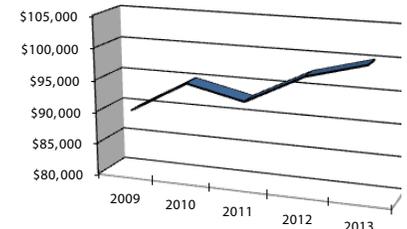


## Issues causing a lack of profitability

Mark Zweig lists seven concerns, so it's time to act.

## TRENDLINES

### Five-year high



According to ZweigWhite's 2013 Information Technology Survey, IT directors' median base salary has reached a five-year high of \$100,000 this year, increasing from \$97,569 in 2012.

In 2011, the median base salary for IT directors dropped to \$93,000 from \$95,000 in 2010 – after climbing from \$90,000 in 2009.

– Margot Suydam, Survey Manager

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Mark Zweig

EDITORIAL

Why the assumption that lower fees will lead to more work? Principals and others who sell projects need to have the intestinal fortitude to ask for a good fee.

**W**ith the construction economy roaring back, it's interesting to me to see some A/E and environmental firms cashing in on it and others that still aren't. The ones that aren't keep hoping for a return to the past, when you could hire anyone who had a pulse, stamp out mindless proposals and get 25 to 30 percent of projects in spite of it. That scenario probably won't happen again.

Here are some the major issues causing a lack of profitability in A/E and environmental consulting firms today:

**1)Not enough work.** This is a problem – no doubt – but shouldn't serve as an excuse. It always kills me when I see companies that are doing \$10-, \$20-, even \$100 million a year in revenue that aren't profitable because they "don't have enough work." You have got to stop playing this game and cut costs so you can make money with the work you have now.

**2)Cutting fees/not asking for enough fee because of fear of losing the job.** As times get harder, the tendency of many design and environmental professionals is to cut their fees. This may be happening in your firm. The result is everyone is busy and there's no excess

See MARK ZWEIG, page 2

### BEST FIRM



An employee-centric firm

Page 9

## Improve resource utilization

Page 3

## A/E BUSINESS NEWS

**SELF-SERVE:** In a new nationwide survey conducted by TheStreet's MainStreet.com and GfK Custom Research North America, 70 percent of Americans prefer the do-it-yourself route when embarking on home improvements with three out of four Americans paying for these home improvements in cash.

According to MainStreet.com's personal finance editor, Ross Kenneth Urken, homeowners are finding social media and online resources, such as Houzz, helpful in planning, allowing them to forego the interior design route, which tends to be more expensive, and use businesses in their area to source materials for their work.

Survey findings:

- For homeowners planning their next improvement project the top five areas they plan to focus on are: garden or landscaping (22 percent); bathroom (14 percent); kitchen (12 percent); family/living room (12 percent); and deck or patio (11 percent).
- 35 percent of Americans spend between \$1,000 and \$4,999 on projects; 23 percent spend less than \$500; 22 percent spend between \$500 and \$999; and 12 percent spend more than \$5,000 annually.

**GREENHOUSE GAS DROP:** Greenhouse gases fell by 3.3 percent in the European Union in 2011, leading to the lowest level of emissions in reports going back to 1990. The decrease in 2011 was also the third largest over this period, according to official data compiled by the European Environment Agency and reported by the EU to the United Nations Framework Convention on Climate Change.

The European Union's total greenhouse gas emissions in 2011 were 18.4 percent below 1990 levels, according to the EU greenhouse gas inventory. When international aviation is included, in line with the climate and energy package, greenhouse gas emissions fell 17 percent in the EU since 1990.

Why were greenhouse gas emissions lower?

The 2011 emissions decrease was largely due to a milder winter in 2011 compared to 2010, which led to a lower demand for heating. The officially reported 2011 emissions were 3.3 percent lower than the previous year, while the EU experienced a 1.6 percent growth in GDP.

The reduction in emissions is larger than EEA's estimates published last year, because the extent of the reduced heating demand only became apparent when complete and final energy data became available. The highest emissions reductions were from homes and commerce.

## MARK ZWEIG, from page 1

capacity, yet the firm doesn't make money. Why the assumption that lower fees will lead to more work? Principals and others who sell projects need to have the intestinal fortitude to ask for a good fee. Some have it, and some don't.

**3) The staff is too top heavy.** This condition frequently occurs when the firm hasn't grown for several years and/or has declined. Cuts are made at the bottom and neophytes aren't hired. Then everyone gets older, a little more tired, and sometimes, even more expensive. The result is disastrous for profitability. Everyone's working but they are working below their level and costing too much. To fix this you may have to thin out the top and middle levels and hire some entry level and junior people. That's how you can make a profit in this business.

**4) The firm's top people have met or exceeded their career goals.** This happens a lot. The principals never thought the firm would be as successful as it is and don't have the drive to keep it growing. They work 9 to 5, turn their cellphones off in the evening, and spend too much time on the golf course. This sets a bad example for everyone else in the firm and overall productivity declines.

**5) There's an unwillingness to risk non-performance on projects, which results in overstaffing.** Clients will delay project starts and projects can stall along the way. If you don't have more work than you can handle, keeping the people you "need" to do these projects when they restart will kill your profitability. There's no way you can afford to keep working this way. Take some risk and cut staff back so you can make money with the work you know you have now.

**6) The overhead is just too high.** Of course overstaffing is always the leading culprit for having overhead that cannot be paid for. But there are other costs, too, that bear scrutiny. Too much office space at too high a rate is one problem. Overly rich 401(k) matches or employee health benefits are another. Then there is also the problem of too many admin people because everyone has gotten spoiled and used to too much service. Cut.

