

## EDITORIAL

# Lots of hard work in 2011

Mark Zweig is planning to plug away this year and advises you do to the same.

Folks who think 2011 won't be a tough year are deluding themselves. I don't go up and down with the Architecture Billings Index. It may have been up this month but wasn't the month before. These are still tough times!

When real unemployment is around 10% nationally and the employee portion of health insurance premium costs more than I made as an entry-level MBA in 1980, you know people are not going to have money to spare. And when personal pocketbooks are tight, so follow the government's purse strings (or at least they should, one might think). That's not good for the A/E/P and environmental industry as a whole!

The good news is that individual



Mark Zweig

firms can still be profitable in this weak economy because they cut costs and dumped excess staff. The bad news is to make that profit everyone has to work harder—perhaps harder than they ever have. Whenever I say “we have to work hard right now,”

someone always pipes up that we “need to work smarter, not harder.” I'd like to say “bullshit” to that (nicely, of course)—because it is obvious we have to be smart about what we do. What is not so obvious to everyone yet is we also just need to put in a lot of time and focused mental attention to our work. I have pledged to myself that I will work as hard or harder than I ever have (i.e., put in more hours) over the next five years.

Plain old hard work is what it is gonna take. You can bill more hours if you work more. You can sell more work if you spend more time talking to clients and writing proposals. You can get your people going the right direction when you spend more time directing them. You can be more responsive when you aren't responding to things you should have processed days earlier. These statements are facts— not an opinion.

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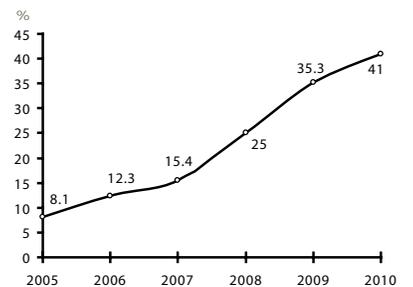
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### Storage space



With the ongoing adoption of new design, project management, and other business software tools, the amount of shared online disk storage that firms have per employee has increased significantly in the last few years.

According to the 2010 *Information Technology Survey*, the median percentage of shared online disk storage per employee reached a 10-year high of 41% in 2010, climbing up from 35.3% in 2009, 25.5% in 2008, and 15.4% in 2007. In 2001, the amount of shared online disk storage per employee was only 1.4%.—*Margot Suydam, Survey Manager*

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## A/E BUSINESS NEWS

**CHANGES AT THE AIA:** The Board of the American Institute of Architects appointed Robert Ivy at the new executive vice president and CEO starting Feb. 1, 2011.

Ivy is the editor of *Architectural Record*, as well as vice president and editorial director for McGraw-Hill Construction. He was a principal with Ivy Architects and the managing partner with Dean/Dale, Dean and Ivy for nearly 14 years before moving to corporate executive positions.

He was a recipient of the Crane Award in 2009, the American Business Media's top award for lifetime contributions to business media. In 2010, he was recognized as Master Architect by Alpha Rho Chi, an architectural fraternity, for communicating the value of design to a new generation.

In his new position, at the AIA, he will manage the national office in Washington, D.C., with a \$56 million annual budget and 206 employees. He will direct organizational focus on design and practice issues within the Institute, enhance the voice of the AIA to demonstrate the value of design and the public's understanding of architects and architecture, and work cooperatively with (more than) 300 chapters nationwide and overseas to support AIA members.

Additionally, Mark Manus, CEO of Heller Manus Architects, was inaugurated as the 87th president of the AIA during ceremonies held on Dec. 17. He succeeds George Miller in representing the nearly 80,000 AIA members. Previously, Manus served as AIA national vice president; chairing the Board Advocacy Committee and the 2010-2015 Strategic Plan following service as a Board of Director.

**LEED FELLOWSHIP:** The Green Building Certification Institute (GBCI) has launched the LEED Fellow, a new program to recognize exceptional contributions to the green building community and significant professional achievement within the rapidly growing community of LEED Professionals.

