

Make sure you have good numbers



Mark Zweig

Accountants often don't understand the peculiarities of the design industry. Mark Zweig offers six examples of typical problems.

I always tell my entrepreneurship and architecture students that numbers are the language of business. (I also tell them four-letter words are all too often the language of the board room...!)

In any case, it amazes me that so many firms have such bad numbers. There are many reasons for it, but bad accountants rank right up there at the top of the list. If the numbers are critical to management decision-making, you cannot make a good decision without the right numbers.

I have met more bad accountants working for firms in our business than I care to admit. Bad accountants do not understand your business. They refuse to learn about or acknowledge the peculiarities of the design and environmental consulting business and instead may act like the firm is in the same manufacturing business that the bad accountant used to work for.

Bad accountants also don't understand your priorities as the owners of the business. They aren't owners, after all. They're employees. And it's black and white to them. If the financials have to be held up for a couple weeks to make sure \$2,000 in employee travel expenses are booked properly, then that's fine with them. Their priorities are all mixed up.

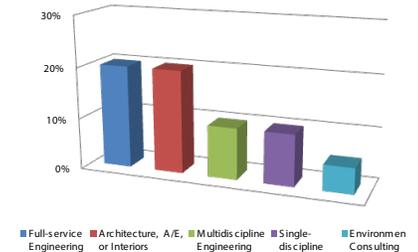
Finally, bad accountants don't really care about the accuracy of their numbers. The important thing is that all costs are assigned somewhere

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Bad accountants do not understand your business. They refuse to learn about or acknowledge the peculiarities of the design and environmental consulting business.

TRENDLINES

No contract



A/E firms are more likely to begin a project without a contract than firms that are strictly engineering or environmental consulting firms, finds ZweigWhite's 2012 "Fee & Billing Survey."

According to the just released study, architecture, A/E or interior design firms as well as full-service engineering or E/A firms report that 20 percent of their projects begin before a contract is signed.

Meanwhile, multidisciplinary engineering firms and single-disciplinary engineering firms begin 10 percent of their projects without a contract. Environmental consulting firms report that only 5 percent of their projects are started without a contract.

— Margot Suydam, Survey Manager

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even if the janitor of the Tuscaloosa office shows up in “corporate” when it makes absolutely no sense.

Here are some of the typical problems I run into accounting-wise in A/E firms:

- 1) No understanding of the concept of “revenue.”** Revenue is counted when it is earned. Billings may or may not reflect earnings. They are really independent and quite different. If you don’t understand this, you could have all kinds of revenue that is not accounted for. That will hurt your profitability.
- 2) Bad billing practices.** Waiting to do the bills once a month. Doing drafts and then waiting for the PMs to review versus doing a final bill that could go out if OK. Not doing electronic billing. Not looking at the contract. These are all problems.
- 3) Labor improperly assigned.** I see this frequently. Marketing labor that is tagged to the wrong unit. Office people assigned to corporate. Project labor from one unit that really needs to be tagged to another. If you really want accurate P&Ls and contributions by unit, labor has to be in the right place.
- 4) Costs improperly accrued.** Accruing for an audit that won’t occur. Not accruing vacation/sick obligations. Not accruing deferred comp obligations. These are all problems of bad accountants.
- 5) S-L-O-W in getting the numbers done.** You don’t want your May P&L at the end of June. You need this stuff fast so you can make decisions based on the information!
- 6) No understanding of the concept of materiality.** That is all about doing what is important. You don’t hold up a \$50K bill over a \$5 meal. You don’t hold up the P&L on a \$6 million revenue unit because you don’t have a \$1,500 printing bill. You have to have your priorities straight. Bad accountants don’t get this!

I’m out of time. I hope you have good accounting in your firm. It’s a critical element for your success today and in the future.

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

A/E BUSINESS NEWS

AIA LUKEWARM TO TRANSPORTATION BILL: The American Institute of Architects issued a statement on which it expressed mixed views on the transportation legislative compromise.

“Under current law, states are required to set aside 10 percent of their federal monies for infrastructure that includes bike paths and pedestrian walkways that not only make our communities stronger, but also create jobs,” said AIA President Jeff Potter. “By making this spending voluntary, it is not clear that any of these investments will ever be made.”

However, Potter said, while the bill deemphasizes enhancements that shape healthier and safer communities, it at least provides certainty through 2014 for architects, contractors and planners, and landscape architects. “Certainty is what gives the design and construction industry the opportunity to plan and build the best, most cost-effective infrastructure solutions to enhance the quality of life for Americans,” Potter said.

Potter said the AIA will continue to advocate for alternate transportation planning and options for all.

STERN CHOSEN TO CHAIR BIENNALE JURY: Robert A.M. Stern has been elected Chair of the Architecture Jury of the 13th International Architecture Exhibition at the Venice Biennale. This year’s exhibition, “Common Ground,” directed by David Chipperfield and organized by Venice Biennale President Paolo Baratta, opens to the public Wednesday, August 29, 2012 and runs through Sunday, Nov. 25, 2012, at the Giardini della Biennale and at the Arsenale.

“Common Ground” presents 63 projects by architects, photographers, artists, critics and scholars, created expressly for this Biennale. There will be a total of 110 participants.

The International Jury will award the following prizes:

Golden Lion for best National Participation

Golden Lion for best project in the International Exhibition “Common Ground”

Silver Lion for a promising young architect in the International Exhibition “Common Ground”

The awards ceremony will take place during the official opening of the Exhibition, Wednesday August 29, 2012.

CALENDAR

BEST FIRMS TO WORK FOR SUMMIT:

Presented by ZweigWhite, the Best Firms to Work For Summit is a two-day conference about best practices in compensation, culture, professional development, recruiting and employee retention, office environments, performance management, and other policies and procedures that make an architecture, engineering and environmental firm one of the best to work for.

