

It's all about people!

Three lessons the design industry can learn from a successful auto dealership.

Those of us who are leaders cannot fall into despair. We can keep growing by doing better than other firms in so many small ways, but first and foremost by how we treat people inside and outside of the company.



Mark
Zweig

EDITORIAL

I feel fortunate to be a consultant to the design industry and entrepreneurship professor. I get to meet many cool people – and see success in places and markets where the average person thinks it's impossible.

I love seeing businesses be successful in crowded, mature industries where the market is either stagnant or declining. (Does that sound like the A/E business to anyone?) We did it with our design/construction/development firm (Mark Zweig, Inc.) here in Fayetteville. During the worst housing market in 50 years, we grew every year AND established new standards in terms of price-per-square-foot. We did it by offering a different level of quality and service, along with using traditional design and real materials – and a small segment of the market responded by giving us their business. But that's not what I want to talk about today.

Also here in Fayetteville is the Lewis family. They run a fourth-generation, family-owned enterprise that owns car dealerships. They have three new car stores, two used car lots, and a large body shop, each in separate

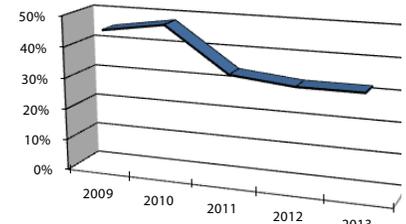
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TRENDLINES

Budget stability



The 2013 "Policies, Procedures, & Benefits Survey" finds that the percentage of A/E/P and environmental consulting firms with a recruiting/human resources budget has remained the same this year. In 2013, 32 percent of respondents to the survey report that they have a recruiting/HR budget, the same as 2012. Last year, the percentage of firms with a HR budget decreased 2 percent, from 34 percent the previous year. In 2011, this number dropped 14 percent, from a five-year high of 48 percent in 2010.

– Margot Suydam, Survey Manager

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locations. Over the course of several years, I have purchased many vehicles from them. Their Ford store has been setting new sales records every year since 2009. A big part of that is their charismatic 30-year-old general manager, Matt Lewis. I met him and befriended him several years ago and have been very impressed with how he does things. I had him come speak to my classes this week and thought I would share with you some of his secrets for success. I believe their business practices would serve architects and engineers (and just about any firm) well. Here's some of what Matt had to say:

Our principals and project managers need interpersonal skills training so they make people like them more readily. And we need to be willing to discuss costs with clients quickly in a straightforward manner.

1) No one will buy anything from you until they answer three questions.

Those are: 1) Do I know this person; 2) Do I like this person; and, 3) Do I trust this person? Think about that. Familiarity breeds trust. When the other person shows genuine interest in you, you're more likely to like them. And when they provide helpful information, you're more likely to trust them. They go out of their way to greet people by name when you go in their dealership. Their salespeople are trained to ask questions to establish a relationship. And they do something no other dealers do to build trust. That is, they give you a price they will buy your trade-in for whether or not you buy a vehicle – any vehicle – from them. That avoids the games and disappointments car dealers use everywhere else. They also show any buyer a computer printout of six different financing scenarios for every vehicle they quote a price on.

The implications for our business are that we need a strong brand name that is familiar to the clients we're pursuing. Our principals and project managers need interpersonal skills training so they

make people like them more readily. And we need to be willing to discuss costs with clients quickly in a straightforward manner.

2) You have to take care of your internal customers. By "internal customers" Matt is referring to their employees. He said something I have been saying for years. That is that unhappy, pissed-off employees will not be able to sell your services! In a historically high turnover business, they have managed to keep some key people for 20, 30, and even 40 years in a family-owned business (and family-owned enterprises typically have problems with that). The way they do it is by being nice. Matt never beats on or berates anyone. And they train their managers to look at themselves if they're having performance problems with any of their staff. Has the manager given the employee the necessary training and time to succeed? If not, they must do that before Matt will even entertain their complaints about someone. They also put up many hurdles for any family member who wants to work there as an employee. They won't hire you until you first work elsewhere to prove yourself. And then all family members have to go through a two-year rotational period where they work in every single department within the business – from accounting to service, from financing to sales to parts, all for non-family managers. Then top managers hold a caucus to decide if the family member can have a job there and if so, what the best place would be. Matt also interviews every single new potential employee they hire to make sure they have the right stuff to succeed.

The implications for those of us in the A/E business are that long-term employees who are happy have long-term relationships with their clients. That breeds familiarity and trust and helps you sell more of what you do. And while family business is perhaps not as prevalent in our industry as in some others, if you do employ other family members you'll be served best by creating some systems to make sure they are valuable contributors who establish their credibility with non-family member employees. Finally, the CEO needs to be involved in hiring. It's just too critical to abdicate.

3) Last but not least, Matt talked about how his job as the leader is to stay "up." He said that if he came in and called his people together and talked about how bad the economy was and the car business was and how they all needed to hunker down, everyone

there would start looking for a new job. He has to be the most optimistic person there every day, with a smile on his face and a message of hope. "The pie is still there – and while it may be smaller, they can get two pieces."

The implications for those of us in the A/E business are that long-term employees who are happy have long-term relationships with their clients.

The implications for us in the A/E business are obvious. Those of us who are leaders cannot fall into despair. We can keep growing by doing better than other firms in so many small ways, but first and foremost by how we treat people inside and outside of the company. While the overall market may be stagnant or on a decline, the market is still huge, and we all have the opportunity to grow just by being better. ▲▲

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GOVERNANCE

Examining organizational structure

What works for one firm may not work for another, but make sure that roles are clear.

By LIISA SULLIVAN
Correspondent

A firm's organizational structure is all about leveraging talent – or it should be. Organizational structure should be thought of as a management tool to help you to meet client needs, while promoting growth and profitability.