In order to be eligible for the LEED Fellow designation, an individual must be nominated, either by oneself or by a peer. Nomination period ends Jan. 7. Nominees must have 10 years of green building experience and be LEED APs with specialty who have held the LEED AP credential for at least eight cumulative years.

For more information, please visit [www.gbci.org](http://www.gbci.org).

MARK ZWEIG, from page 1

You need to put the time into your job NOW if you don't want to be left in the dust by your competitors.

My fence contractor told me recently that he needed to put a different crew on one of my projects because the first group "wasn't hungry enough." There are some hungry competitors out there in all of your markets. They know that if they want to grow (or stay the same size in a declining market), they will have to take work away from you! How will they do it? They will work longer hours, which will allow them to drive down costs, put out better quality, and be more responsive.

Face it— comp time policies are a disaster for productivity. How can you let people work 30 hours one week if they put in 50 the week before? That SAYS your expectation for a salaried person is a 40-hour week in an industry that really demands people put in at least 20-25% more hours if their firms want to be profitable.

In 2011, I plan on working a steady diet of 70-80 hour weeks, plus be responsive to inquiries, do writing, and do research and reading about work-related matters in my "off" hours. It is what it is going to take as the leader of my firm so we will have a good year in 2011. I'm not going to let a lack of personal effort compromise our shot at making '11 a great year when I am in control of that.

And for those who say "I have a life— I can't (read will not) do that"— consider these facts about my situation. I own a rapidly growing redevelopment business that did a record number of projects this year and currently has six projects in various stages of completion. I am a 3/4-time faculty member teaching 120 students at a large university. I sit on the BODs of three other privately-held companies besides ZweigWhite. I'm on a board of a significant architectural school. I have three daughters, ranging from 4 to 23, with another one on the way (due first week in April). I have 90 year-old parents. I also have many hobbies, including old cars and motorcycles, as well as painting. I just committed to one consulting project that will require nine to 10 trips for me in the first half of 2011 on top of my other consulting assignments, BOD meetings, talks, seminars, and conferences. I am as busy as anyone.

I do it because I love it and I am

I'm not going to let a lack of personal effort compromise our shot at making '11 a great year when I am in control of that.

not going to let any business I'm associated with fail (or fail to succeed) for lack of trying. The hours worked is the easiest evidence of effort. Yes, we need results. But we won't get CONSISTENT results without high-intensity effort.

To close, be sure you aren't deluding yourselves about what it's going to take in 2011. As the leaders of your firms, you set the pace. You serve as the example. Put in a good one and I will bet that most of your people will rise to the occasion. Instead of hoping for a good year, do what it takes to HAVE a good year!

I'm thankful to be working in fields that are tremendously gratifying. Work isn't work— it is LIFE— and I love living. I hope you all feel the same way. You do good things for the world and the people in it. You do have a noble purpose. Don't forget that. ■■■

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**THE ZWEIG LETTER**

*The voice of reason for architecture, engineering, and environmental consulting firms.*

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## TOP PLAYER

# Focused on establishing the path to success

Nevertheless you must be persistent, agile, and willing to sacrifice.

Scott Townsend runs a small architectural firm— six-person **3tarchitects** in Albany, New York. Nevertheless, size isn't a measure of success, since they are number 87 on *The Zweig Letter* 2010 Hot Firm List. Establishing a path in life is.

**The Zweig Letter: What does it mean to be a Hot Firm?**

**Scott Townsend:** Being recognized by your peers is fulfilling but recognition by your clients is even better. Without our clients we wouldn't be on the list, since growth was a major selection criterion.

**TZL: How did you get where you are today?**

**ST:** I believe life emerges and blossoms naturally. One cannot have a rigid long-term plan, but one can set the parameters that establish the path taken. My parameters are simply to have integrity, enjoy what I do, do the best I can, and be near my family.

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

**ST:** I washed dishes at night and mopped/cleaned a local restaurant on the weekends when I was 15. It taught me that owning your own business is no walk in the park and is a 24/7 venture.

The lesson was this: you better like what you are doing.