**7) Reward systems not tied to overall company profitability.** It's amazing to me more firms in this business don't do things such

It's amazing to me more firms in this business don't do things such as pay out a flat percentage of profits to ALL employees, either monthly or quarterly.

as pay out a flat percentage of profits to ALL employees, either monthly or quarterly. There are a zillion excuses. Fear of rewarding non-performers (fire them instead). Fear of what happens if the firm takes a loss in the period (roll it to the next). And more. It's all B.S. Show your employees you value their contributions and that they share in the rewards if you do well and commit to paying back part of the profits to all who are there. Get them tied into to company profitability! And this is NOT the same thing as a once-a-year discretionary company contribution to the profit sharing plan. Too far removed from performance and when it occurred, and some people don't care about retirement!

Am I making any sense here? Of course I am. Stop rationalizing and act! ▲▲

MARK ZWEIG is the chairman and CEO of ZweigWhite. Contact him with questions or comments at [mzweig@zweigwhite.com](mailto:mzweig@zweigwhite.com).

## THE ZWEIG LETTER

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## WORKLOAD

# Improve resource utilization

Digital tools are helping managers project needs and skills based on their staff assessments.

By LIISA SULLIVAN  
Correspondent

**F**irms often face major challenges allocating staff to projects amidst an inconsistent marketplace. All of a sudden, a major project may happen and require all hands on deck. At other times, staff lingers with fewer projects to complete.

This begs the question: How do you manage all of this?

**THREE WAYS TO IMPROVE RESOURCE UTILIZATION.** At **Ayers Saint Gross** (Baltimore, MD), a 140-person professional design firm, resource utilization is managed in the Washington, D.C. office by a team of project managers and senior leadership. Weekly staffing and resource meetings occur to discuss project needs and available resources.



Jason Wilcoxon,  
Associate  
Principal, Ayers  
Saint Gross.

“Resource utilization in our office has transformed into a blend of understanding talent sets for individual staff members and having a key understanding of current and projected workload,” says Jason Wilcoxon, associate principal. “Our office manages our resource utilization process through Deltek Vision Planning.”

Wilcoxon adds that resource utilization is important to maintain a pulse on individual’s strengths and weakness-

es and it aids in helping to keep staff working within their own interest levels. It also helps the office to be more profitable, while creating a work-life balance for employees.

The streamlined approach used at Ayers Saint Gross has created mentorship opportunities at various staff levels and has allowed employees to grow within their careers.

Wilcoxon provides three tips for improving resource utilization:

“The A/E community is an industry providing the service of professionals, i.e. people. Our professional service staff needs to be utilized at their highest and best used at their optimum level of performance for the firm to achieve its ideal result.”

- Create constant communication among project leaders.
- Gain feedback from staff on what they are lacking, what they need to learn more about and where they feel they do the most good.
- Fine-tune digital reporting tools to your organizational structure. It is important to understand and learn which metrics inform better decision-making for resource utilization.

**SOFTWARE HELPS.** At **Wantman Group, Inc.** (West Palm Beach, FL), a 130-person multidisciplinary consulting firm that specializes in engineering, surveying and mapping, planning and environmental services, Tim Nicoulin, CFO, tracks resource utilization using Newforma Project Analyzer (NPA) across all divisions. It begins at the project level with project managers inputting their resource needs by role/



Tim Nicoulin,  
CFO, Wantman  
Group, Inc.

discipline/named individual at the start of each opportunity and carrying that through to an active project when each project is awarded.

“NPA allows each opportunity to be uniquely weighted for utilization and revenue purposes,” Nicoulin says. “WGI’s project managers review each active project plan every two weeks to assess if updating the plan, and thus future resource utilization, is necessary based on work accomplished or not accomplished and changes to the scope, contract or schedule.”

Each Wantman Group division reviews resource utilization at different intervals, ranging from weekly to monthly, depending on project lifecycles. In each case, the reporting features of NPA are used in an on-screen or projected mode to assess all of the following:

- Staffing levels of each individual against an over/under parameter set in NPA, including know what projects the individual is staffed on each week.
- Staffing levels of each roll/skill set on an FTE basis.
- Staffing levels for the division as a whole on an FTE basis, capable with NPA of being measured against available and expected.

The management team reviews overall firm utilization monthly from a long-term point of view of firm size.

See UTILIZATION, page 4

## GOOD TO KNOW

Close to two-thirds of firms (62 percent) use project management software. Project management software is most commonly used for scheduling (70 percent) and budgeting (50 percent).

Source: 2012 Project Management Study, ZweigWhite: [www.zweigwhite.com/p-2162-project-management-survey-2012](http://www.zweigwhite.com/p-2162-project-management-survey-2012).

## UTILIZATION, from page 3

Bill Keen, CFO at **Clark Nexsen** (Norfolk, VA), a 500-person international architecture and engineering firm specializing in retail, offices, industrial, recreation, colleges, universities, healthcare and inspections, says that they also use the NPA platform to help with resource utilization.

“Our accounting and resource management application requires administrative staff to build schedules from the bottom up, entering details for each individual. The Newforma Project Analyzer is made for the way project managers work, developing schedules from the top down. More efficient use of time is what we were hoping to achieve, and we definitely have achieved it, having slashed data entry time 50 percent in some cases. As a result, we can deliver more value to our clients, improving service as we deliver more successful projects.”

**WHY IS TRACKING RESOURCE UTILIZATION IMPORTANT?** Nicoulin says it’s a no-brainer. How can a business be run effectively and efficiently if you do not know what your future needs are?

“The A/E community is an industry providing the service of professionals, i.e. people,” Nicoulin says. “Our professional service staff needs to be utilized at their highest and best used at their optimum level of performance for the firm to achieve its ideal result. The end result is to deliver to your client a fully completed project on schedule and internally on budget. Tracking resource utilization gives you the ability to meet these objectives and when you achieve your results at the project level you will achieve you results at the firm level.”

**BOD MANUAL:** Most architecture, engineering, and environmental consulting firms have boards of directors and can benefit from debating what makes a strong board.