TRICKLE DOWN STRUCTURE. Geoffrey Butler, an architect and president of **Butler, Rosenbury & Partners** (Springfield, MO), a 18-person architecture, structural engineering, planning and development firm, says that under the corporation, the board of directors' sole responsibility is to monitor the firm's performance, establish goals and objectives for the



Geoffrey Butler,
President, Butler,
Rosenbury &
Partners.

als to manage all the tasks under his charge described above and those people report directly to him. Butler may delegate authority to those professionals to do certain functions as he deems necessary or appropriate.

"Ultimately, the president/CEO reports to the board on a quarterly basis (or more often if necessary) regarding the firm's performance and accepts responsibility for same," Butler says.

The board also establishes the strategic goals and objectives for the firm and may make suggestions regarding markets and business opportunities (usually with the president's guidance and advice).



John Bierschenk,
CEO and
President,
TerraTherm.

DEPARTMENT LEADERS AS DECISION-MAKERS. **TerraTherm** (Gardner, MA), a firm specializing in the development and implementation of in situ thermal remediation of organic contaminants in subsurface source zones, organizes its operational structural around areas a of business and technical expertise – often blending both is a single position.

John Bierschenk, co-founder, CEO and president, has overall responsibility for general management of the company. In addition, he serves as TerraTherm's vice president of operations and contracting manager.

Ralph Baker, co-founder, chairman and chief scientist, continues to be a leader in the company's business development and R&D efforts; he manages

TerraTherm's marketing and intellectual property programs and serves as a principal-in-charge and technical director on selected TerraTherm's projects.

Gorm Heron is TerraTherm's senior vice president and chief technology officer. He provides technical leadership and oversight in the design and application of ISTR and combined ISTD/SEE/ET-DSP systems. He is also TerraTherm's lead on international ISTD projects.

Finally, James Galligan is TerraTherm's vice president of engineering. He has extensive experience in cost estimating and health and safety management and has been instrumental in each of the detailed remedial design and implementation efforts that TerraTherm has carried out.

When it comes to overall organization structure, Bierschenk explains that there are specific department managers for the following four main areas of operation: program management, engineering, field engineering, and fabrication facilities. Each operations team has its own supervisor/manager and these people understand the inner workings of their teams (i.e., people, resources and equipment needed). They are the ones who identify specific needs and then the task is passed off to the appropriate person.

For example, if a supervisor needs another person on a team, that is brought to the attention of the HR manager, who then begins the recruitment process. Typically, three people are narrowed down for interviews and then the supervisor gets to make the final decision on who is hired.

As far as strategic guidance goes at TerraTherm, this is handled by the senior management team (the CFO, chief

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"Ultimately, the president/CEO reports to the board on a quarterly basis (or more often if necessary) regarding the firm's performance and accepts responsibility for same."

firm and to hire (or fire) the president/CEO.

The CEO is responsible and has the authority for hiring and firing, finance, record keeping, projects, and other executive level duties. As president, Butler has the authority/responsibility to retain the necessary staff/profession-

GOOD TO KNOW

The vast majority of principals (88 percent) have voting rights in their firm. Only 23 percent of principals report their firm's board of directors includes external board members.

SOURCE: 2012 Principals, Partners & Owners Survey, ZweigWhite.

A/E BUSINESS NEWS

AIA AWARDS LATROBE PRIZE: The American Institute of Architects College of Fellows has awarded the 2013 Latrobe Prize of \$100,000 for the proposal, "Urban Sphere: The City of 7 Billion."

The research will study the impact of population growth and resource consumption on the built and natural environment at the scale of the entire world as a single urban entity.

An antidote to the fragmentary analyses of current practices, this project will remove arbitrary boundaries and reframe the entire world as a continuous topography of development: the city of 7 billion. One result of the research will be a website architects can use to retrieve multiple datasets on a specific site anywhere on the globe.

The grant, named for architect Benjamin Henry Latrobe, is awarded biennially by the AIA College of Fellows for research leading to significant advances in the architecture profession.

The project team is comprised of Bimal Mendis and Joyce Hsiang of the Yale School of Architecture and Plan B Architecture & Urbanism, LLC. The project's nine-person advisory committee includes Robert A.M. Stern, dean, Yale School of Architecture, Thomas Fisher, dean, College of Design, University of Minnesota, and Phil Bernstein, vice president, Autodesk.

The investigators will create a holistic geospatial model of the world. They will map, spatialize and integrate multiple sets of data, including demography, finance, geography, infrastructure and resources.

By comparing and correlating these different factors with population growth, this research project will analyze patterns of urbanization, determine how resources can be allocated more efficiently and anticipate the pressures and effects of development. The multi-scalar model will allow for a finer-grain analysis of specific sites and regions – with particular emphasis on North America – as part of a global network.

One outcome is to advance the role architects can play in addressing the challenges of global urbanization. The work seeks to increase the scope of the profession by providing techniques and tools for architects to engage in developing solutions to the global crisis of urban growth.

The project will: provide practitioners with an open-source comprehensive site analysis of the entire world for use on any project; provide an important and useful reference that will enable practitioners to locate and incorporate global considerations for any given site; and consider the ramifications of a project on global resources. As an

interdisciplinary representational tool, the research project will also reveal issues to the public that the scientific and political communities have been unable to effectively communicate; and empower people to act. The project will be completed in 2015.

The 2013 Latrobe Prize Jury includes; John Regan, (jury chair), Texas A&M University; Harold Adams; Wayne Drummond, University of Nebraska-Lincoln; Henry Green, National Institute of Building Sciences; Laura Lee, Carnegie Mellon University; Monica Ponce de Leon, University of Michigan; Ronald Skaggs, chancellor, AIA College of Fellows and William Stanley III, vice chancellor, AIA College of Fellows.

See more at: www.aia.org/press/AIAB097878#sthash.uCEjYZ9u.dpuf.