The 2012 Best Firms to Work For Summit also includes an awards reception to celebrate those firms that have participated in the Best Firms to Work For Ranking.

Conference presentation topics include 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, and many other key issues on the minds of leaders of all A/E/P firms today.

The Best Firms to Work For Summit will be held July 19-20, 2012, at the W Seattle Hotel in the heart of Seattle. The W Seattle is a premier luxury hotel located close to art and music centers, financial and retail hubs, and the Pike Place Market.

More information about the Summit and details about registration can be found here: www.zweigwhite.com/events/BestFirmsToWorkFor/index.asp.



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TOP PLAYER

A collaborative approach to success

Firm has managed to secure envious Top Firm status in just 10 years.

Team-building, collaboration and quality are words that roll with ease from Lucinda Jacobs' tongue. Jacobs, president of **Integral Consulting Inc.** (Seattle, WA), a 100-person science and engineering firm providing multidisciplinary services in the fields of health, environment, technology and sustain-

"The work we are fortunate enough to do is intellectually fulfilling, and collaboration with great colleagues is the most successful way to have fun in the process."

ability, says some of those attributes have helped make the young business what it is today. A commitment to meeting client's needs has also helped catapult the 10-year-old firm onto the No. 125 in **THE ZWEIG LETTER** 2011 Hot Firm List.

In this interview, Jacobs talks about the plan for the next 10 years, among other things.

THE ZWEIG LETTER: What does it mean to be a Hot Firm?

Lucinda Jacobs: It's an honor to be acknowledged for our hard work and commitment to healthy financial performance and sustainable growth.

TZL: How did you get where you are today?

LJ: By hiring great staff and by listening to clients, understanding their issues and giving them the commitment and work products that meet, or hopefully surpass, their needs. Over the past 10 years, our collaborative approaches and commitment to strong quality management processes have brought us new clients and expanded work with existing clients. I think that, along with interesting projects and our team-oriented business culture, has helped us keep the talent we have and



Linda Jacobs,
President,
Integral
Consulting Inc.

allowed us to hire some top-tier leaders who have helped the firm grow. We also are lean enough to identify and adapt to changing market/client needs.

TZL: Do you remember your first paid job? What did you learn then that still influences the way you work today?

LJ: Oh, yes. I worked in a factory in LA that made capacitors. I learned that there are many smart people out there whose only limitation is education.

TZL: What is it in your DNA that drives you to success? Is it audacity and risk-taking; a can-do attitude and a relentless pursuit of perfection; something else more abstract?

LJ: It's a little more idealistic – wanting to make a better workplace culture for myself and my colleagues. The work we are fortunate enough to do is intellectually fulfilling, and collaboration with great colleagues is the most successful way to have fun in the process.

TZL: In today's difficult business climate, what does it take to succeed? Is the spectrum of failure a motivator?

LJ: We divide our 10-year growth into four phases: Unbridled optimism (first five years), humility (year six), character-building (years seven and eight; dealing with the financial meltdown and related client issues), and maturity (years nine and 10 and into the future). The humbling and character-building phases were critical to our success.

TZL: Where do you see this industry in 10 or 20 years? What trends are influencing it? What about your company?

LJ: I see the industry shifting from re-

active to proactive. In order to meet sustainability goals, clients need to be more proactive. I also see a shift from waste issues to water issues. I believe we are entering a "water crisis," and new tools that are more predictive of chemical/biological effects and tools that bring in optimization of systems will be important.

TZL: Do you hold someone as a special mentor? How did this person influence who you are?

LJ: It wasn't a person, actually. Horton the elephant, from the classics Horton Hears a Who and Horton Hatches the Egg, by Dr. Seuss. Horton meant what he said and he said what he meant.

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

LJ: Integrity. It's the foundation of solid relationships, both in one's personal life and in business.

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

LJ: Travelling alone, by land, through Turkey and Iran to Pakistan/India in 1978.

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

LJ: Right now, I'm most interested in learning how others share profits and ownership with staff.

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

LJ: This one requires some thought, because the modern employment climate is so different from what it once was. I would say definitely get an advanced degree and pursue professional certification as soon as possible if it's relevant. Credentials are becoming more and more important. It's also never too early to start networking and build a repertoire of colleagues and clients. ▲▲

SURVEY

PM structure varies by firm

Some firms always keep teams the same, others don't; some change PMs around, some don't.

By CHRISTINA ZWEIG
Contributing editor

What makes for a good project management structure? Do too many cooks spoil the pot?

At **Shive-Hattery** (Cedar Rapids, IA) a 325-person architecture and engineering firm, the primary role of the PM is to lead the team to plan the project, monitor and control project execution, manage risks and revise the project as necessary, says Jeff Clauson, director of project delivery.

"In addition, our PMs have a number of administrative and business responsibilities for the project, including obtaining the professional services agreement with the client, establishing and maintaining good project documentation and managing cash flow (billing and collections)," he says.

Clauson says that Shive-Hattery's projects typically have one PM. "In addition, when completing multiple projects for the same client, we believe in keeping the PM and the other core team members the same for each project. There are, of course, advantages with the client relationship, project processes, etc. when the team members are the same," Clauson says.

In ZweigWhite's 2012 "Project Management Study of Architecture, Engineering, Planning & Environmental Consulting Firms," most firms report their projects rarely (46 percent) have more than one PM, 24 percent of firms report their projects sometimes have more than one PM, and 30 percent say they never have more than one PM.

Among firms that report projects with more than one PM, 35 percent say PMs are responsible for coordinating themselves, 31 percent say a senior PM is designated, 19 percent say a principal-



Jeff Clauson,
Director of
Project Delivery,
Shive-Hattery.

in-charge is responsible, 8 percent say both must report to a director of project managers, and the remaining didn't specify or reported another unlisted method.