Even the smallest design and environmental firms can derive a benefit from the right board of directors; Board of Directors Manual for A/E/P and Environmental Consulting Firms, Second Edition will give firm leaders, board members, potential outside board advisors, and executive management in A/E firms practical information about what their boards should be doing and how to create more effective, responsive, and efficient boards.

In this revised, second edition of the A/E Board of Directors Manual, we delve into the whys, hows, and whatfors of A/E firm boards of directors.

In addition, the A/E Board of Directors Manual offers best practices advice on structuring the board, getting the board to concentrate on the right tasks, and compensating them fairly.

For more information or to buy a copy, call 800-466-6275 or log on to [www.zweigwhite.com/p-2165-board-of-directors-manual](http://www.zweigwhite.com/p-2165-board-of-directors-manual).

In addition, the Wantam Group needs to make sure that it has enough professionals with the right skills on hand to perform committed work.

Over-committed individuals need to be balanced with under-committed individuals or supplemented with temporary or additional staff depending on the length of the over-committed period. Under-committed individuals need to be redeployed where they can be best utilized and again, depending on the length, may need to be furloughed.

In addition, NPA gives the Wantam Group the ability to assess needs on a long-term basis and plan for growth or downsizing as the case may be.

“In a growth environment, we can begin to plan for those needs and set in motion the steps necessary to obtain the best possible resource(s) for our needs,” Nicoulin says. “In our survey division, growth means other resources need to be acquired in addition to staff, such as vehicles and survey equipment. In some cases, lead times are as much as 10 weeks, which we can now forecast with NPA.”

In a downsizing environment, the Wantam Group can begin to look at alternatives to furloughs before the actual need arrives.

“One of the more significant benefits to tracking resource utilization with a tool as powerful as NPA is not waking up on a Monday and finding out you need to either hire or fire a half a dozen people,” Nicoulin says. “You know it in advance and can manage toward it rather than react when it hits you.” ▲▲

## CALENDAR

**BEST FIRMS CONFERENCE:** It works both ways: The most successful firms have great teams because they bring out the very best in their people. And the best people want to work for the most successful firms.

These firms inspire their teams to perform at the highest levels by creating an environment where their people feel valued, where they feel like they make a difference and where they can clearly see their contribution to the overall mission and success of the firm.

The annual Best Firms to Work For Ranking recognizes the firms with these qualities.

The annual Best Firms To Work For Conference, June 20 and 21 in Chicago, is where people from the A/E/P industry gather to acknowledge the winners and share strategies, success stories, and industry news.

Presented by ZweigWhite, publisher of CE News and Structural Engineer, this two-day conference will cover the topics on the minds of leaders of all A/E/P firms today:

- The impact of globalization
- Intergenerational dynamics
- Firm cultures that motivate and inspire commitment
- Recruiting, rewarding, and retaining a great team
- Diversification strategies
- Staffing and cash flow

The program for this year’s conference is being organized now. Last year’s program included presentations on building the best teams, company culture, the multi-generational workforce, leadership, motivation, and creativity.

In addition to the conference presentations, focus sessions, and peer-to-peer discussion groups, your registration fee also covers breakfasts, luncheons, refreshments, and a special awards ceremony that begins with a cocktail reception and includes dinner and live music.

The event is being held at the Hard Rock Hotel in Chicago. Event registration is available online at [www.zweigwhite.com/conference/bestfirm/registration.php](http://www.zweigwhite.com/conference/bestfirm/registration.php).

For more information, please email [events@zweigwhite.com](mailto:events@zweigwhite.com), or call 800-466-6275.

## SURVEY

# Telltale signs of a shy recovery

While performance numbers are scrapping the depths, operational efficiency indicators continue to improve and hiring is rebounding among design firms.

By JOÃO FERREIRA  
Managing editor

**D**esign firms are growing, but their profits are shrinking. ZweigWhite's 2013 Financial Performance Survey of Architecture, Engineering, Planning and Environmental Consulting Firms shows that net pre-tax, pre-bonus profit/loss on net service revenue hit its lowest point since 2004 in 2013, at 7.8 percent. For reference, in 2007, just before the Great Recession, that median was 14 percent.

Nevertheless, firms reported a growth rate of 6.8 percent between 2011 and 2012. That compares with 9.9 percent negative growth between 2008 and 2009 but is still shy of sky-high pre-recessionary growth rates of 13 percent between 2005 and 2006.

Together with signs of leanness and increased operational efficiency, improving backlogs, a rebound in hiring and even more employee mobility, the 2013 survey seems to paint a picture of a healing industry – still taking medication but soon to be off it.

**THE PROFIT STORY.** Firms are seeing smaller and smaller profit margins, but that's when you look at it before bonus payments are doled out. Profits are actually edging up once one computes in smaller bonus payments.

After bonus payments, profit medians are the highest they have been since 2006 – 4.5 percent now versus a median of 5.6 percent in 2006.

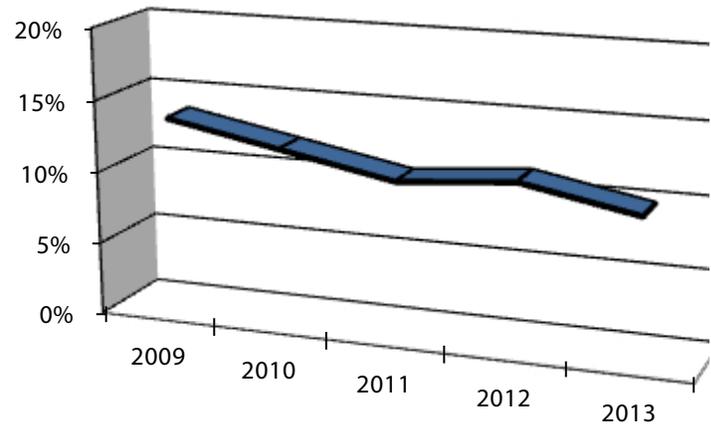
Because it is based on net service revenue (which excludes pass-through payments) and is calculated before bonuses are paid out, net pre-tax, pre-bonus profit/loss on net service revenue is considered the best measure of the typical design firm's ability to generate a profit on operations.