**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?**

**ST:** Fierce independence. Those I admire the most take risks, don't fear failure, and believe strongly in what they are doing.

**TZL: In today's difficult business**



Scott Townsend,  
Founder and  
Principal,  
3tarchitects.

**climate, what does it take to succeed? Is the spectrum of failure a motivator?**

**ST:** You must believe in what you are doing, be persistent, agile, and willing to sacrifice.

If one's motivation is based on a fear of failure, then you can never truly succeed. At best, you simply averted failure.

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

**ST:** Software will be so sophisticated and user friendly that it will mask the fact that the producer of the documents is not a qualified professional. Frankly, we are already seeing this trend evolve. As professionals, we have to elevate the quality of the intangibles and diversify the services we offer our clients.

Our firm's value is based on the quality of the services and products we provide. This will continue to be true in the future, no matter what the measurement barometer may be at that time.

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

**ST:** I have had three to date: my father (Jack Townsend, Sr.), my high school drafting teacher (Jerry Wolfe), and a former employer (Samuel Mockbee). My father taught me to appreciate others, not to be judgmental, work hard, and be true to your ideals. Jerry Wolfe, my HS drafting teacher, challenged me to create designs that solved problems instead of just learning how to draft. Being a product of the 70s, he advocated for energy conservation. I responded by designing a couple of solar homes. Admittedly, my skill sets were amateur, but he taught me that the thought that went into a design mattered more than the tidiness of the drawings used to build them. Lastly, I was extremely fortunate to have worked for Samuel Mockbee after architectural school. "Sambo," the founder of Rural Studio and 2004 AIA Gold

Medal Award winner, believed that everyone should have access to good design, not just those who could afford it. He also believed that designs should be free of conventional constraints and nostalgic notions.

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

**ST:** Integrity. If one is honest and sincere about why they believe in something and act according to their beliefs, I will only respect them. This is true whether I believe as they do or not.

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

**ST:** My wife and I founded the Spotted Zebra Learning Center in 2005. It is a preschool focusing on children with special needs and was created for our son, who was diagnosed with autism.

We came up with the mission, created a business plan, set up the corporation, found the ideal location, designed the space, hired the staff, and oversaw the construction, all the while working full-time and raising four kids. It's amazing what one can do when you believe in something so strongly. The program is now expanding. Most importantly, our son and many others benefitted immensely from the time they spent at Spotted Zebra.

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

**ST:** What are the three adjectives that describe the culture of your office and why, in your opinion, did these characteristics ultimately lead to your firm's success? Once you know the answer to that question, you understand what makes their firm tick.

**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?**

**ST:** Realize that each firm has its own personality and may not be a match for you. Oftentimes, it takes quite awhile to find the correct fit. Don't fret and certainly do not settle on a firm just to play it safe. You won't be fulfilled. ▀▄

## TRENDS

## Practitioners on board with proposed LEED updates

Focus on performance drives changes.

By ROB KEYS  
Correspondent

Whether the product is a stick of deodorant or a stick-shift sports car, performance typically determines industry leaders.

The U.S. Green Building Council is taking a similar approach. That's evident in the council's proposed update to its Leadership in Energy and Environmental Design (LEED) rating system, one that aims to substantially increase its emphasis on building performance.

Scot Horst, senior vice president of LEED, USGBC, said in a statement that such improvement "is in the DNA of USGBC."

"LEED continues to be the catalyst for immediate and measurable improvement," Horst added.

The proposed update also includes an increased emphasis on integrated design process, three new credit categories—a performance credits category among them—and a variety of reworked and new credits and prerequisites for building design and construction, operations and maintenance, as well as LEED for Homes.

Building performance largely relates to reducing the amount of energy needed to operate a building. Reducing energy use helps reduce operating costs.

Debra Lupton, CEO at **Criswell Blizard Blouin/CBB Architects**, a 36-person firm in Orlando, Florida, said she is interested in the emphasis on building performance.

"First, if we know how our designs actually perform, as compared to the way they are predicted to perform, it helps us refine our energy modeling expertise as well as to validate the design decisions we make," Lupton says. "Actual system performance is essential in helping us make informed recommendations on system selection and control sequences.

