that working with AeroMetric brings. My background in Geospatial Information Systems and prior work experience will help me be successful in my transition to AeroMetric," Amick said.

Prior to joining AeroMetric, Amick worked as a senior sales manager in Digital Energy for General Electric Company, where he managed a diverse sales territory and served his clients with a focused, consultative approach to the unique problems that utilities face every day. Amick's extensive experience in sales to public utility, rural electric cooperatives, and government clients make him a valuable addition to AeroMetric and an asset to his future clients.

Jim Murray, AeroMetric's vice president for business development said, "Ross brings a tremendous amount of bench strength to our energy solutions team. He has a proven track record of helping clients find the right technology solution for their needs. That fits right into our mission and corporate culture. Ross' industry knowledge and depth of experience will enable Aerometric to expand our reach in the transmission and distribution market."

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"Not necessarily on a daily basis, but offering the flexibility when necessary," she says. "Technology is also key to providing the ability to work from home."

For example, Lynch says that most high-level employees expect at least partial phone/data reimbursement, especially if their position involves extensive travel. Most expect a laptop. Everyone expects high-speed computers, dual monitors and the most up-to-date software.

Younger staff are also concerned with reimbursement of ARE (architect registration examination) testing fees and continuing education benefits.

"In 2008, our firm also converted from a traditional vacation and sick leave plan to a PTO plan; this is very popular with staff on all levels," she says. "Our fitness reimbursement plan is also well received by employees, but generally not expected."

Lynch says, "We've come a long way from benefit plans that consisted solely of health and dental insurance and vacation time."

KNOW YOUR CANDIDATES. Pam Gower, director of HR, **Pond** (Norcross, GA), a 230-person architecture, engineering and planning firm, says that HR pros need to be on top of their game.

"HR professionals need to be prepared to sell the opportunity. It helps them to know the needs and wants of the customer," she says. "If your talent pool is filled with Millennials, you can predict certain desires and tailor your package while selling your opportunity emphasizing that which matters most. Likewise, Gen Xers might have different needs and desires. Knowing your customer matters in HR as much as it does in any other area of practice."

Gower adds that location, travel and flexibility play into benefit offerings too. All these things can be placed on the hiring table.

"I would add that it also helps to know the geographic challenges for working professionals. For example, in Atlanta, offering flexible work schedules is in high demand – across all generations," Gower says. "With one-way drive times topping at one and a half hours in peak rush hour, the ability to adjust schedules around needs of the family and traffic is a very important benefit. Being allowed a little flexibility is reassuring to talented enthusiastic professionals."

Offering education as part of a benefits package is also a no brainer.

"In our industry, continued learning is desired and, in our opinion, critical," Gower says. "We work in an industry that continues to evolve with innovation and lessons learned, often the hard way. Professionals want to have formal and informal access to learning, so providing it as generously as possible is a perk with real leverage." ■▲

TRAINING

Leaders also need to know finances

Most have little formal training, but it's never too late to gain a grasp of the basics.

By LIISA SULLIVAN
Correspondent

Do you find that architects or engineers within your firm struggle to understand finances when they do not have specific financial management/training? If so, what can firms do to get around this?

COMBINE TRAINING AND OUTSIDE EXPERTISE. Humza Chowdhry, principal, **HCSE** (Dale City, CA), a 6-person structural engineering, design and BIM consulting firm, says leaders struggle to grasp the financial aspects of the small business.

Business classes are often missing from today's AEC curriculum, Chowdhry says. As a result, HCSE researched whether it would be advantageous to hire for a financial position within the firm or to look to an outside consultant.

"I decided to invest in 'in-house' training (through literature, and seminars) to increase our understanding of running a business. I also invested in resources such as accountants for QuickBooks' recordkeeping, and ADP for payroll processing," Chowdhry says.

There are many tools available that help HCSE measure the firm's growth from previous years, and also help leaders to properly track expenses and income year over year.

"As new ways of managing and tracking



Humza Chowdhry,
Principal, HCSE.

a firm's financial future become available, we are always looking for new ways to become more self-sufficient," he says.

Gary Ruschke, director of program management support at **B.A.E. Systems** (San

"As new ways of managing and tracking a firm's financial future become available, we are always looking for new ways to become more self-sufficient."

Francisco, CA), a global provider of defense and security products, has an engineering background with limited formal training in finance/financial accounting.

"I was looking for some language, some basic information, so that I could absorb some of the conversations that I was starting to have around financial matters," he says. "I've been exposed more and more in my career to the finance side of the business, but I hadn't had the background to really absorb some of the information that was coming at me. I took a class that provided some basic groundwork in order to make better decisions. I can take that information back and really understand how my department and my function fits into the overall method of how we manage our cash and decisions beyond my department that affect cash."

So, whatever your first language, engineering or architecture, having a fluen-

cy and an understanding of the culture of finance makes you that much more understood. You will become more effective and more of a key company component. You will step into belonging to the whole of your company's growth and success – not just a part of it.

TIPS FOR RESEARCHING TRAINING COURSES. While some believe that engineers and project managers do not need to know about finance and that it's best left to the accountants, that's likely not the most prudent approach.

Engineers and others in technical functions must, at minimum, understand and be conversant with the terminology and statements that accountants use. Technical expertise in projects, service delivery, production or other areas can only really be harnessed if managers understand the accounting and reporting that drives businesses.

Find a course that develops skills in understanding financial and management accounting.