HOUSING POLICY CHANGE PROPOSED: A bipartisan commission of former cabinet secretaries, former senators and other leading housing and economic experts unveiled a new vision for housing policy on Feb. 25 that aims to further our nation's economic recovery and improve the lives of millions of Americans.

The recommendations propose scaling back the government role in the nation's housing finance system and reforming housing assistance programs to better meet the needs of America's most vulnerable households.

The commission is co-chaired by former Senate Majority Leader George Mitchell, former Senator Christopher "Kit" Bond, former Senator and HUD Secretary Mel Martinez, and former HUD Secretary Henry Cisneros, and includes 17 other individuals from diverse professional and political backgrounds.

The report from the Bipartisan Policy Center's Housing Commission, entitled *Housing America's Future: New Directions for National Policy*, proposes a new housing finance system that calls for a far greater role for the private sector, a continued but limited role for the federal government, the elimination of Fannie Mae and Freddie Mac, and reform of the Federal Housing Administration to improve efficiency and avoid crowd-out of private capital.

Through these reforms, the plan would address the broken mortgage finance system while creating a stable and strong housing market that provides greater taxpayer protection and supports a more vibrant economy.

"At this critical time in our nation's history, we can no longer afford to defer bipartisan action on housing," said the co-chairs in an op-ed in *POLITICO* article. "We believe our report can serve as a framework for Congress and the administration to act in the best interests of all Americans."

RESOURCES

2013 INDUSTRY OUTLOOK: Drawing from analysis from ZweigWhite's expert management consultants, data from ZweigWhite's management surveys, interviews with industry leaders and forecasters, and a survey of A/E/P and environmental consulting firm leaders, the 2013 A/E/P and Environmental Consulting Industry Outlook will provide you with the kind of insider information that you can use to make business decisions so that 2013 is a more successful year, and to prepare your firm for continued prosperity.

- Develop more informed and accurate strategic business and marketing plans for 2013 with this valuable and timely information
- Know what to expect in your target markets in 2013 so you can position your firm to profit
- Identify which markets will be hot and which will be cold in 2013
- Stay a step ahead of the competition by capitalizing on the business trends that will shape the A/E/P and environmental consulting business in 2013 and beyond
- Find out which opportunities and obstacles to expect in 2013, so you can take advantage or take cover
- Eliminate the hassle of "do-it-yourself" market research and save thousands of man-hours of labor
- Arm yourself with market insight to make 2013 the year of the economic turnaround.

In these extraordinary times, A/E/P and environmental consulting firm leaders need access to extraordinary insight and information about what to expect and how to handle the myriad of challenges currently facing them.

Will the struggling residential housing market continue to weigh down the economy? Will the A/E/P and environmental consulting industry plateau in 2013, grow worse, or recover? Will unemployment rates improve as a result of federal initiatives?

When can A/E/P and environmental consulting firm leaders expect to see a real, sustained improvement?

Knowing the answers to these questions can give your firm an edge on the competition.

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/p-2152-2013-aep-and-environmental-consulting-industry-outlook.

ECONOMY

Signs or a renaissance emerging

Architecture billings are up and construction unemployment is down – and that’s good news.

Widespread positivity is returning to the design industry. With good news coming on the employment front and workloads increasing, both analysts and professionals are saying that this time the recovery is for real.

EMPLOYMENT UP. Revised government data issued shows the construction industry is contributing substantially to economic and employment growth, according to an analysis by the Associated General Contractors of America. In a press release, association officials noted that construction employment rose for the eighth consecutive month in January, while construction spending in December increased for the ninth month in a row. Both totals were the highest levels in more than three years.

“The new employment data show the industry lost even more jobs in the recession than previously estimated but has added almost 300,000 jobs in the past two years, including nearly 100,000 since September,” Ken Simonson, the AGC’s chief economist, said in the release. “Meanwhile, the steady rise in construction spending since last March suggests contractors will be hiring even more workers in the months ahead.”

Construction firms employed 5.731 million people in January, a gain of 28,000 from December and 102,000 or 1.8 percent from a year ago, Simonson said. The industry unemployment rate, which is not seasonally adjusted and thus is typically high in January, fell from 17.7 percent in January 2012 to 16.1 percent a year later.

Both residential and nonresidential construction added jobs for the month and year. Residential construction – building and specialty trade contractors – added 14,500 jobs in January and 53,200 (2.6 percent) over 12 months. Nonresidential construction – building, specialty trade and heavy and civil engineering firms –

expanded by 13,700 employees in January and 48,900 (1.4 percent) over the year-ago level.

Construction put in place totaled \$885 billion in December, the most since September 2009 and a pickup of 0.9 percent from November and 7.8 percent compared with December 2011, the AGC said. Private residential construction spending jumped 2.2 percent for the month and 24 percent year-over-year. Private nonresidential spending grew 1.8 percent and 7.6 percent, respectively. These increases more than offset a plunge in public construction spending of 2.6 percent for the month and 17 percent over 12 months.