"Second, we have discovered that commissioning appears to have greater benefit in improving building performance than just about any one energy conservation measure. When we per-

form building commissioning, we get to confirm that systems are installed and operating correctly and that the owner's operations personnel understand how and why those systems operate the way that they do. It also helps position us to be a factor in the continuing performance of the building throughout its life, as opportunities for energy conservation improvement and re-commissioning occur."

Michael English, senior partner at **Horizon Engineering Associates, LLP** (New York, N.Y.), a 100-person building commissioning, consulting, and IAQ firm, believes integrated design process enhances the final building performance with the least soft cost for the design team.

"When the (energy) model results show poor energy performance the design team needs to do a greater amount of work to correct the design to reach the energy performance required," English says. "When we model designs early in the process, we are able to give the architects and engineers vital performance feedback at a time in the process where changes can be made quickly and cheaply.

"Since energy modeling delivers energy costs, paybacks can be calculated and decisions made to eliminate value engineering in the later stages of the process."

All of the proposed updates, commonly referred to as LEED 2012, will be open for another public comment period sometime in 2011, with a finalized rating system expected to follow in November 2012.

Mark Cloud, chair for the western branch of the Arkansas Chapter of the USGBC, said he believes the council is on-target with its proposals.

"I think USGBC must continue to push the envelope," says Cloud, a LEED Accredited Professional and the director of business development for **HP Engineering** (Fayetteville, AR), a mechanical, electrical, and plumbing design engineering firm. "What typically happens with a leader in a certain industry, it 'requires' others to follow."

The ultimate updates could have far-reaching effects. The USGBC announced in November the total footprint of LEED certified commercial projects has

exceeded one billion square feet.

Another six billion square feet of projects worldwide are registered and currently working toward LEED certification, according to the council.

"This traction demonstrates the transformation of the way we design, build, and operate buildings," USGBC president and CEO Rick Fedrizzi said in a news release. "Not only does green building contribute to saving energy, water, and money, it also creates green jobs that will grow and energize our economy."

The council also claims the green building industry will contribute a projected \$554 billion to the U.S. gross domestic product by 2013.

English indicated the proposed changes will be good for business.

"This change to LEED 2012 should affect our company in a positive way," he says. "Both energy modeling and building commissioning, two of our core products, are most useful when started very early in the design process.

"LEED 2012 will get design teams thinking about these tasks proactively and not doing modeling and commissioning at the last minute because it is required by LEED."

Lupton said the changes would reinforce the way she does business.

"(The emphasis on IDP) provides encouragement... to engage the mechanical and electrical designers in the earliest stages of design evolution, and puts us in a position to help make good decisions early on, work on a chosen design from the get-go," Lupton says, "rather than spend our time and energy trying to redirect the building performance after too many ill-informed design decisions have already shaped the building and system selection before we are fully engaged in the process.

"The emphasis on actual building performance will also put us closer to building owners. This will help us market and deliver our commissioning—both for new building as well as retro-commissioning—and net operating income improvement consulting practice more effectively directly to those asset owners. Building performance is as much the way the building is operated as the way it is designed and constructed." ▲▲

## STRATEGY

# Wrap your head around collecting feedback

Rather than fighting clients on your vision, listen to what they're saying and deliver what they need.

By JOÃO FERREIRA  
Managing Editor

The fear of a client ripping apart a project— or worse, the practitioner's pride— is so great that most professionals in the A/E/P and environmental consulting fields shun collecting client feedback information.



Mike Phillips,  
President, Phillips  
Architecture.

According to Mike Phillips, a client feedback expert for the industry, only about 5% of firms regularly collect meaningful feedback from clients. When they approach clients, often they don't do it frequently enough. They may ask the wrong questions and only try to collect

feedback after a project is done, which equates to a "post mortem" that won't help the ongoing project, Phillips says.

"We're very poor at collecting feedback from our clients," he says.