Here are some tips offered by the In-House Training Company, one of the fastest-growing training companies in the UK.

Define training objectives. Do you want to understand the business world in figures? Do you want to make sense of what the accountants are telling you? Do you want to appreciate what drives business – and how this affects your role in your part of the business? Do you want to relate your activities to the success of the business – through

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GOOD TO KNOW

More than one third of firms' financial directors (41 percent) are owners in their firms. Financial directors in large firms are far more likely to be owners than those in small firms.

Source: 2012 Financial Performance Survey, [ZweigWhite: www.zweigwhite.com/p-1141-financial-performance-survey-2012.php](http://www.zweigwhite.com/p-1141-financial-performance-survey-2012.php).

TRANSACTIONS

NEW FIRM BORN: Robison Engineering (Seattle, WA), a player in the hospitality and multifamily development industry since 2000, announced the formation of **Emerald City Engineers** (Mountlake Terrace, WA), a full service mechanical, electrical and plumbing design firm specializing in hotels and multi-unit residential facilities.

“John and Adam have been running the hospitality division independently for the past few years, so it seemed like a natural progression for them to continue on as an independent company,” said Mark Robison, president, Robison Engineering. “I trust they will continue to take good care of all our friends in the business, and wish them great success!”

“This transition has been in the works for some time, and we are excited and confident of the road ahead,” said John Toman, president, Emerald City Engineers.

Previously the hospitality and multifamily division of Robison Engineering, Emerald City Engineers will focus on design and consulting services for hospitality, multifamily and senior housing. Robison Engineering will continue to focus on restaurant, fast food, bank, retail general (tenant improvement) design, and remodel work.

“Our mission is to provide high quality professional engineering services while delivering a product that meets the expectation, schedules, and cost objectives of our clients,” said Adam French, vice-president of Emerald City Engineers. “Our approach is to reinforce collaboration among trades, bring a positive team-oriented attitude, and most importantly, achieve the goals of our clients.”

Emerald City Engineers will be moving into their new offices on May 6.

LJA ACQUIRES: LJA Engineering, Inc. (Houston, TX), a 290-person full-service consulting engineering firm, has acquired **Grounds Anderson, LLC**, a Houston-based firm that, since 2004, has specialized in storm water management, analysis and design of water resource systems, and Geographic Information Systems (GIS) technology.

Grounds Anderson staff are skilled in the execution of engineering, computer modeling, GIS and Light Detection and Ranging (LiDAR)

technology.

“Dr. John Grounds and Elle Anderson have been industry leaders in floodplain hydrology and mapping for more than nine years,” said Calvin Ladner, president of LJA. “Their inclusion in the LJA family greatly strengthens our Water Resources Division.”

The addition of Grounds Anderson’s innovative water resource systems and floodplain management expertise complements LJA’s 40-plus year history of providing successful solutions to complex drainage, detention and flood control challenges in Houston and the surrounding areas. Key Grounds Anderson staff, John Grounds and Elle Anderson, successfully managed the completion of the largest and most technologically advanced flood insurance study in the United States for all of Harris County – the Tropical Storm Allison Recovery Project for Harris County Flood Control District.

“We are pleased to combine our strengths with LJA to continue to offer superior services in flood plain management and water resources,” John Grounds said.

Grounds Anderson’s principals are very active in the water resources community and are members of and on the boards of numerous professional associations and organizations, and have authored more than 50 technical publications and presentations related to extreme rainfall events, Geographic Information Systems, LiDAR, and floodplain management.

“Grounds Anderson brings significant experience in working with both the Harris County Flood Control District (HCFCD) and with Federal Emergency Management Association (FEMA) on large complex flood modeling and mapping projects. In addition, John and Elle are leaders in the development of tools to efficiently evaluate and map flood conditions for both public and private clients. They bring significant experience, capability, and technical expertise that complements and enhances LJA’s strong Water Resources staff,” said Dave Winslow, LJA’s senior consultant.

In addition, Grounds Anderson brings extensive knowledge of GIS, which will complement LJA’s GIS strategies which continue to be at the forefront of emerging technology providing value-added services for our clients.

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figures. Do you want to gain the necessary skills to advance in management? Financial awareness is a “must have” if you are to progress in your career.

- **Research training formats.** It’s advisable to find a course that is practical and hands-on. People learn by doing. Typically, a two-day program that is made up of straightforward, plain-speaking lecture sessions, interspersed with practical exercises and case studies, works best. Some programs may even be tailored to reflect your organization’s internal budgeting and control systems. Examples can be taken from your own (or your competitors’) reports and accounts and specific regulatory or practical issues relevant to your particular sector can be highlighted.
- **Find an expert.** If you can find an expert who has a background in A/E and finance – all the better.
- **Review course outline.** A solid course should address the following: accounting functions; financial versus management accounting; understanding basic financial statements, balance sheets and income statements (P&L accounts); the driving forces behind financial information; performance measures; accounting concepts and the accounting rules; accruals; the importance of cash flow; levels of borrowing; capital expenditures; budgeting; costing; reading financial statements; and performance measurement. ▲▲

MERGER & ACQUISITION SURVEY: Is your firm considering a merger, an acquisition, or a sale? Or have you recently completed a merger or acquisition transaction? If so, then you’ll want to see the survey results in the 2013 “Merger & Acquisition Survey of Architecture, Engineering, Planning & Environmental Consulting Firms.”

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

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

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

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/p-2146-Merger__Acquisition_Survey__2013.