The vast majority of firms (62 percent) report that it's at least sometimes possible for

"We believe in keeping the PM and the other core team members the same for each project."

project managers to be team members on some projects and managers on others; 27 percent say it's "always" possible and 11 percent say it rarely is.

"One of our main philosophies in delivering great projects and services to our clients is through core teams... a small group with representation of each of the required disciplines for the project," Clauson says.

Shive-Hattery's core teams are led by PMs, who with the other core team members lead the other resources on the project and manage the work processes necessary to deliver a quality project.

ARE SET TEAMS OR VARIABLE ONES BEST? According to the survey, only 10 percent of firms report permanently assigned teams, while 71 percent report a different team for each project. Nineteen percent of firms report a cross between the two, with some permanent teams mixed with some assigned on a per-project basis.

At Shive-Hattery, "Once a project manager is assigned to a project, it is the responsibility of the project manager to recruit the other core team members. Once the core team has been identified, it is the responsibility of the core team to recruit the other necessary team

members for the project," Clauson says.

If permanently assigned project teams are not standard procedure, is staff personally selected for each project by the project manager? According to the survey, 36 percent of firms say this is the case in all projects, 43 percent say it is for some projects, depending on factors such as staff availability, principal input, specialty, staff availability/project needs, resources and individual strengths of team members. Twenty-one percent of project managers say they do not select staff for projects.

As a management position, do project managers have any hiring or firing power? According to the survey, most project managers, 65 percent, said they had influence over hiring and firing.

Ten percent claimed absolute hiring/firing power and 26 percent said they do not have these powers at all.

The survey asked project managers if in general they felt their projects were sufficiently staffed.

Fifty five percent of all respondents said "yes." Included in the anonymous comment section about adequate staffing, someone respondents wrote, "Adequate pool of qualified staff available to me," "Good depth of staff and expertise in disciplines," "Either seek out staff internally or hire," "Able to share resources with multiple teams in relation to project importance, work planned well and monitored on regular basis," and, "Workload permits retention and teams often work together."

On the other side of the fence, firms mentioned inadequacies that often revolved around management's tendency to keep teams understaffed and technologically deprived.

"Currently facing a shortage of CADD staff," "Not enough lower priced staff to do work at value," "Limited project budget creates staffing limitations," "Too top heavy - need younger production staff," and "We are always understaffed due to layoff fears," were just a few of the reasons pointed by 29 percent of the survey respondents. ■▲

STRATEGY

Creating a unique brand voice

Especially for firms in start-up phase, identifying what you are all about is essential.

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

By LIISA SULLIVAN
Correspondent

Branding campaigns can be expensive. And as such, many start-ups may or may not have the budget for them. That's why it's important to make sure that you have a clear understanding of your mission and values before launching an initial branding campaign.



Annemarie Marek, founder, Marek & Company.

Annemarie Marek, the principal and founder of Dallas-based Marek & Company, a strategic business communications consultancy group, says young firms need to create a unique brand voice if they are to differentiate themselves in today's competitive environment.

ASK FOUR QUESTIONS FIRST. The top four questions that help to frame a company's brand voice are:

- 1) What is our mission and vision for our firm?
- 2) What culture do we want to support and protect as we grow?
- 3) How can we best share our mission, vision and culture with our customers and prospects?
- 4) Why should they care about our brand?

"Budget considerations aside, answering these questions in the early stages of a start-up is central to establishing a unique and identifiable brand voice," Marek says.

Once you have answered these four questions, you are on your way to be-

gin your branding campaign. Now, you need to get it off the ground. But, where should you begin?

GET POSITIVE RESULTS. Since good branding campaigns are designed to deliver what Marek refers to as "high value visibility and results," there are several important steps to take. You must:

Define your target audiences.

Who are your best business prospects? Your definition should include those prospects who need your services, and those whose business will help you grow and prosper. Profitable prospects are important to small firm survival, not "loss leaders." Also, you probably do not want your brand to be defined by cheap fees, which may be the case if you just take work for the sake of work.

Identify the most cost-effective channels of communication.

With so many communication choices – from advertising to social media – start-ups should consider narrowing those choices initially and expand them as the firm's budget and resources grow.

For example, many smaller firms initially benefit most from the power of publicity. Deployed in the right medium, articles, news and columns can leverage visibility of the firm among key prospects and customers.

"Of course, it is a given that young and mature firms alike must provide quick access to their company information online. A well-defined website provides that support, as do various social media tools, such as LinkedIn, Facebook and Twitter. But each of these communications tools must be current, purposeful and useful to prospects and customers," Marek says.

Recognize that strong brands evolve through effort and continuous commitment.

Start-up firms often think that once their logo is designed, they have a brand. Quite the contrary, the logo is a rather static communications tool which, at best, carries a tagline that helps to position a firm.

Strong brands have comprehensive identities that begin with their names, the individual and collective personalities of the firm's principals and associates, the quality and consistency of the

firm's deliverables, community engagement, professional networking, and the continuity and frequency of communications, both internally and externally.

In other words, building a strong, recognizable brand requires ongoing effort and evolution – much more than what a 12-month campaign can deliver in order to be sustainable.

ESTABLISH CREDIBILITY. As you move your brand forward, awards provide another vehicle for capturing attention. They place your firm's designs into the spotlight. Similar to media coverage, awards are third-party endorsements, and therefore more trusted than self-endorsements.

"Design awards run the gamut, from highlighting eco-sensitivity to focusing on the financial impact of the design on the clients' business. Each award, thus, has its own brand attributes and associated media outlets. Use this to your advantage," says Adam Lerner, marketing director for M3 Design, an integrated product development firm in Austin, Texas.