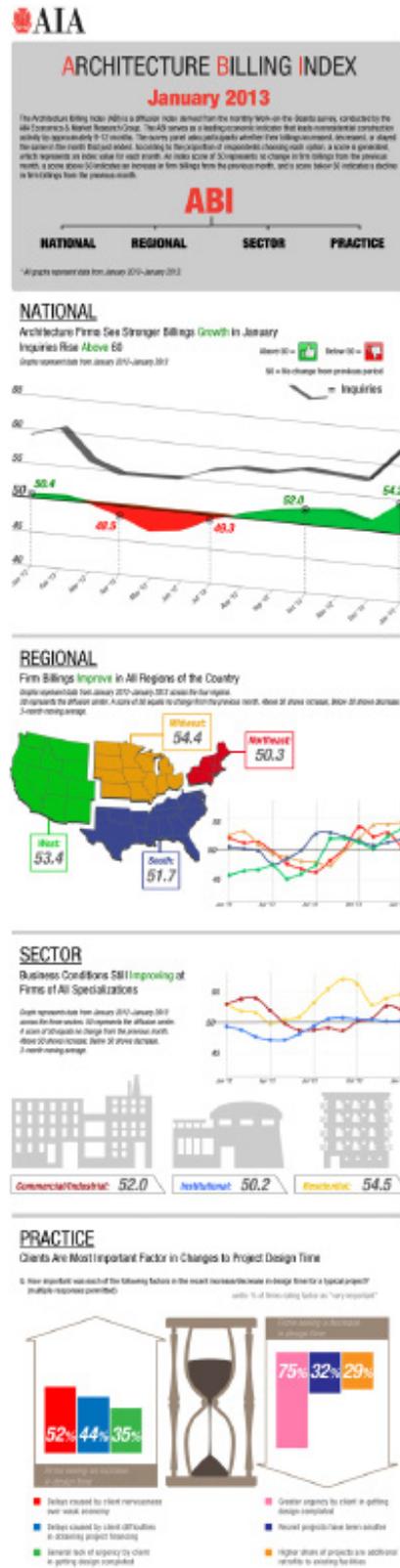
“We are likely to see continued strong growth in single- and multifamily homebuilding, moderate increases in private nonresidential construction and shrinking public investment levels for the next several months,” Simonson said. “Those trends, in turn, will lead to a steady increase in the number of construction jobs.”

AGC officials said the rosy outlook could be undermined if public officials do not begin to increase investment in construction. They urged Congress to avoid an abrupt slowdown in federal funding that would occur if an across-the-board spending sequestration or a government shutdown occurs in March.

“Instead of making short-sighted cuts in programs to provide flood protection and clean water systems, Washington officials need to find a way to address out-of-control entitlement spending,” Stephen Sandherr, the AGC’s CEO, said in the release. “And we must continue to give the private sector the kind of stability and certainty it needs to thrive.”

ABI RESURGENCE. As **THE ZWEIG LETTER** reported last week, the Architecture Billings Index has returned to robust growth. The ABI climbed to 54.2 in January, signifying the strongest growth in five and a half years.

According an article by Jennifer Riskus released by the American Institute of Ar-



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PMP exam changes in 2013

Here's what you need to know, along with some recommendations for PMP candidates.

The fifth edition of A Guide to the Project Management Body of Knowledge: (PMBOK Guide) was published in December, 2012. It is the latest edition of this global project management standard published by the Project Management Institute. The release of this new edition has consequences for anyone who is preparing for (or thinking about preparing for) the project management professional exam.

In a nutshell: On July 31, 2013 the PMP exam will be revised to be consistent with the PMBOK Guide fifth edition. Here are my recommendations for all PMP aspirants out there:

GENERAL RECOMMENDATION. There is no better time than now. If you want to get PMP certified then start studying right away and plan on taking your exam before June 30, 2013. You want to get your exam out of the way at least one month before the actual exam change, because the last four weeks before the changeover will see a mad rush. PMP candidates all over the world will be scrambling to “squeeze” their exam dates into July, so seats at the testing centers will be hard to get.

YOU ARE TAKING THE PMP EXAM BEFORE JULY 31.

If you are taking your PMP exam before the changeover, then you are taking the “current” PMP Exam. This exam is based on the PMBOK Guide fourth edition (published in 2008). Minor updates have been made to this exam in 2011. You must ensure the following:

- Study the PMBOK Guide, fourth edition
- Ensure that all your study materials are based on the PMBOK Guide, fourth edition
- Ensure that any online or in-classroom prep courses you take are based on the PMBOK Guide, fourth edition

YOU ARE TAKING THE PMP EXAM ON/AFTER JULY

31. If you are planning to take your PMP exam after the changeover, then you are taking the “new” PMP Exam. This exam will be based on the PMBOK Guide, fifth edition (published in 2012). You must ensure the following:

- Study the PMBOK Guide, fifth edition – it's already available in stores
- Ensure that all your study materials are based on the PMBOK Guide, fifth edition
- Ensure that any online or in-classroom prep courses you take are based on the PMBOK Guide, fifth edition



Cornelius Fichtner

GUEST
SPEAKER

- Contact your training material provider before you buy any materials that aren't clearly marked with “Updated for PMBOK Guide, fifth (5th) edition” or a similar notice.

You should also avoid scheduling your exam exactly on July 31. This is the day of the changeover and who knows what might happen. Furthermore, in the past PMI has used the first few weeks after introducing a new exam to update its examination reporting processes. This meant that for a short period of time examination results were not available immediately following the examination. So in essence you won't know right away if you have passed or not. If you fall into this period then what you should do is smile: Yes! Smile with the knowledge that you are helping PMI to assess the new exam. You have just done a great service to PMI and all other PMP exam takers coming after you.

ASK ABOUT PMP EXAM PREP PRODUCT UPDATES. PMP exam training providers across the globe are currently working hard to update their products. Ask your training provider by when their new materials will be available and if you get a discount as a current customer. Remember that even though you may plan on taking your exam before the changeover there is a chance that you may get delayed and then you'll have to take the “new” exam. So you want to make sure that you don't have to pay the full price again to buy all the updated material. Expect to pay some, but not full. As an example, here is how we do it:

See CORNELIUS FICHTNER, page 8

There is no better time than now. If you want to get PMP certified then start studying right away and plan on taking your exam before June 30, 2013.

State of the subs

If a sub is in over their heads, find out and address the problem as soon as possible.

Quality, cost and schedule are ultimately delivered by construction managers (CM) subcontractors (subs). The subs produce and provide most of the labor and material on a project.

The more the project design team, owner's representative, and owner's users are aware of any sub issues the better. It is usually too late to head-off an issue once the CM has notified the project team officially that there is a sub issue. This issue is especially prevalent in today's cost-cutting environment. In order to cut costs or deliver a low bid, CM's may contract with subs that may not be qualified to deliver.