Collecting feedback doesn't have to be a meaningless, ego-crushing exercise. Instead it can be value-enhancing strategy that produces better projects— not change orders, fights and litigation.

The secret is asking the right questions often enough, Phillips says.

He developed and sells a hugely successful client feedback tool called *DesignFacilitator*, which has already collected data from 33,000 client respondents.

In short, the survey focuses on processes, not personalities (*for more tips see sidebar*).

"You're looking for feedback that will let you fine-tune your process with each particular client to make your firm the most valuable to that client," says Phillips, the president of **Phillips Architecture** (Raleigh, NC), a 26-person firm. "The clients are ready to give feedback if that feedback will help you do a better job in your project."

## TACTICS TO COLLECT FEEDBACK EFFECTIVELY

Mike Phillips of *DesignFacilitator* shares three simple strategies to improve collecting feedback.

- 1) Don't wait until end of project to ask for feedback.** Little incentive to give feedback; might help on future project but not on this one.
- 2) Start asking for feedback immediately after you begin project and ask often.**
- 3) Don't ask about people, ask about process.** For example: "How well does our firm's process assist you in managing your credit schedule?"

**TWO-PRONGED APPROACH.** John Brand, president of **Butler, Fairman and Seufert (BF&S)** a 140-person civil engineering firm in Merrillville, Indiana, obtains client feedback in two distinct ways that in some forms cover parts of Phillips' advice.



John Brand,  
President  
Butler, Fairman  
and Seufert.

"Our client services personnel, whose role is to develop business opportunities with existing clients and prospective clients, are continually seeking informal feedback from existing clients," Brand says. "They manage the relational aspect with our clients and monitor firm and firm personnel performance."

BF&S also conducts confidential client surveys through a third party via telephone, using a rotating list of 100 to 125 individuals each year. The survey has an extremely high response rate of 95%.

"We use the feedback to help define company improvement opportunities and added value, as such it is improvement to follow-up and communicate the improvement opportunities to the

individuals who provided feedback," Brand says.

**THE FEDERAL MODEL.** Seeking client feedback in the private sector is a voluntary process. No so in the public sector, which makes giving feedback compulsive. That tool has been very helpful to outfits such as **FPM Group Ltd.** (Ronkonkoma, NY), a 100-person full-service environmental and traditional engineering firm.

"Most of our work is with the federal government, which has the ACASS and CCASS system for evaluating contractors," says CEO Kevin Phillips. "This system is very valuable to us. Not only does it give us feedback during the execution of a project but when a project is complete it becomes the basis upon which the next proposal is evaluated."

Specifically, FPM once received an unsatisfactory grade on the interim review of a performance-based contract for the Army Corp in the military munitions response program. The feedback process aided a turnaround.

"The project was being run by our best project manager," Phillips says. "This combination required immediate action at the highest level in the company. We requested a meeting with the Corp, listened to their concerns, prepared a corrective action report and required each FPM employee to read and sign the new course of action. Our final review after a year and a half was excellent."

**VALUE ADDED.** Mike Phillips of *DesignFacilitator* says a well-designed survey makes clients want to participate and leads firms to deliver more client satisfaction— and the firm gets rewarded with client loyalty.

"We view the client feedback as a gift to our firm on how to improve," Brand says. ▲▲

"We use the feedback to help define company improvement opportunities and added value, as such it is improvement to follow-up and communicate the improvement opportunities to the individuals who provided feedback."

ON THE RECORD

# Mixed expectations

Editor's Note: This is the last of a two-part series.

No surprisingly, most call for a flat year, but others are doing surprisingly well.

**Craig Neslage**, executive vice president and operations manager, **Chambers Group Inc.** (Santa Ana, CA), a 150-person environmental consulting firm:



Craig Neslage, Executive VP and Operations Manager, Chambers Group Inc.