But remember to only submit applications for awards that have your desired attributes and for products that you want to represent the firm's brand.

SHARE CASE STUDIES. These are also third-party in sentiment. Once you have begun to establish a strong brand voice, case studies can help to further communicate your story.

"Design firms clearly rely on case studies to showcase their capabilities under the guise of a story," Lerner says. "Case studies detail a project from the client's perspective. However, they are limited in their potency due to their unavoidable quality of self-endorsement. While not directly intended, case studies play a psychological game with the audience by harnessing the power of transference, wherein the brand attributes of the client and project are transferred to the design firm. This can be an effective way for you to leverage the positive brand attributes and reputations of your clients to affect perceptions of your firm." ■▲

Growth is not free



Hobson
Hogan

F&A
ADVISOR

Capital allocation and budgeting during ownership transitions.

Most firms want to grow and, in most cases, growth is good. Growth, though, is not free. It typically requires investment of resources – people, assets and capital. The vast majority of firms go through a budgeting process and many will also include an added exercise where they identify where the firm should spend its investment dollars to grow or become more competitive.

Typically, the larger the firm, the more formal the process is. Smaller firms may decide that a formal process to allocate its resources is not necessary. Often times, this is a valid assumption and the firm will perform just fine without it. The need for a more formal process and analysis grows as a firm tries to manage growth and stock redemptions or note payments.

In a recent Principal's Academy seminar hosted by ZweigWhite, I asked the class what the most scarce resource is in an A/E/P or environmental firm. The answers ranged from people, training opportunities, etc. I told them that these were all good thoughts, but the answer is cash. What firm could not use more cash?

When you boil it down, a firm charges for its services, pays its employees and vendors and then decides what to do with the remaining cash. It can hold it, disburse it to the owners or invest it back into the firm. Growth requires investment and not just any fixed assets or additional personnel that are required for the growth. When you grow, you invest money in working capital, which becomes yet another mouth to feed at the cash trough.

In the current environment, most firms want to grow because they are running well below their peak from the middle of last decade. Growth is good and firms should go after it. However, the trap that firms fall into is to think that they can spend the profits on the income statement, which is not the case. Growing the firm's bottom line is usually positive. However, firms in an ownership transition must focus on the cash-generating ability of the business. Without positive cash flow available to support a stock purchase plan, an ownership transition plan will implode. This requires firms to move beyond the exercise of just looking at budgeting as a revenue and expense exercise, but also an exercise in estimating the timing and magnitude of cash generation; then placing priorities on where the cash will be allocated. If you focus solely on profits, then you may find that you are short on cash for bonuses to pay for seller notes or money to pay prior owners whose shares have been redeemed.

As is true in almost every business, firms have to make choices on what they will spend their money on. Supporting an ownership transition is no different. Firms must incorporate their thinking concerning buying shares into their overall strategic plan. They also need to ensure that their compensation systems are not pushing them into situations where much-needed cash is being diverted away from being able to support ownership transitions. Ensuring a smooth ownership transition is critical to the long-term health of a firm and timing of a plan needs to have a seat at the table when resources are allocated. ▽▲

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As is true in almost every business, firms have to make choices on what they will spend their money on. Supporting an ownership transition is no different. Firms must incorporate their thinking concerning buying shares into their overall strategic plan.

Keeping life and work in balance



Stephen
Lucy

Everyone's definition of balance varies, but make sure you provide options.

When we realize that we spend approximately 50 percent of our waking hours on work-related tasks, it is not surprising that work-life balance is a continuing topic of discussion, especially during the summer vacation months. Yet, given the amount of debate on this topic, we never seem to have a clear definition about what the proper split should be. I think the reason is that the proper balance is so varied for each of us and changes throughout our careers.

I grew up in the proverbial "Leave it to Beaver" family. I had an older brother, stay-at-home mom, and my dad was an engineering manager for a large international company with typical work hours; 8 to 5. I was also surrounded by aunts, uncles and grandparents who were all within walking distance on our family farm. It was idyllic and formed the basis of my early perception of proper work-life balance. However, as I prepared to enter the workforce after college, I knew that it was not the right balance for me – a decision that still baffles my parents, but one which is fortunately embraced by my wife and daughter.

So how do we go about determining that correct balance and, more importantly, how as managers and firm leaders do we facilitate the development of the correct balance by our staff? After all, our staff is our most valuable asset.

FLEXIBLE WORK HOURS. This one seems so simplistic that it should fall into the category of "no kidding," yet the topic of flexible work hours is subject to extensive discussion because it can have a tremendous impact on the workflow and culture of your firm.

The reason is that the proper balance is so varied for each of us and changes throughout our careers.

Through the use of technology, we can work remotely and we can allow staff to adjust hours, but does that same flexibility impact other staff and clients adversely given our interdependence on each other?

Your architectural client may get into the office at 9 a.m., but your contractor gets to the job at 7 a.m., and to be a successful consultant, you need to be there for both. Your surveyors get to the office at 6:30 a.m., and your accounting staff at 8:30 a.m., and you need to manage both. For these reasons, we have found that we cannot support unrestricted flexibility, but we can give reasonable variations in work hours that are understood and consistent for all staff.

Of course, there will be times when a staff member needs to attend a school event or leave town early for a family trip. We have all been there and need to apply the golden rule uniformly. I have also discovered that being a compassionate employer is repaid when you ask that same employee to work overtime to meet an aggressive deadline established by a client.

TIME AWAY. It is surprising how many people do not utilize paid time off (PTO) that companies provide. Every study on the subject indicates that it is to the employee's and employer's benefit to take time off so you can disengage from the day to day demands of our jobs and reenergize. So how do you encourage staff to do that?