Looking at things from the gross revenue side, net pre-tax, pre-bonus profit on that benchmark isn't exciting either in 2013, remaining at a median of 7.5 percent from 2012, but better than a low of 6.1 percent in 2010.

The all-important EBITDA (earnings before interest, taxes, depreciation, and amortization) margin on gross revenue is at its lowest point since 2010, at 7.9 percent.

EBITDA margins on net service revenue are even lower, falling to the smaller percentage since 2004, to 9.8 percent. That's after a glimmer of recovery for the stat in 2011, at

## EBITDA MARGIN ON NET SERVICE REVENUE



Source: 2013 Financial Performance Survey, ZweigWhite.

12.1 percent from 10.6 percent in 2010.

The dollar amount of net pre-tax, pre-bonus profit or loss generated for each employee (including professional/technical and administrative employees) also reached the lowest level since 2004 this year: \$9,009. The median was \$10,533 last year and \$7,733 in 2004. In 2007, it was \$14,796. Ditto for net pre-tax, pre-bonus profit/loss per professional/technical staff – again the lowest since 2007; a precipitous \$6,000-plus drop from \$17,961 to \$11,697.

With that, contribution rates are holding steady at 66.3 percent, a negligible change from last year.

**INCREASING EFFICIENCY.** While the above news wasn't that encouraging, other statistics point to the increased operational efficiency of design firms.

Utilization rates, for example, continue to improve.

The 2013 survey utilization rate is 59.2 percent, a nice recovery from the 52.8 percent rock bottom number in 2011 and getting closer to pre-recession numbers in the low 60 percentile points.

Chargeability (also known as "utilization rate") is the percentage of total raw staff labor charged to projects. It indicates the percentage of a design firm's labor expenses that are charged against billable projects, and is a good indicator of how well a firm is using its "production line." It includes all staff, both professional/technical and administrative.

Overhead rates (the ratio of total overhead including indirect labor, general and administrative overhead, and payroll expenses to direct labor), continue to drop even if so slightly, to 172 percent in 2013 from 174.3 percent in 2012.

See SURVEY, page 8

# Find the lost dollars

Nine areas to increase profits in your A/E firm.

The recession of the last five years has devastated many of my clients and increased the competitive pressure for architecture and engineering services. Our clients are looking for ways to find new projects, do more with less, and develop new strategies to remain profitable. In consulting with A/E firms over the last 24 years, I have seen patterns in the culture and business management practices that impair their capacity to succeed and grow. In my new book, "Find the Lost Dollars: 6 Steps to Increase Profits in Architecture, Engineering, and Environmental Firms," I describe the challenges that regularly cause A/E firms to go over budget on projects, offer advice for sound business management and provide a six-step process to make measurable improvement in project profitability.

Many firms' culture has carried through generations of firm leadership. Practices such as taking projects that are destined to lose money, not enforcing company policies, and managing project scopes poorly directly impact project profit margins, win rates, and utilization. In addition, many firms avoid change and don't leverage technology to increase employee productivity. Some firms are 10 to 15 years behind the rest of the business world, which causes lost revenue and excess costs from inefficient marketing and project management.

By evaluating the following nine areas, and the potential gains from improving your people, processes and technology, you can start to find lost dollars in your projects and increase the overall bottom line of your firm:

- 1) Cost of lost opportunities.** A great deal of money gets tied up in the pursuit of new projects. Firms that do a poor job of deciding which projects should be pursued, or follow a sales process that does not give them the best chance to win, find that their win rates suffer, and they lack consistency in bringing in new business.
- 2) Lost revenue from a cumbersome proposal process.** Writing and assembling quality targeted proposals is critical to success in winning work. If qualifications data is not managed effectively and proposals are cumbersome to produce, time is wasted and win rates are low.
- 3) Lost revenue due to a flawed estimating process.** The estimate is critical to ensuring a project will be profitable, yet many firms do not have control over the estimating process. The cost of this inconsistency is poor estimates, which result in deficient contracts and budgets, as well as projects that are harder to manage.
- 4) Lost revenue and excessive costs from scope creep**



June Jewell

GUEST  
SPEAKER

**or extra services not recovered.** Scope creep is caused by many factors, including the culture traps unveiled in Chapter 1 of my book. It is critical to manage the contract scope to be profitable, and control of extra services is critical to ensuring that the firm is not giving away services for free.

**5) Cost of low utilization and poor resource scheduling.** The ineffective scheduling of employees and forecasting labor requirements into the future will make hiring decisions tough and will cause poor utilization rates.

**6) Cost of poor project management.** Poor project management is caused by flawed budgeting processes, using resources that are not planned, and not planning for changes affecting the cost of the project. These problems can have a substantial effect on project profit margins.

**7) Cost of a long invoice cycle and poor cash flow.** Poor cash flow causes the firm to have to borrow money and can strain client relationships. This weakens a firm's ability to grow and invest in areas that need improvement.

**8) Cost of non-integrated systems with multiple silos of redundant data.** Having data in many different places is inefficient and causes employee's time to be wasted in looking for information, redundant data entry and manual tasks.

See JUNE JEWELL, page 8

By evaluating (these) nine areas, and the potential gains from improving your people, processes and technology, you can start to find lost dollars in your projects and increase the overall bottom line of your firm.

# Aspire/inspire

These are the two core words that define how and what people lead.

I've spent a great deal of time thinking and learning about leadership. Endless books have been written about leadership and I've pursued them with a keen interest. I can spend all day talking about leadership – in fact I did exactly that for ZweigWhite a year or so ago, conducting a series of daylong seminars on the subject. Being asked to speak about the subject has caused me to distill my experiences in an attempt to get to the core of how someone emerges as a leader.