The recent economic times have taken a toll on most in the industry and subs are no exception. A sub with a previous outstanding track record and reputation may not be the same sub today.

The CM has typically hired the sub directly. So there is a direct motivation on the part of the CM for the sub to deliver. Recent experience has seen the CM enable subs to miss deadlines or ignore red flags early on that become much larger problems later.

The CM may be relying on past experience with a sub and chalk up an early missed deadline to a "one off" day, not knowing that the sub has dramatically changed in its ability to deliver due to lay offs, lost revenues, or cheaper less experienced labor. So the CM does not notify anyone early on and may not address the looming issues.

If more project stakeholders are aware of any sub issues early, many problems could be addressed before they affect the project quality, cost and schedule. Some ways to become aware of sub issues and immediate cost-effective solutions:

- 1) Include a sub report from CM at owner meetings
- 2) Watch for early change orders from same subs and understand the big picture issue for this sub
- 3) Hire additional labor to supplement the sub
- 4) Watch for sub constantly requesting to use alternate materials
- 5) Watch for sub installing unspecified materials and asking for forgiveness later, when identified

If a sub is in over their heads find out and address the problem as soon as possible.



JEFF
NUNNER

QUICK TAKES

No one – including the CM – should work in a vacuum and addressing issues early increases potential for favorable results. ▽▲

JEFF NUNNER is a professional engineer and certified building contractor with 25 years experience specializing as owner representative nationwide. To learn more visit his website at www.nunnerprojects.com or send an email to jnunner@comcast.net.

The more the project design team, owner's representative, and owner's users are aware of any sub issues the better. It is usually too late to head-off an issue once the CM has notified the project team officially that there is a sub issue. This issue is especially prevalent in today's cost cutting environment.

CORNELIUS FICHTNER, from page 6

Our company is a PMI Registered Education Provider (R.E.P.) and we offer a suite of PMP exam preparation products. It is our objective to have all products updated for PMBOK Guide fifth edition and available for purchase by June 30th 2013. Customers who have purchased our current training materials and who need to purchase the updated materials for the "new" PMP Exam will be able to purchase the updated materials at 1/3rd of the retail price. This upgrade offer is available until October 31st 2013.

FINAL RECOMMENDATION. My final recommendation to

all PMP candidates is that you should plan ahead. Look at your schedule availability for the coming months and factor in time for personal and professional activities like vacations, trade shows, family gatherings, weekend work, etc. If you determine that you can commit about one- to three hours every day for 10 weeks and study for your PMP exam, then go ahead and get your certification done now. But if you have the slightest doubt about your schedule availability, then postpone your exam until after July 31. ▀▲

CORNELIUS FICHTNER, PMP is a noted PMP expert. He has helped over 20,000 students prepare for the PMP Exam with The Project Management PrepCast and The PMP Exam Simulator.

RENAISSANCE, from page 5

chitects, which compiles the ABI, architecture firm billings continued to grow at firms in all regions of the country in January, with business conditions remaining strongest in the Midwest.

"The 54.2 score is right on the money," Lee Askew, a principal with **Askew Nixon Ferguson Architects** (Memphis, TN), told the Memphis Business Journal. "We've been busy since the beginning of last fall and I'm very encouraged. The economy seems to be turning around."

The AIA asked members of its Work-On-The-Boards panel if they had seen

any recent changes in the length of time required for project design activities. Just over one third (37 percent) indicated that the design phase for a typical project has decreased over the last two years, while just over one quarter (27 percent) reported that it had increased. The remainder said that it had stayed the about the same. A slightly higher share of firms with a residential specialization indicated that the design phase has increased (31 percent), while 40 percent of firms with an institutional specialization found that it had decreased in the last two years, Riskus wrote.

For firms that have experienced a de-

crease in project design time, the vast majority of architecture firms (75 percent) reported that greater urgency from the client to get the design completed was a very important factor. Firms considered increased project simplicity and the use of BIM to be less important factors in decreasing project design time. When asked about the importance of factors increasing project design time, 52 percent of respondents rated delays caused by client nervousness over the weak economy as very important, followed by 44 percent who rated delays due to client difficulties in obtaining project financing as very important, Riskus wrote. ▀▲

ORGANIZATIONAL, from page 3

technology officer, chairman of the board, vice president of engineering and vice president of management information systems).

"They meet to discuss the markets," Bierschenk says. "For example, we are currently looking into Australia. We will discuss the demand and stage of technology acceptance. It's important to examine not just the aspects of one project, but if entering into a new market or country, you must ask if it will be long term. There's a lot to consider when making a decision to work in another country. Can we win the project? Is it for the long term? Is the project specific to our technology? We examine the overall opportunity and then screen each project site; there is a comprehensive questionnaire and process. We are very opportunistic. We have to be – we are a small company and it has to be an excellent opportunity."

RESPONSIBILITY LIES WITH EACH OFFICE. Allen Cadden, director of



Allen Cadden,
Director of
Strategic
Development,
Schnabel
Engineering.

strategic development, **Schnabel Engineering** (Glen Allen, VA), a 292-person geotechnical engineering firm, says that Schnabel's branch offices have growth and budget responsibilities. As such, decision-making is generally decentralized and a responsibility of leadership within each geographic area, with executive leadership providing coordination and oversight.

"Schnabel's director of strategic development works with a strategic focus group and Schnabel's board of directors to develop the firm's strategic plan, and refines actions and measures annually," he says.

ONE SIZE DOES NOT FIT ALL. Edward Friedrichs, a consultant with ZweigWhite and the former CEO and president of **Gensler** (San Francisco,

CA), a global architecture, design, planning and consulting firm, says that there is no one-size-fits-all formula for governance or organizational structure.