Some firms have a "use it or lose it" policy with unused PTO expiring at year-end. We take a slightly different approach, where PTO in excess of 80 hours is purchased back, but at 50 percent of the value of those hours, based on the individual's wage. This provides an incentive to take the time and a penalty for not taking the time off. The allowed carryover is beneficial for staff who want to accumulate more hours in a given year for more extensive time away, such as overseas travel for our international staff. Since implementation, we have only a small percentage of our staff who fail to fully utilize their time off.

We have also introduced a paid sabbatical every five years for partners because we believe that our partners are the worst at taking time away from work and run the highest risk of burn out.

COMMUNITY. Participation in community activities was not even a topic of conversation when I began my career, but, thankfully, the younger generations have a strong desire to engage with their communities. This is one area in which our firm can

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NEWS

Construction spending peaks in May

Construction spending in May reached the highest level since December 2009 as widespread gains in private nonresidential construction, single-family and multifamily homebuilding more than offset a continuing downturn in public construction, according to an analysis of new federal data released today by the Associated General Contractors of America.

Association officials said they expect the disparity between private and public construction is likely to persist, although enactment of a federal highway and transit bill will cushion the decline in public spending.

“It is encouraging to see such a broad-based pickup in private construction,” said Ken Simonson, the association’s chief economist. Simonson noted that private nonresidential spending climbed for the third month in a row and was 19 percent higher than in May 2011. Residential construction surged 3 percent for the month and 8 percent year-over-year, with new multifamily construction leaping 6 percent and 50 percent, respectively, and single-family homebuilding up 2 percent and 15 percent.

The construction economist said that four private nonresidential categories each posted 12-month spending increases of more than 25 percent: power and energy construction, 35 percent; hotels, 29 percent; educational and manufacturing, 27 percent apiece. There were also improvements in year-over-year totals for private transportation such as trucking and rail facilities, up 17 percent; health care and commercial (retail, warehouse and farm), 11 percent each; and office

construction, 7 percent.

In contrast, public construction slumped for the fifth consecutive month, falling 4 percent below the May 2011 level, Simonson noted. He said the largest public category, highway and street construction, slipped 0.5 percent from April but edged up 2 percent year-over-year, while the second-largest segment, educational construction, fell 3 percent and 7 percent, respectively.

“Based on the number and variety of projects that have been announced in recent months, I expect the private nonresidential sector to keep posting hefty gains for the rest of 2012 and beyond,” Simonson predicted. “Apartment construction seems sure to remain strong as well. Single-family homebuilding is not as solid but has apparently passed its low point. Together, these categories should mean that total construction spending in 2012 will be positive for the year for the first time since 2007 despite ongoing weakness in public construction.”

Association officials said the enactment of a federal highway and transportation bill that slightly increases spending over the next 27 months will keep public construction from falling further. But they urged Congress to include more funding for essential water and wastewater projects.

“Getting a highway and transit bill passed is a great first step,” said Stephen Sandherr, the association’s chief executive officer. “Next, Congress should focus on keeping other forms of infrastructure from falling behind while enacting measures to support broader economic growth.”

STEVE LUCY, from page 7

participate directly in the creation of our staff’s work-life balance. As such, it is incumbent on us to assist in facilitating those activities that align with firm goals. This means that we may need to allow staff to participate during work hours and commit other firm resources to support that community engagement.

Community-focused activities can have a profound and positive impact on shaping a firm’s culture. This impact includes building team dynamics, developing future firm leaders, and creating loyalty to the firm. Our employees develop the activities to be undertaken, and the firm partners with them to accomplish the tasks. Yet participation is not mandatory as different activities are of interest to different staff members. The firm must recognize that diversity.

FAMILY. Creation of programs that engage and provide benefits to the families is essential. Besides the typical benefits, such as insurance and time off, it is important to identify what your firm can do to enhance your employee’s family life. Do you allow family to participate in company functions, such as community activities? If not, why?

You also want to create some programs that do not require direct interaction with the firm while still benefiting the firm. For example, we reimburse our staff for a portion of their membership dues at a fitness or health club of their choice, including family memberships. They receive a benefit for their family, and we receive the benefit of a healthier work force. Based on our positive experience with this program, we are currently partnering with the ACEC Trust in a pilot program for a new corporate wellness program.

So how is your work-life balance?

We all struggle at times to properly blend work schedules and commitments with our private lives and that struggle has probably been amplified during the great recession. Will you look back at your career and know that 99 percent of the time you made the right choices in your life? Similarly, have you made the right choices for your staff?

I have never heard a eulogy in which someone was praised for focusing solely on work. So here’s to a summer that includes a vacation and a year that brings both work and life into balance!

STEPHEN LUCY is managing principal at JQ Dallas LLP (Dallas, TX). Contact him at slucy@jqeng.com.

PERSONNEL

Non-competes hard to enforce

Case-law varies by state, so when creating such a document, make sure it's well-vetted.

By LIISA SULLIVAN
Correspondent

Different forms of non-competes are a fact of life in today's workplace, particularly in the A/E field, where customer relationships and intellectual property have substantial value. However, enforcing them may be a challenge.

STATE BY STATE. Non-competes tend to receive close scrutiny by courts because the law generally protects free and fair competition. Additionally, enforcement of these agreements is primarily a matter of state law. State law varies considerably.

For example, Michael Roche, partner at Schuyler, Roche & Crisham, P.C. in Chicago, Ill., poses the following: Under Illinois law, courts will protect the employer's interest in "near permanent relationships." Under New York law, courts generally will not enforce a non-solicitation covenant as to clients with whom the employee had a relationship before he joined the employer.

Another test that courts apply is whether the customers were readily identifiable or whether the employer had to make an investment to identify and develop this customer.

"Non-competes generally favor the interests of the company over the employee. However, if you have an employee who has a specific skill set or project experience the company is looking for, a company may back off the non-compete requirement and offer other attractive options, such as a senior position in the firm, ownership interest or stock options."