Leadership is arguably the most important skill and talent for a design professional. After all, we have tremendous responsibility and accountability for what we do, but very little authority over those who build the things we design. To get things done, and done well, we have to draw those we work with into our vision. In fact, in my experience, the quality of the outcome of a design professional's work (a building, a bridge, a landscape) is directly attributable to his or her leadership skills and style.

Leadership is the magic ingredient that makes great teams. It creates an atmosphere that fosters collaboration, inspires innovation and achieves design excellence. Without it, great things don't get built.

When I've asked clients over the years what they valued most from our firm, and from me personally, they have consistently answered the same way. While they have used different words, their intent could always be summed up as "getting to yes." Projects always begin with a group of unaligned people who have the ability to say "no" – a building official, a lender, a contractor, a lawyer. All have interests in and authority for the project at hand, but each has different goals and priorities.

The design professional's task is to help each of them see that the design approach being taken completely satisfies each. This is what keeps a project moving because, for all involved, time is money. It is the design professional's leadership skill that helps each person to feel confident, trusting that the solution at hand is exactly right to solve his or her issue.

This caused me many years ago to reconsider the Golden Rule, "Do unto others as you would have them do unto you." Very self-centered, that notion, in that it presumes that just because you like something done a particular way, others will as well. In a world where everyone's priorities, needs and fears are different, I changed the



Ed  
Friedrichs

FROM THE  
CHAIRMAN

Golden Rule to read, "Do unto others and they want to be done unto." That's the leadership attitude required in today's world.

All of this brought me to one observation: There are two core words that define how and what people lead: *aspire* and *inspire*. Here's how it looks to me. We do best what we're passionate about or, as a fortune cookie I opened the other day said, "Great direction comes from your heart." Leadership begins with what you *aspire* to, the thing that is so important to you that you set all else aside to accomplish it. These are not the things that are assigned to you, or things you do out of duty. The things you *aspire* to accomplish are the ones you believe will make the world a better place.

Leaders learn very quickly that they can't achieve the things they *aspire* to by themselves, which is what brought me to the second word, *inspire*. Through their leadership style, leaders are able to *inspire* others around them to embrace their vision and help them accomplish it.

See EDWARD FRIEDRICHS, page 8

Leadership is arguably the most important skill and talent for a design professional. After all, we have tremendous responsibility and accountability for what we do, but very little authority over those who build the things we design.

**SURVEY**, from page 5

All systems are go on net service revenue as well.

Net service revenue per total staff continues its recovery after a 2010 and 2011 dip, sitting now at a median of \$127,000.

Net service revenue per technical and professional staff also continues its ascent: \$154,928 in 2013 from \$151,302 in 2012.

Average collection periods are holding at 73 days, much better than a median of 82 days in 2008.

Backlogs are also improving, now sitting at a median of 6.2 months, up from 5.5 in 2012 and not too far from the high of 6.8 months in 2006.

An indication that competition for jobs in the industry may be heating, turnover rates are also starting to edge northward. The 2013 turnover rate is 11.8 percent; a sharp upturn from a low of 9.2 percent in 2012. Staffs also grew a median of 3 percent as reported in the 2013 survey, compared to zero growth last year and negative growth of 6.8 percent in 2010. ▲▲

**EDWARD FRIEDRICHS**, from page 7

What do you aspire to? As you search within yourself for your own passions, your aspirations, you'll discover what you should be leading. I've found that it differs for each of us. Some folks get very excited about leading a client relationship. They become most adept at engaging deeply with their client, understanding with great empathy how their work together is going to improve the client's life. They form deep bonds of friendship and trust.

Others find deep satisfaction in managing a team to execute a project, gaining full support from the team of contractors, subcontractors, suppliers and building officials. They *inspire* engineering consultants to assign their most talented and creative staff to the project and enlist everyone's collaboration to make the design work brilliantly.

Yet other folks will pursue a project type, like airports or hospitals, becoming renowned experts in their field, sought after for the depth of knowledge and their creativity, leading to innovation in the field.

Finally, there's that unique individual who steps forward to lead a firm. The person finds satisfaction and fulfillment in the full breadth of activities required to make a firm successful: great business instincts, an ability to cope calmly with crises, a passion for *inspiring* a culture that talented professionals line up to become a part of.

For each of these paths, the person who has stepped forth to lead "owns" the *aspiration* they are pursuing. They're proud to hold themselves accountable and expect others to hold them accountable for what they're trying to accomplish. And they keep score. They are keenly aware of the metrics that will indicate how they're doing.

Each of these is borne of personal passion that leads to an aspiration to achieve something important, supported by the ability to inspire others to become part of a dream. ▲▲

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**JUNE JEWELL**, from page 6

**9) Cost of losing a client.** It is critical to keep clients happy and ensure that we do not lose the profitable clients. Establishing processes to promote outstanding client relationships is critical to firm success and is ultimately less expensive than finding new clients.

In "Find the Lost Dollars," I go into much more depth about how to improve each of these areas, and outline a six-step process for evaluating and improving your business operations. I have also provided some online tools at [www.FindTheLostDollars.com](http://www.FindTheLostDollars.com) that can help you analyze the health of your business and develop a plan to find more money. ▲▲

JUNE JEWELL is the author of Amazon Best Seller "Find the Lost Dollars: 6 Steps to Increase Profits in Architecture, Engineering and Environmental Firms." She is the president and CEO of Acuity Business Solutions, an award winning Deltek Premier Partner, focused on helping A/E firms and government contractors find opportunities, win business, deliver projects, and increase their profitability. Read more tips for A/E firms at her blogs at [www.AcuityBusiness.com/blog](http://www.AcuityBusiness.com/blog) and [www.FindTheLostDollars.com](http://www.FindTheLostDollars.com), or email her at [JJewell@AcuityBusiness.com](mailto:JJewell@AcuityBusiness.com).