A recent UN analysis of the global economy projected 2011 to be slower worldwide and in the U.S. vs. 2010 and suggests more fiscal stimulus is needed (*Moneynews.com* Dec. 3, 2010). Chambers Group has seen business pick way up in 2010 vs. 2009 because of current ARRA projects and the new regulations promoting more development of alternative energy sources, which are also causing regional utility companies to build more transmission lines to prepare for the connection of those sources

es to their grid. All of these projects in California require environmental compliance through the CEQA/NEPA certification process and involve monitoring of mitigation measures for potential environmental impacts during construction. Chambers Group performs these services and very recently began a project with California Broadband Cooperative, Inc. to provide environmental certification of its 553-mile digital fiber network project for service to 36 municipalities, six Indian reservations, and two military bases in central and eastern California and into Carson City, Nevada, which was California's first ARRA-funded project. These projects take two to five years or more from start to finish, and thus should keep us busy into 2011 and beyond.

**Tony Damon**, CEO, **SSOE Group** (Toledo, OH), a 1,000-person global engineering, procurement and construction management firm:

We are optimistic about our prospects for 2011. Throughout 2010 we noticed a steady increase in proposal activity and capital spending plans by a number of our major clients. This is now resulting in a corresponding increase in orders, revenue, and employment opportunities as we approach 2011. While we experienced a slowdown during the recession,



Tony Damon, CEO, SSOE Group.

we believe our focus on core clients, expansion of services, and diversification of markets moderated the impact of the recession and has allowed us to rebound more quickly.

As we move into 2011, we will continue to monitor major client proposal activity, capital spending plans, and project financing to get a sense of the strength of the recovery in the U.S. We intend to focus on our core growth strategies in 2011 by developing relationships with select agencies of the Federal Government, expanding our services to include capital program management, and geographic expansion by following our multi-national clients into global markets.

**Pamela Bain**, president, **Bain Medina Bain, Inc.** (San Antonio, TX), a 56-person consulting engineering firm:

For us 2011 is a conundrum. The Texas Department of Transportation is in reorganization mode and the contracting will be at a minimum. We are at the end of the City Bond Projects, with a new bond election scheduled for 2012. Our county has some projects, as does our

**2010** might have not been the best of years but it surely was an eventful one. In the second half of this retrospective, we look at the major stories covered in *The Zweig Letter* during the last six months of the year.

**JULY** A trend for a slow year in M&A activity was firmly in place by July. Gone was the frenetic pace and unbridled confidence presidents and principals showed in previous years, with 2010 buyers being very selective in terms of timing, target criteria, valuation, transaction structure, and strategic intent.

Also, we found that LEED is becoming the standard for the industry, but many design professionals dread the extra time, effort, paperwork, and expense necessary to pursue the verification afforded by the U.S. Green Building Council's certification—to the point where they'd rather

avoid green building completely. The best interests of the project, not outside verification, should be the ultimate goal, said architects, engineers, construction managers, and consultants who've worked on successful green building projects.

**AUGUST** *The Zweig Letter* asked and nobody seemed to know the answer: How many design firms have perished in the recession? "I don't think that anyone tracks this information systematically," said Kermit Baker, chief economist for the American Institute of Architects. The rough estimate: five to 10% of all A/E/P and environmental consulting firms.

We also reported that finding the next generation of leaders may prove difficult for some aging firm leaders, who are often hesitant to let go of the firm they created and don't trust the new generations enough to hand them the reins. Some Boomer leaders have stayed around far too long and have neglected to implement a leadership succession plan, often being forced to sell as a last resort—and let the new buyers handle the problem.

## 2010...

# for 2011



Pamela Bain,  
President, Bain  
Medina Bain, Inc.

local water system. There are no large and steady streams of revenue on the horizon, at least that I see. And, firms from other locations are chasing the local markets, which further pinches the availability of projects. So, my "divine intuition" isn't worth printing...

I will be curious to see how others respond. Until the U.S. economy recovers, we have some sort of stability in the tax system, and until we see how and if Obamacare will impact us, business cannot adequately plan ahead. I think this will be a time when smaller firms leave the stage or are purchased by larger firms that have the ability to work worldwide and can shift employees to profitable areas.