"I can't even give you five templates; a menu from which you can find the model that fits your firm the best. In a healthy and growing firm, size, work mix, geographic footprint, personalities (who is best suited to lead various functions) will and should continue to evolve," Friedrichs wrote in an article published in the Feb. 11 issue of **THE ZWEIG LETTER**.

Friedrichs explained that when he was at Gensler, the firm grew from one office in one city with a handful of people in 1969, to 2,400 people in 25 offices around the world in 2003. Today, the firm has 3,500 people in 42 offices.

"When I was there, our governance structure needed to continually adapt, and it did. As I speak with Gensler's firm leaders today, their governance continues to evolve," he wrote. ▀▲

GOVERNANCE

Hiring and firing – the decision-makers

Although this can be difficult, employers must realize that the timing of these decisions can have a significant impact on business.

By BRYAN SULLIVAN
Correspondent



Rachel Edwards,
Director of
HR and CFO,
CobbFendley and
Associates, Inc.

“I find that our intuition plays a greater role than we would want to admit to and we ultimately need to sift out the facts from the feelings.”

Hiring personnel is a challenge, but firing personnel may often prove to be even more difficult. And while firms have different processes in place, navigating those policies (plus those governing firms on a state and federal level) can be tricky. The first step is to clarify who can hire and who can fire.

On one hand, hiring can be very a joyous time. This typically means that your firm is growing and you are able to offer a position to someone in need. It’s a win-win situation. On the flip and somewhat darker side, firing can be upsetting to not only the person on the receiving end of this action, but also for the person executing the task. So, who handles these tasks at A/E firms? Once again, we turned to the field and asked for their guidance. Most firms said that hiring and firing are two of the most important actions within their control.

LEAVE DISCRETION TO DEPARTMENT MANAGERS. Rachel Edwards, director of human resources and CFO at

CobbFendley and Associates, Inc. (Houston, TX), a 186-person professional civil engineering and land surveying services firm, says that its department managers, senior management, and human resources all have the authority to hire and fire staff.

“In recent years, CobbFendley has worked to standardize the hiring and firing process across all departments and locations,” she says.

As part of this process, HR has conducted internal training sessions on the proper ways to hire and fire staff to ensure compliance with internal policies and federal regulations.

“Hiring decisions are typically made at the department level once a manager identifies the need for additional staff,” Edwards says. “The department manager will work with HR, a recruiter, or through referrals to gather résumés and conduct interviews of prospective employees. Once a qualified applicant has been determined, the department manager prepares an offer letter and submits all of the applicant’s information to CobbFendley’s Compensation Committee for review and approval. Once approved by the committee, an offer is extended to the applicant.”

Firing decisions at CobbFendley are also generally left to the discretion of department managers, with some input from HR. Exceptions to this process may exist when certain policy vi-

olations are observed, at which time senior management may be called upon to assist in firing decisions.

IT’S A TEAM EFFORT. All firms we talked with said that hiring and firing should be a team effort because the overall outcome of how these actions are executed can determine the future success of any firm. Proceeding with caution in both areas is advised. Hiring too quickly can lead to all sorts of issues, and firing abruptly can also wreak havoc.



Rob Evans,
Recruiting
Manager,
O’Neal, Inc.

Rob Evans, recruiting manager, **O’Neal, Inc.** (Greenville, SC), an industrial engineering and construction company, says, “Workforce management responsibility at O’Neal is a team effort. Hiring and firing decisions are typically made at the supervisory level with input from senior

management, depending on the position and circumstances. Our recruiting process involves targeting specific individuals and companies, and utilizing our extensive industry relationships to generate qualified candidates. We focus on providing our team members with all the tools and support they need to succeed, but occasionally we reach a decision to release someone, and when we do, that process moves very quickly.”

DO IT RIGHT THE FIRST TIME. Firms also agree that it’s best to try and do it right the first time; it saves time and money.

Cynthia Liu, president and CEO at **En-**
See HIRE AND FIRE, page 10

●●●● GOOD TO KNOW

The **majority of firms** (65 percent) have **probationary periods** for new employees. Among firms with a probationary period, the median length is **five months**.

SOURCE: 2012 Policies, Procedures & Benefits Survey, ZweigWhite.

ON THE MOVE

HELIX ELECTS BOD DIRECTOR: **HELIX Environmental Planning, Inc.** (La Mesa, CA), an environmental planning and consulting firm with offices in southern and northern California, elected a new outside director to its board of directors.

"I am honored to be on the HELIX Board of Directors and look forward to contributing to the overall strategy in their quest for becoming the leader in environmental and natural resources services," said **Lisa Larrabee**.

Larrabee, president and CEO of **Harris & Associates** (Concord, CA), a planning, design, and construction management firm, has over 21 years of experience in infrastructure and development services, business development, due diligence and acquisitions.

Her experience prior to joining Harris & Associates includes eight years as VP and COO of a West Coast, multi-disciplinary environmental consulting firm, and she also served as the senior VP of a national consulting firm, leading the firm's 500-person, \$80 million environment and planning division.

"We are thrilled that Lisa has joined HELIX's board. Her intimate knowledge of the environmental consulting market, combined with her passion for excellent corporate governance, make her ideally positioned to help HELIX achieve its strategic goals and expand throughout the western United States," said Michael Schwerin, HELIX's CEO.

HELIX, founded in October 1991, has five members on its BOD. The firm has included at least one outside director on its board every year since 2008, when the firm's employee stock ownership plan purchased a controlling interest in the company.

BOHANNAN HUSTON HIRES: **Bohannon Huston, Inc.** (Denver, CO), a 180-person civil and structural engineering services, surveying and mapping services firm, announced that **Frank Kerstetter** has joined the firm to lead its engineering technologies division in Denver.

Kerstetter is the former engineering application unit manager at CDOT and brings 25 years of transportation and engineering information technologies experience to the team.