**FINANCIAL PERFORMANCE SURVEY:** The 2013 Financial Performance Survey of A/E/P & Environmental Consulting Firms contains more than 30 different major financial performance statistics so you can find out exactly where your firm stands among your peers. And these statistics are just the beginning of this comprehensive report – go beyond the revenue and profit data to chargeability, revenue factor, overhead rates, average collection period, backlog, staff turnover, and more to see which areas your firm could improve. Data on operating expenses, personnel costs, finance and accounting staff, growth and profit projections, and more are also included.

The 2013 Financial Performance Survey of A/E/P & Environmental Consulting Firms will help you:

- Compare your firm's financial performance to your competitors
- Improve financial statements and accounting methods
- Maximize profitability
- Get compensation data on financial managers, and make an informed decision as to whether you should make any adjustments

For more information or to buy a copy, call 800-466-6275 or log on to [www.zweigwhite.com/p-2155-financial-performance-survey-2013](http://www.zweigwhite.com/p-2155-financial-performance-survey-2013).

## PROFILE

# An employee-centric firm

Fairness and equality is key to success for this Best Firm To Work For.

By BRYAN SULLIVAN  
Correspondent

ZweigWhite named **Schnabel Engineering** (Glen Allen, VA), an employee-owned firm, one of the top Civil Engineering Firms To Work For in 2012. Schnabel also made **THE ZWEIG LETTER** Hot Firm List in 2007, 2008, 2009, 2010 and 2011. These repeated, prestigious rankings are based on comprehensive evaluations of firm culture, workplace practices, employee benefits, employee retention rates, professional development, and more – both from the management and staff’s perspectives.

Currently, Schnabel has 290 technical and support professionals, nationwide, with 18 offices located in Virginia, Maryland, Pennsylvania, New Jersey, New York, South Carolina, North Carolina, Georgia, Alabama and Texas.

**A WORD FROM THE CEO.** All great companies are led by people who know how to lead and let their employees do what they do best. Offering an environment that allows this behavior and reward spells success.

Gordon Matheson, president and CEO, who just celebrated 25 years with Schnabel, explains the firm’s operational structure.

“I am the third-generation of leadership and took on my current position in 2002. In 2012, we became 100 percent ESOP and are structured as a parent holding company with C corporation subsidiaries that are organized along business lines and client groups,” he says. “However, our structure is such that, while employees know which business line they are assigned to, the differentiation between the business lines is transparent to employees and they can work on projects in any of the business lines as needed.”

When asked why Schnabel is a top firm to work for, Matheson says he can come up with four very comprehensive reasons:

“We offer a flexible and family atmosphere to work in that is focused on client satisfaction, distribution of profits to employees, employee retention, and ethical behavior in all that we do.”

“We are very uniform in regards to perks for our employees,” Matheson says. “One group (for example, senior management) does not get perks that others do not get. For example, with regards to bonuses – if the administrative assistant who answers the phone in the corporate office is not eligible



Members of the Schnabel Engineering team.

for a bonus, neither is the CEO. There are criteria for bonus amounts and certain goals have to be met, but one group does not get ‘perks’ that others do not.”

“When it comes to ‘perks,’ rather than single out certain individuals or a class of individuals, we try to make profit distribution and costs proportionate to employee pay by offering outstanding benefits and company-sponsored activities,” Matheson says. “So for example, senior management is in the same medical insurance program as everyone else and does not receive insurance at any lesser cost than anyone else. We also do not have company cars (we have a car pool where employees can check out cars as needed); we offer profit sharing/retirement contributions to all employees based on a percentage of the eligible salary (this averages 9 percent of salary annually); we offer tuition reimbursement to support educational goals; we offer project management training, internal technical training, monthly seminars via WebEx, flexible work schedules for those who need it, cell-phone reimbursement, internal leadership development courses, and myriad of other employee-centric benefits at the expense of the company.

“We have a nice and professional, but not overly ostentatious, office environment,” Matheson says. “Employees are provided all equipment they need to do their job along with an excellent working atmosphere that promotes interaction among groups and minimizes communication difficulties. While many firms struggle with the development of ‘silos’ in their work environment and among groups and offices, we have worked very hard to reduce these communication barriers and believe we have been more successful than any firm we know of in eliminating internal competition, so that we can focus on the really important things, such as our clients.”

See SCHNABEL ENGINEERING, page 9

## ON THE MOVE

**URS APPOINTS: URS Corporation** (San Francisco, CA), a 50,000-person engineering, construction and technical services firm, announced that **W.J. (Bill) Lingard** has been appointed to the newly created position of executive vice president and chief operating officer, effective immediately.

Lingard, who was most recently president of the oil and gas division for URS, will be based in San Francisco and report to Chairman and Chief Executive Officer Martin Koffel. The company also announced that **H. Thomas Hicks**, currently VP and CFO, has been promoted to executive VP. He will continue to serve as CFO. **Wayne Shaw**, previously the COO of URS' Oil & Gas division, has been named as president of the division, filling the position vacated by Lingard.

Lingard is the former president and CEO of Flint Energy Services Ltd., a provider of construction services to the North American oil and gas market. He joined URS following the company's acquisition of Flint in May 2012. In his new role, Lingard will serve as chairman of URS' management committee and will work closely with URS' senior management team to achieve the company's key strategic and operational goals. As COO, Lingard will assume increasing responsibility for oversight of all of the company's operating divisions – Federal Services, Infrastructure & Environment, Energy & Construction and Oil & Gas – over the coming months.

**PERKINS+WILL PROMOTES:** Global architecture and design firm **Perkins+Will** (Chicago, IL), announced the promotion of four individuals to principal. The firm also announces the promotion of 16 team members to associate principal.

**Keith Curtis** joined Perkins+Will's Atlanta office in 2010 as the leader firm's Branded Environments team in the Southeast. An expert in experiential design, he has managed prototype design and rollouts for numerous high-profile clients. Curtis boasts over 20 years of experience.