Timothy Corbett,
President,
SmartRisk LLC.

Timothy Corbett, founder and president of SmartRisk LLC in Pasadena, Calif., a firm that provides design and building professionals with industry and firm-specific analysis along with guidance for achieving successful results for their firm and projects, shares additional examples of very different court rulings.

In California, employers urged the court to follow the lead of the federal appeals court in San Francisco, which has interpreted California's law to "allow a company to limit its employees' future job choices as long as it doesn't prohibit the employee from working in the same field."

But the state's high court said any such restriction conflicts with California's long-standing policy of employee mobility.

"An employer cannot by contract restrain a former employee from engaging in his or her profession, trade or business," said Justice Ming Chin in a court ruling. He said the law recognizes only a few limited exceptions for non-compete agreements that are part of the breakup of a corporation or partnership.

Two recent court decisions in Massachusetts have held that non-compete agreements can be enforced against former employees even where there is

no proof that the former employee has misused confidential or proprietary information of the employer. The decisions support employers that lose critical employees to competitors where it is inevitable that the former employee will disclose the employer's confidential, proprietary or trade secrets to the new employer.

Ruth Robinson, director of HR at **Kennedy/Jenks Consultants** (San Francisco, CA), a 450-person engineering, environmental science and architectural services firm, says that non-competes are virtually non-enforceable in California.

"For our other states, we have to get legal counsel in each state when we anticipate an issue. Each one is handled differently and, fortunately, we have had only a handful of issues," Robinson says.

BE SPECIFIC; LAW WILL DECIDE. Corbett says that non-compete agreements can be a mixed bag.

There is legal reasoning and a legitimate business case for employers to have employees sign a non-compete agreement – employers have a right to protect their business interests. However, on the other side of the coin, they cannot essentially ask and prohibit an employee from working in their profession.

"Businesses can't restrict design professionals from working; however they can attempt to prevent them from working for a 'competitor' by having them sign a non-compete agreement," Corbett says. "After the agreement is signed, if there is a disagreement, the courts will determine the 'business interests' of the parties and define who is a 'competitor'."

Non-competes commonly include restrictions such as geographic regions and length of time.

See NON-COMPETES, page 10

ON THE MOVE

IA HIRES: IA Interior Architects (Los Angeles, CA), an interior architecture and workplace strategies firm, announced that Tish Kruse has joined the firm as director of workplace strategy. She will be based in Chicago.

Kruse brings over 25 years of consulting, management, real estate, and design experience to deliver value-driven solutions. Her focus is developing strategies that are sustainable amidst ongoing change, and the results are engaging environments that increase employee productivity, facilitate innovation, and reduce footprints by an average of 20 to 30 percent. Most recently, Kruse was with Jones Lang LaSalle's Strategic Consulting group, and prior to that she was the leader of HOK Chicago's interiors practice.

"Tish is a valuable addition to our Workplace Strategies team. Her expertise in conducting relevant research, establishing the business case, and facilitating buy-in for change has led to powerful design solutions. We are pleased to have her on board," said Tom Powers, managing principal.

FPA HIRES: Joel Figueroa-Vallines has joined French & Parrello Associates (Wall Township, NJ), in the capacity of vice president. He will assume the leadership of the firm's structural engineering department. He has over 15 years of experience in structural engineering on projects in both domestic and international markets. In 2011, Building Design + Construction magazine included Joel among their group of "40 Under 40" accomplished individuals based on his success in the engineering field. He has led the structural design of a variety of facilities, including schools, museums, entertainment venues, stadiums, data centers, offices, multi-family dwellings, and towers; for both public and private sector clients. He has worked with architects, engineers, contractors, and owners to provide economical, durable, and constructible designs.

Prior to his joining Baxter & Woodman, Ferretti held a senior management position with a leading national consulting firm.

LEA HIRES: Nashville, Tenn.-based Littlejohn Engineering Associates announced three key additions to its Orlando office. Brent Lacy will serve as director of transportation planning. Jay Hood will serve as director of landscape architecture. Bruce Hall will serve as senior landscape architectural project manager. All three were leaders in the prestigious planning, landscape architectural and environmental firm of Glatting Jackson, which is now known as AECOM. The three join former GJ/AECOM Principal Carey Hayo, who LEA hired six months ago.

As director of transportation planning Lacy will be in a key position to continue this client-focused direction. Lacy has been recognized throughout the Southeast United States for his work on major corridor studies and transportation planning assignments including multi-modal systems planning. He has managed transportation and parking studies for urban redevelopment projects that included residential, office, retail and institutional land uses.

Hood was principal director of landscape architecture at AECOM with over 25 years experience on a number of signature public and private projects across the country. His specialties include parks, public open spaces, formal gardens, botanical gardens, and large-scale master planning for community developers. His key projects include Lake Nona home of Medical City, a health and life sciences cluster which is home to hospitals, universities, research institutions and life science companies.

Hall has over 23 years experience. His specialties include parks, multi-use trails, streetscapes and master planning for private planned communities and resorts. Hall worked on the Viera new town project (a 40,000 acre planned community in Central Brevard County) with Carey Hayo. Hall also worked on the West Orange Trail project which connects the communities of Winter Garden and Apopka and has become the standard for trail design in Central Florida.

GZA PROMOTES: GZA GeoEnvironmental, Inc. (Norwood, MA), an environmental and geotechnical consulting firm, announced that Chad Cox has been promoted to principal.

A resident of Brookline, Mass., Cox joined GZA in 1998. Previously, he was with The Benham Group. In addition, he served in Nepal with the Peace Corps for two years as a water supply engineer.