"We're thrilled to have Frank join our team and bring his expertise to our transportation and engineering technologies services," said Leslie Small, who is senior VP of BHI's engineering technologies division. In his new role, Kerstetter will be managing the CDOT CEST (CDOT

Engineering Software Transition) project team as well as providing a vision for BHI's portfolio of engineering technologies service offerings, including CADD consulting and customization, training, content management, productivity enhancements, and process mapping solutions.

"Bohannon Huston continues to demonstrate our commitment to serving Colorado and the Rocky Mountain front range with a high degree of expertise and experience," said Brian Burnett, president of BHI. "We are proud of our reputation for quality services and we are very pleased that a strong leader like Frank Kerstetter has joined our team."

SCHNABEL PROMOTES: **Schnabel Engineering, Inc.** (Glen Allen, VA), a 300-person geotechnical engineering firm, announced the promotion of **Jonathan Pittman** to associate. Pittman has 11 years of experience in dam and geotechnical engineering, and construction administration and monitoring.

Pittman specializes in water resources and electric utility projects, including the evaluation and design of earthfill, conventional concrete, and roller compacted concrete dams, ash ponds, and levees.

Pittman also has experience in geotechnical engineering and construction monitoring for commercial, industrial, warehouse, apartment, and municipal structures.

ESD HIRES: **Addam Friedl**, the former chief technology officer for HP Critical Facilities Services, has been named senior VP and mission critical facilities practice leader at **Environmental Systems Design, Inc.** (Chicago, IL), a 200-person firm that performs engineering design of high performance building systems.

"Addam Friedl is a well-known industry expert and great addition to our team," said Raj Gupta, CEO of ESD.

As chief technology officer at HPCFS, Friedl was responsible for driving technical innovation within the CFS business and its projects, as well as proactive collaboration with other HP service lines and third-party entities.

He established and led the team of subject matter experts, not only as an R&D group but also as a strong client service organization. Previously, Friedl served as a principal at EYP Mission Critical Facilities, Inc., which was acquired by HP in 2008.

HIRE AND FIRE, from page 9

Engineering/Remediation and Resources Group, Inc. (Martinez, CA), says that the decision to hire is always a very optimistic and upbeat decision, but by the same token, the opposite is true. The decision to fire is always a very difficult, contentious decision.

"There are easier decisions than others, but in the end, we come down to analyzing whether to keep someone in a position, even though it's not an ideal fit at the moment," she says. "I find that our intuition plays a greater role than we would want to admit to and we ultimately need to sift out the facts from the feelings. As a small company, to keep our company healthy and thriving, we are very selective and generally decline to make an offer unless it's a clear fit, but also usually err on the side of making changes early when it doesn't appear to work out."

TIMING IS EVERYTHING. According to Six Sigma Online, the Aveta Business Institute, one of the worst things that an employer can do is hold on to a non-productive employee or not to hire a talented one. Employers have different reasons

for timing hiring and firing decisions.

Budget, department morale, and market conditions are all reasons provided for lags in hiring and firing activities.

Six Sigma Online recommends that managers approach hiring new candidates like they manage ongoing projects in the department. There should be an allotted time to review résumés, interview, and make the final hiring decision properly. Segmenting the hiring process appropriately is the only way to ensure that a new candidate is a good fit.

When it comes to firing, Six Sigma Online recommends that the same level of caution and selectivity be used. And, because of laws that protect employees, employers must have sufficient evidence that an employee is violating operating practices in some way. There should be a number of attempts to help an employee rectify behavior before the actual firing decision is made; and, shortly before the firing decision, employers should plan to protect the intellectual property of the company by planning for the firing event. This includes having security available or other resources that protect both parties. ▲▲

GOVERNANCE

Balance sheet scrutiny

Even though the income statement normally attracts the most attention from investors, the balance sheet is the true starting point for understanding a company's financial position.

By LIISA SULLIVAN
Correspondent

Balance sheets are intended to be a gateway to understanding a company's financial position. But, how they are read and used will vary from firm to firm.

STRONG BALANCE SHEETS PROMOTE POSITIVE RELATIONSHIPS.

Brant Lahnert, principal engineer and CFO at **KL&A** (Golden CO), a structural engineering and building firm, says the company relies on a strong balance sheet to secure positive relationships with its financial partners, specifically the bank, the bonding company, insurance companies and vendors.

Overall, the finance team is led by a senior principal/shareholder who interprets and evaluates the data as well and then presents it to shareholders.

"We review the balance sheet briefly each month, and in detail, during our annual audit," Lahnert says. "We use it within our firm to help make decisions about the frequency and amount of bonuses, ownership stock distributions and ownership stock offerings, as well as investment decisions."

KL&A has a strong balance sheet as a stated goal. When cash distribution



Brant Lahnert,
CFO, KL&A.

issues are being discussed, the idea of strengthening the balance sheet is always under consideration.

"The main reason why we have a strong balance sheet is because we are subcontractors as well as design consultants and we need a strong balance sheet to secure funding and bonding," Lahnert says. "It was serendipitous that our balance sheet strength served us well during the last three years of no profitability and allowed us to maintain staff and be prepared for the recovery we are experiencing now. It's part of our culture, but it requires a lot of discipline to maintain."

INCOME STATEMENT TRUMPS BALANCE SHEET.

Glenn Caprio, CFO, **Dade Moeller & Associates** (Richland, WA), say that Dade Moeller reviews its balance sheet on a monthly basis. Dade Moeller, a 200-person firm, provides a full range of professional and technical services in environment, safety, health and quality assurance to government and commercial nuclear clients.



Glenn Caprio,
CFO, Dade
Moeller
& Associates.

"While we do not necessarily scrutinize the balance sheet as a whole, we do scrutinize elements of it," he says. "For example, we review, in detail, our aged accounts receivable on a weekly basis. Also, while we are fortunate from a financial/cash flow perspective and do not have bank borrowing needs, we

do analyze on a regular basis our cash (payables and receivables) to ensure acceptable levels. Generally, and due to the nature of our firm (service provider), we scrutinize our income statement more than our balance sheet."