**Cary Garner** joined Perkins+Will's Dallas office in 2005 and is a leader in the firm's healthcare practice. Garner has over 26 years of experience and has actively participated in the development of over 20 million square feet of space with a combined value of over \$6 billion.

**Bruce McEvoy** joined Perkins+Will's Atlanta office in 2001 and works at a variety of scales on different project types to combine high-end design with high-performance environments. He consistently and successfully collaborates with some of the firm's most significant clients.

**Andrew Wolfram** joined Perkins+Will's San Francisco office in 1999 and currently serves as Perkins+Will's global leader in Preservation+Reuse. Wolfram has more than 25 years of experience working on the adaptive reuse of significant historic buildings as well as other complex urban projects.

Perkins+Will also announced the promotion of 16 designers to the role of associate principal. In their new role, this next generation of leaders will continue to assume more responsibilities within their offices and will further advocate for their thought leadership platforms throughout the firm.

## SCHNABEL ENGINEERING, from page 9

**A HR PERSPECTIVE.** Robin Emanuele, human resources director, has been with Schnabel for 10 years.

"As our vision is to be the preeminent, high-quality provider of our services, we strive to offer the types of benefits that will attract outstanding candidates who will help us get there," she says. "We understand that to make progress toward our vision, we must continually focus on improving our technical and client service capabilities, while providing challenges to candidates who join the firm. So, when recruiting, we highlight professional development opportunities through Schnabel University, professional societies, and advanced degree university programs, as well as career advancement opportunities that may occur as a result of participation in programs."

Schnabel also works closely with its employees, marketing and HR team to ensure that recruiting materials reflect the firm's culture.

"We strive to hire candidates who will find value in developing themselves, personally and professionally, while helping the firm reach its goals," Emanuele says.

Additionally, keeping your employees healthy is a definite way to stay wealthy and wise.

"We have very rich benefits, including a wide variety of programs to help our employees meet their health and wellness, and financial security goals," Emanuele says. "Outside of the typical insurance programs, we have great participation in our voluntary benefits' programs that focus on personal improvement. Ninety-five percent of eligible employees and spouses took part in our wellness initiative – online

health assessments and onsite biometric screenings. Ninety-six percent of employees contribute to their personal financial security via our 401(k) plan. And more than 70 percent of our employees have been with the firm for five years or more."

**EQUALITY FOR ALL.** Schnabel has a very open, honest, and employee-oriented environment at all of its 18 locations.

"Our employees' ability to achieve personal and professional objectives is of the utmost importance to us," Emanuele says. "The firm invests heavily in its employees through training, continuing education, and above-industry-standard benefits. Our management's door is always open to listen to employees' concerns and help formulate solutions. We are also committed to the industry and encourage all of our personnel to be active in professional organizations."

It is the overall belief of senior level management that treating all employees fairly, and not enriching certain groups of individuals at the expense of others, is right thing to do. Since Schnabel is an ESOP company, it is the responsibility of management to be the steward of resources, which includes people, profits and facilities, so that the company, its shareholders and employees are all treated fairly and consistently.

Senior managers drive this culture and it has been their experience at other firms, where this has not been the culture, that there was always internal strife for "entitlement." Schnabel places its employees first.

It's a hard act to follow, and one worth noting. ▽▲

## EFFICIENCY

# Effective strategies for reducing overhead

Whether firms are large, small or mid-sized, there are always ways to save.

**Editor's note:** Second of a two-part series.

By BRYAN SULLIVAN  
Correspondent

Overhead is overhead, but how do firms of different sizes – large, mid-sized and micro – handle fixed costs?



Stacey McPeak,  
CFO, Pennoni  
Associates.

**ESOP RESPONSIBILITY.** Stacey McPeak, CFO, **Pennoni Associates** (Philadelphia, PA), a 950-person engineering and consulting firm with 28 offices, says, “As an ESOP, we instill in each employee the fiscal responsibility that comes with own-

“One technique we use is to equate the expenditure to the amount of revenue we would need to generate to cover the expenditure.”

ership. We ask our employees to evaluate each expenditure to ensure that it aligns with our corporate goals of having an excellent professional reputation, profit and growth. One technique we use is to equate the expenditure to the amount of revenue we would need to generate to cover the expenditure. For instance, with 10 percent margins, we say a \$1,000 cost equals \$10,000

in net revenue. Then ask the question from that perspective realizing how difficult it is to generate revenue.”

**HEALTHY GOALS.** Healthcare is expensive, but at Pennoni Associates prevention results in savings.

“This is an area where we took proactive measures to control costs,” McPeak says. “We are self-insured so we recognize that a healthy workforce not only helps to reduce medical costs, it also reduces absenteeism, which is beneficial to utilization and revenue production. We were one of the first companies to participate in the Blue Cross healthy lifestyle program, which gives cash awards to employees who achieve healthy goals such as weight loss, smoking cessation, exercise programs, and many others.”



Rachel Edwards,  
Director of  
HR and CFO,  
CobbFendley.

Rachel Edwards, director of HR and CFO at **CobbFendley** (Houston, Texas), a 191-person professional civil engineering and land surveying services firm, explains that health insurance costs are also an overhead expense that the company reviews continually.

“As a way to improve the overall health of our employees, and therefore the strength of our benefits package, CobbFendley offers biometric screening to all employees. The screening is designed as a preventative measure to help highlight any potential health issues (e.g., high blood pressure) that will raise employee awareness and allow those affected to seek the appropriate treatment as needed,” Edwards says.

CobbFendley is hopeful that by helping employees become aware of potential health risks, prevention will be possible, which may result in fewer health insurance claims and lower premiums.

**NON-LABOR COST REDUCTION ACHIEVED.** McPeak says that much of Pennoni Associates’ overhead is contractual, not discretionary.