Cox is presently the group leader for GZA's Dams Practice Group and head of the small hydropower initiative. His areas of specialization are dam safety and design, hydroelectric engineering, water resources engineering, and geotechnical engineering.

"Chad has demonstrated the values and integrity that are critical to GZA as we constantly strive to better serve our clients," said William Beloff, president and CEO of GZA GeoEnvironmental, Inc. "We are pleased to recognize Chad for his commitment, excellence and outstanding performance."

HFI HIRES: Hall & Foreman, Inc. (Tustin, CA), a civil engineering, land planning and surveying firm, announced the addition of Loye Peternell as director of finance. Peternell joins HFI to expand the firm's focus on its financial and business operations.

"Loye's operations experience in the engineering industry will be beneficial to Hall & Foreman's management team as the firm grows," said John Hogan, CEO. "She will be responsible for financial strategy and planning, budgeting, and risk management as we prepare for the upturn in the development sector."

Peternell has 30 years of finance and business operations experience in the architecture, engineering, and environmental consulting, and landscape construction industries. Her background includes financial strategy, internal controls development, and cash management in a multi-office environment. She has managed accounting, human resources, and IT personnel, and has served as a corporate officer, principal, and a 401(k) trustee.

NON-COMPETES, from page 9

Geographic restrictions prohibit an employee from working in a certain location, such as a city, country or state. In most cases, non-compete agreements with broad geographic restrictions are not allowed and can be contested.

Length of time for non-compete agreements is typically for one to two years – longer than this time period may be seen as an unreasonable timeframe.

"Non-competes generally favor the interests of the company over the employee. However, if you have an employee

who has a specific skill set or project experience the company is looking for, a company may back off the non-compete requirement and offer other attractive options, such as a senior position in the firm, ownership interest or stock options," Corbett says.

The best advice for both parties is to use caution when writing or signing any non-compete. This is a contract between an employee and employer and these always include professional risk. As a result, it's helpful to have a professional such as an attorney review the agreement and interpret the fine print. ▀▀

PROFILE

Mark Henline is one busy man

Merrick & Company's CFO expands responsibility reach.

By LIISA SULLIVAN
Correspondent

Mark Henline's role as vice president and CFO of **Merrick & Company** (Aurora, CO) recently expanded to include oversight of the financial services, facilities, IT, and risk management teams.

As CFO of a \$120 million engineering and architecture firm of 486 employees, for the past six years Henline has been responsible for direction and oversight of corporate and subsidiary accounting, financial services, taxes, treasury, corporate facilities, contracts, risk management, and information technology for Merrick and its foreign subsidiaries in Canada, Mexico and the United Kingdom. He also holds leadership positions as a member of Merrick's finance committee and stock committee, and serves on the board of trustees for the Merrick & Company's 401(k) and employee stock ownership plan.

In a nutshell, Henline is one busy man.

Henline's career spans 30 years, starting in public accounting with Price Waterhouse in 1982. Prior to joining Merrick in 2006, he held a variety of management positions including CFO, treasurer, controller, and general accounting manager in the engineering, construction, and manufacturing market sectors. He holds a Bachelor of Science Degree in Accounting from Alfred University in Alfred, N.Y. ▀▀

"I strive to be a solutions-oriented team member for Merrick, as opposed to simply being a 'gate-keeper' of the company's asset."

A CONVERSATION WITH MARK HENLINE



Mark Henline,
VP and CFO,
Merrick &
Company.

THE ZWEIG LETTER: What is a major accomplishment you are proud of since you have been CFO?

Mark Henline: I am proud to be part of building a cohesive corporate team that has been able to repeatedly deliver quality projects to great clients, resulting in consistent, year-over-year growth in the company, despite tough economic conditions.

TZL: What are your key strengths? What do you feel are the key strengths for an effective CFO?

MH: I strive to be a solutions-oriented team member for Merrick, as opposed to simply being a "gate-keeper" of the company's asset. I take particular satisfaction in helping to create innovative solutions that support a company's operations and strategic objectives. I offer strength and flexibility in communicating financial concepts and results,

in understandable terms, across a wide range of professional disciplines, which in turn promotes a higher level of trust and a more collaborative relationship within a company.

Some critical attributes for an effective CFO include:

- Demonstrating an open-minded attitude and ability to support the needs of a company's operational and support departments, while still protecting the company's assets and integrity.

- Constantly challenging one's self to improve on an individual, professional level, and leveraging that to improve the company's operations and image, as a whole.

- Possessing extremely strong communication skills – both internal and external to the company.

TZL: How would you describe your work style?

MH: Throughout my career, I have exhibited a management style that can adapt to many different personality types and individual needs, leveraging the most out of the unique abilities and technical strengths that people possess.

TZL: What are your top priorities for 2012?

MH: This year is going to be a challenging year to react and adapt to ramifications resulting from the necessary fiscal and policy changes that will occur in Washington after the elections. On a corporate level, the current uncertain economic environment poses significant difficulties in determining which strategic investments to make currently, given that it will often take several years to develop these investments and realize an appropriate return.

TZL: What is the favorite part of your job?

MH: I enjoy the ongoing and very open interaction across all of Merrick's departments and operational groups, which is part of the culture at the company. I don't believe that there are any "ivory towers" or "pedestals" within the company. Successes are shared across the board and we work together to solve problems and to learn from them to make us better as individuals, and as a company, for the future.

Merrick has a diverse group of extremely talented and passionate individuals whose knowledge base and technical capabilities are fascinating for me. I appreciate the significant investment Merrick makes in the development of its people. This investment is broad-based across all disciplines that include engineering, architecture, design/build, surveying, and geospatial solutions.

TZL: What do you enjoy in your spare time?

MH: Running, hiking and camping in Colorado's mountains, woodworking and photography.