Financial decisions at Dade Moeller are based on the composition of all financial statements and not necessarily any single element of a balance sheet, income statement, statement of cash flow, or other related report.

"When looking at a balance sheet, two of the most important things you want to get a feel for are a company's liquidity and solvency."

"We have a very engaged finance team," Caprio says. "I look forward to our regular interaction and their ideas on how certain processes and presentation of data can be made more efficient. Our size (about 200 employees, company-wide) allows us to operate with less bureaucracy and good recommendations bubble up very quickly."

FINDING VALUABLE INFORMATION.

Though a balance sheet is intended to be a gateway to understanding a company's financial position, it contains lots of places where valuable information may hide. Even though the income statement normally attracts the most attention from investors, the balance sheet is the true starting point for understanding a company's financial position. It shows how much a business owns (its assets), owes (li-

See BALANCE SHEET, page 12

GOOD TO KNOW

More than a **third** of firms' **financial statements** (37 percent) **were reviewed**, and **less than a quarter** (21 percent) were **audited**. Another 19 percent of firms' statements were compiled.

SOURCE: 2012 Financial Performance Survey, ZweigWhite.

TRANSACTIONS

NOBIS ACQUIRES: **Nobis Engineering, Inc.** (Concord, NH), a 110-person civil, geotechnical, and environmental engineering firm, announced that it has acquired **Huron Consulting** (Germantown, MD). Huron Consulting provides civil engineering, planning, and regulatory expertise and solutions to a mix of commercial, municipal, county, and Federal agency clients throughout Maryland, Virginia, and the greater Washington, D.C. region.

“Huron has built an outstanding reputation with their clients as a valuable and trusted expert and partner. This acquisition represents an important piece of our continued focus on long-term growth and delivering outstanding client service,” stated Nannu Nobis, CEO of Nobis Engineering.

“The combined forces of our two firms allow Nobis to best serve our New England clients, as well as the Mid-Atlantic region. Huron will be a great addition to the Nobis team,” stated Ken Koornneef, president of Nobis.

“We’re very excited to be joining Nobis and to be able to offer a greater mix of services and depth to our clients,” said Dick Hurney, president of Huron Consulting. Hurney will continue as a vice president with Nobis and will continue to focus on client service and growth of the Germantown office.

BALANCE SHEET, from page 11

bilities), and how much equity is left for the owners at a specific point in time.

Tom Robinson, managing director of the education division of the CFA Institute, the global association of investment professionals that sets the standard for professional excellence, provides the following advice.

“When looking at a balance sheet, two of the most important things you want to get a feel for are a company’s liquidity and solvency,” Robinson says. “Liquidity is a company’s ability to meet its short-term obligations, such as its working capital needs and its debt obligations. Solvency is a measure of the company’s ability to sustain its activities over a longer period of time.”

When assessing a company’s liquidity, one key ratio is a company’s current assets in relation to its current liabilities, or what is known as the current ratio. Current assets include cash, cash equivalents, securities, accounts receivable, inventory, and any other assets that can be converted into cash or used up within the current period. Current liabilities are what a company needs to pay off over the coming year. A good ratio is going to vary from industry to industry, but, in general, a bank would like to see a current ratio of 2 to 1 for a small business, Robinson says.

For solvency, you will want to look at the level of total debt relative to the equity used to capitalize a business by its owners.

In reviewing a balance sheet, you want to think next about what would happen if you were forced to liquidate an asset. By doing so, you’ll need to look at whether a company’s assets are tangible or intangible. Tangible assets are physical

design-LLC BORN: As of Feb. 1 **Walsh Bishop Associates** has become **design-LLC** (Minneapolis, MN).

According to an article in the Minneapolis/St. Paul Business Journal, veteran architect Chuck Knight bought the assets of Walsh Bishop and started the new studio with 19 people.

According to the article, Walsh Bishop, like most architectural firms, was hit hard by the recession, dropping from \$10 million in annual billings to about \$1.5 million last year.

Most of its work has been designing hotels, casinos and office space. Knight acquired the assets from Dennis Walsh, who founded Walsh Bishop in 1984.

Walsh, 72, is an employee of the new firm. Wayne Bishop, a former principal in the firm, died about two years ago, the article said.

A statement in Walsh Bishop’s web site reads: “This new company is an acquisition between the time honored legacy of Walsh Bishop, and a forward-looking consortium of people, ideas, and design innovation. We honor your partnership and dedication to Walsh Bishop Associates through the years and will transition in design-LLC seamlessly, with the expertise, talent, and client-focus you have come to know us for.”

in nature and include cash, inventory, buildings, equipment and accounts receivable.

“Intangible assets are items like patents and trademarks. These assets often have real value, but you need to carefully examine them to ascertain it. If a company has made many acquisitions, for example, it could have a considerable amount of goodwill listed as an asset, or the amount it paid for a company in excess of the fair value of its net assets. This would be considered an intangible asset, because ‘if things get bad, I can’t cash in that goodwill,’” Robinson says.

The balance sheet can give a view not just into earnings quality, but how well the company is managing its inventory and receivables. A few important ratios to keep in mind:

- Inventory turnover = cost of goods sold divided by average inventories
- Receivables turnover = sales divided by average accounts receivable
- Total asset turnover = sales divided by average total assets

“You’ll want to look at how these ratios change over time, as well as how the company is performing relative to its peers,” Robinson says. “Dun & Bradstreet and the Risk Management Association are a few sources for financial information on small and midsize businesses.”

Finally, Robinson suggests the following:

- Update your company’s balance sheet on a regular basis;
- Encourage your management team to pore over it for useful information; and
- Review the balance sheets of businesses in which you invest or with which your company forges a strong business partnership. ▽▲