“A couple of years ago, we established the position of chief administrative officer with one of his primary duties being cost containment,” she says. “In this role, he is responsible for nearly all non-project-related costs. He has evaluated our office supply provider, our fleet management company, our reproduction contracts, and our travel management program. Faced with excess facilities resulting from the recent economic slowdown, he has either sublet or renegotiated office leases. As a result of this attention to the non-labor overhead costs, we were actually able to reduce our non-labor overhead from 2011 to 2012.”

**UTILIZE INDIRECT LABOR EFFECTIVELY.** Edwards explains that CobbFendley’s largest overhead cost is its indirect labor, which means that one of the best ways to reduce overhead is to keep staff members utilized.

“In addition to the normal business model of allocating the appropriate number of billable hours per job, we have found that helping people stay informed of their weekly and monthly utilization rate results in a greater personal accountability of time,” Edwards says. “We use Deltek Vision software that tracks each person’s weekly, monthly and year-to-date utilization

See OVERHEAD, page 12

### GOOD TO KNOW

Firms spend a median of \$1,203 per employee on HR. Firms typically spend a median of \$2,500 on each new hire.

**Source:** 2012-2013 Operating Expenses Survey, ZweigWhite: [www.zweigwhite.com/p-1166-operating-expenses-survey-2012-2013.php](http://www.zweigwhite.com/p-1166-operating-expenses-survey-2012-2013.php).

## NEWS

## Construction employment increases

However, declining investments in areas such as infrastructure worry economists and others.

**C**onstruction employment increased in 170 out of 339 metropolitan areas between April 2012 and April 2013, declined in 123 and was stagnant in 46, according to a new analysis of federal employment data released recently by the Associated General Contractors of America. Association officials noted that a majority of metro areas are adding construction jobs as private sector demand accelerates in many parts of the country.

“Demand for construction continues to grow in many parts of the country amid increasing private sector investments in new residential, energy and supply chain facilities like factories, rail lines and warehouses,” said Ken Simonson, AGC’s chief economist. “These private sector gains appear strong enough in many parts of the country to outpace declining public sector investments in infrastructure and buildings.”

Pascagoula, Miss. added the highest percentage of new construction jobs (45 percent, 1,700 jobs), followed by Napa, Calif. (36 percent, 800 jobs); Merced, Calif. (19 percent, 300 jobs); Baton Rouge, La. (16 percent, 6,600 jobs) and Lake Charles, La. (16 percent, 1,400 jobs). Two metro areas in Texas virtually tied for the most jobs added in the past 12 months: Dallas-Plano-Irving (11,500 jobs, 11 percent) and Houston-Sugar Land-Baytown (11,400 jobs, 6 percent). They were followed by Los Angeles-Long Beach-Glendale,

Calif. (9,400 jobs, 9 percent); Fort Worth-Arlington, Texas (7,800 jobs, 13 percent) and Phoenix-Mesa-Glendale, Ariz. (7,500 jobs, 9 percent).

The largest job losses were in Chicago-Joliet-Naperville, Ill. (-5,900 jobs, -5 percent), followed by Northern Virginia (-3,200 jobs, -5 percent); Cincinnati-Middletown, Ohio-Ky. (-2,400 jobs, -6 percent) and Raleigh-Cary, N.C. (-2,300 jobs, -8 percent). Bellingham, Wash. (-20 percent, -1,300 jobs) lost the highest percentage. Other areas experiencing large percentage declines in construction employment included Decatur, Ill. (-18 percent, -700 jobs); Eau Claire, Wis. (-17 percent, -500 jobs) and Rockford, Ill. (-17 percent, -700 jobs).

Association officials said that improving construction employment was masking longer-term problems that could come from declining public sector investments. They noted, for example, that economic growth could suffer as aging transportation infrastructure forces firms to pay more to ship goods. At the same time, increasing construction employment means more areas could experience worker shortages in the near future amid a lack of available workers with experience in certain key construction skills.

“Declining investments in infrastructure and other public assets could ultimately undermine the very growth that is currently boosting employment,” said Stephen Sandherr, AGC’s chief executive officer. “With hiring on the rebound in many areas, we also need to rebuild vocational education programs and rethink immigration construction caps to ensure there are enough skilled workers available to meet growing demand.” ▀▴

### OVERHEAD, from page 11

rate so we launched a program that serves as a reminder for each person to check their utilization rate on a regular basis when logging in to create their timesheet. CobbFendley’s managers are also in touch with department utilization and will make adjustments or share resources as necessary to help increase utilization throughout all of our regions.”

CobbFendley also conducts annual reviews of its rates and services provided by general liability insurance, office supply, and other vendors. Overall, CobbFendley’s goal is to keep overhead costs as low as possible in order to allow the firm to continue to provide a multiple of benefits to employees.

### A MICRO FIRM PERSPECTIVE – THEY DO IT ALL...

Calder Wilson, architect at **Wilson Architects Inc.** (Asheville, NC), a firm of two full-time registered architects, says she has the unique advantage of being able to work from a home office, which has had the greatest impact on keeping its overhead low.

“We pay no rent and have a greater ability to work flexible



Calder Wilson,  
Architect, Wilson  
Architects Inc.

hours. We also try to do as much of the non-billable work as we can ourselves. We use QuickBooks and do all of our monthly billing and only use an accountant for tax preparation. We bought a high-quality used camera and take all of our project photographs. We do all of our graphics, update our website, and prepare our marketing materials,” she says.

Wilson adds that the partners make efforts to limit software and equipment to the essentials only.

“We use SketchUp, a low-cost modeling program, to prepare design models and use older versions of software when available (such as Photoshop). We also look for any opportunity to reuse,” Wilson says. “For example, we collect all our scrap paper, print our field note template on the reverse, and bind them to use as notebooks.”

So, whether large, mid-sized or small, there are always ways to save. ▀▴