▀▀

TRANSACTIONS

CARDNO ACQUIRES: International infrastructure and environment services group Cardno Limited (Brisbane, AU) announced the acquisition of EM-Assist, Inc. (Sacramento, CA), a 150-person environmental services and compliance management firm.

Cardno will pay up to \$14.25 million for the purchase of EM-Assist. Around ten percent of the purchase price is subject to attainment of performance targets over the next 12 months with an additional nine percent of the purchase price deferred for 18 months.

The acquisition is expected to contribute around \$15 million in revenue and \$2.8 million in EBITDA in fiscal year 13 and add 150 staff to Cardno's existing operations in the Americas. The acquisition will be earnings per share accretive in FY13 and had an effective date of July 1.

Andrew Buckley, Cardno managing director, said the acquisition will further expand the group's expertise in environmental management in both the defense and private sector markets.

"The addition of EM-Assist further strengthens Cardno's capabilities to support defense agencies in the US, Australia and globally," he said.

EM-Assist's strong client base including the U.S. Air Force, U.S. Marine Corps and the U.S. Army Corps of Engineers complements that of Cardno TEC which was acquired by Cardno in October last year.

Additionally, Cardno announced the acquisition of Marshall Miller & Associates, Inc. (Bluefield, VA), a 180-person mining, energy and environmental consulting firm.

The acquisition is expected to contribute around \$33 million in revenue and \$5.5 million in EBITDA in FY13 and add 180 staff to Cardno's existing operations in the Americas. The acquisition will be earnings per share accretive in FY13 and had an effective date of July 1. Cardno will pay up to \$31 million for the purchase of MM&A. Around ten percent of the purchase price is subject to attainment of performance targets over the next 12 months with an additional nine percent of the purchase price deferred for 18 months.

MM&A brings to Cardno expertise in mining engineering, mine reserve evaluation, oil and gas exploration, feasibility studies and due diligence services for mining and resource projects.

MERRICK ACQUIRES: Merrick & Company (Aurora, CO), an international engineering, architecture, design/build, surveying, and geospatial solutions firm, has acquired the water-engineering firm of McLaughlin Water Engineers (Denver, CO).

McLaughlin has served the water systems, wastewater, water resources, drainage and flood control, utility economics, and whitewater design markets in the Rocky Mountain region since 1966. This acquisition provides Merrick with the added wet-infrastructure resources to continue its reach throughout the United States in the firm's focus markets of energy, sustainable infrastructure, life sciences, national security, and geospatial solutions.

"The addition of McLaughlin Water to our employee-owned firm bolsters Merrick's service offerings to clients," said Ralph Christie, chairman and CEO of Merrick. "The acquisition broadens and deepens Merrick's capabilities in this specialty area and further allows our clients to access professional resources through a single source. Our two firms, and many of our principals, have worked together over the years on significant water projects. There is considerable synergy from this acquisition."

With the addition of McLaughlin to the organization, Merrick will maintain its 14 offices that serve clients in the energy, national security, life sciences, and sustainable infrastructure markets. McLaughlin will continue to operate from its current two locations in Denver and Aspen as it integrates into the Merrick enterprise.

FIRMS ON THE MOVE

RMF EXPANDS: RMF Engineering (Baltimore, MD), a planning, design, engineering, commissioning and facility assessment services firm, announced the opening of a full-service office in York, Pa. to support the firm's expansion and market sector penetration in the mid-Atlantic region, including central Pennsylvania, Delaware and the Eastern Shore. RMF anticipates further near-term growth for the newly established location, particularly in serving the healthcare, higher education and government sectors.

The new office is being lead by William Pitz and Stephen Devon, who were both recently appointed to principal at RMF. The duo plans to grow the regional employee base to 20 people over the next year.

"Opening a bricks and mortar presence in York emphasizes RMF Engineering's commitment to creating even more value for our partners throughout the region, and new jobs to support the local economy," said Duane Pinnix, president and CEO of RMF. "It also reflects RMF's continued stability as a national firm with highly technical local expertise."

RMF is occupying approximately 4,500 square feet in its new office. The location is centrally located to the surrounding cities of Lancaster, Harrisburg, Hanover, and Philadelphia.

While RMF is aggressively pursuing local opportunities in its core markets of healthcare and higher education, the firm will continue to serve a diverse client base.

MERGER & ACQUISITION SURVEY: With all the changes the A/E industry has faced in recent years, more firms than ever are including a merger or acquisition in their strategic plan.

If you think a merger or acquisition may be in your future – and even if it's not currently in your firm's plan – you'll want to see the results in the 2012 "Merger & Acquisition Survey of Architecture, Engineering, Planning & Environmental Consulting Firms." It's the most comprehensive report available on the real buying, selling, and merging activity in the architecture, engineering, and environmental consulting industry today.

Now in its 22nd edition, this all-inclusive report breaks data down by firm type, discipline, market sector, revenue size, region of the firm's headquarters office, staff size, firm growth rate, and firm profit. You'll be able to make comparisons between your firm – or one you're looking to buy – and the rest of the industry.

If you're interested in a merger or a sale, you'll be able to use this data to find out if there's a market for your firm. Find out what types and sizes of firms buyers are looking for, and see what price you can expect to receive for your firm. See if buyers are still buying, or if the economy has cooled the market.

If you're interested in an acquisition, you'll find out how successful other firms' acquisitions have been and what you can expect to see in a purchase price. Other acquisition data included are the length of time it takes to buy a firm and whether firms are using asset or stock purchase deal structures to make acquisitions.

If you've recently completed a merger or acquisition deal, you'll see how the price you paid or the amount you received compares with other similar deals and you'll be able to compare other important details such as the degree of success or failure of the deal.

The 2012 Merger & Acquisition Survey goes beyond benchmarking statistics to provide invaluable advice from our experts.

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/zw-1131.aspx.