So BAH HUMBUG from me... ▲▲

"Throughout 2010 we noticed a steady increase in proposal activity and capital spending plans by a number of our major clients."

## CALENDAR

**KA CONNECT 2011:** KA Connect 2011, April 27 and 28 in San Francisco, is a knowledge and information management conference for the AEC industry.

Thought leaders from all over the world will come together to share best practices, stories, and ideas about how they organize information and manage knowledge in their firms. This year the event is going to look at knowledge and information management through four lenses: teaching, methodology, tools, and culture.

ZweigWhite Chairman Ed Friedrichs will be one of the speakers at the event. He will share strategies for developing world class, just-in-time expert knowledge. Additional speakers include Ken Young, chief information officer at HOK; Tim Parker, principal of the Bloom Group; Meg Brown, principal, director of human resources at Perkins + Will; and Federico Negro, a partner at CASE Design, Inc.

For more information, or to register for the event, log on to [www.ka-connect.com](http://www.ka-connect.com).



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## THE SECOND HALF

**SEPTEMBER** Leaders shared the secrets of growing during a recession. To grow: be the expert, offer unique services, and do what you know best. Ah, and be in the right place at the right time. Also, firm leaders shared collections strategies for hard times. We learned that such strategies can substantially improve cash flow and days sales outstanding by tightly structuring and shortening the gap between the close of the accounting cycle and the day invoices are mailed.

**OCTOBER** The American Institute of Architects (AIA) praised the passage of the Small Business Jobs Act and the relief it will provide architecture firms. The Act, signed into law by President Obama on Sept. 27, extended the SBA Recovery loans and offered additional lending support and tax breaks for small business owners. The law extended SBA Recovery Loans through Dec. 31, 2010, with the capacity to support \$14 billion in loans to small businesses.

**NOVEMBER** ZweigWhite experts predicted a strong M&A market in 2011 after a lackluster 2010. Aggressive companies with cash

to spend or the ability to borrow (the credit market is loosening up) will look for more opportunities to buy in 2011, as the number of firms barely hanging in there is likely to increase if the economy doesn't recover fast, the report indicated.

While big players with money to spend are looking to grow bigger and stronger by snapping up hot firms, mid-field players are looking to become more competitive through strategic and surgical acquisitions, including acquisitions of firms that have struggled in the recession, the report said.

TZL also wrote a two-part series on the emergence of evidence-based design— design decisions grounded on solid research and empirical data that lead to better buildings and more satisfied clients.

**DECEMBER** *The Zweig Letter* reported that constantly asking clients what they want from you, and then delivering value, is the key to success— even during recessions. Unfortunately, only 5% of design firms consistently collect client feedback and use that information to adjust their value proposition, according to the report.

# GUEST SPEAKER

## Why 40 to 60% of M&As fail

Because one of the most important elements—people—is often neglected.

When mergers and acquisitions fail, the event is often marked by surprise and shock. “The numbers worked, the market seemed ready, and the products were compatible, so what could possibly have gone wrong?”

The literature shows that most often the problems trace back to the lack of attention paid to the integration of cultures, staff, processes, best practices, and philosophies. Result:

- Retention of key employees, at all levels, is compromised.
- Resentment and fear increases among staff and other stakeholders.
- Communication becomes dysfunctional.
- Internal conflict is elevated.
- Morale, and thus productivity, decreases.
- Business continuity is jeopardized.

**WHY M&AS FAIL.** The explanations given for failed M&As are often directly related to the impact on employees and other stakeholders:

- 1) Two major reasons for conflict within organizations are role confusion and lack of clear processes.** At best, M&As strain both.
- 2) The difficulty of merging two cultures is usually underestimated.** When working with departments that were trying to assimilate after a merger, one woman said, “This is like IBM merging with Ben & Jerry’s.” She was right. Though their products were compatible, the work environments were total opposites.
- 3) Skill and technology transfer is not a given.** Even extremely competent employees begin to lose confidence when confronted with a myriad of new protocols, equipment, and expectations.



Gerri King

**4) Though the message given may be “We are equals in this endeavor,” it is a stretch to believe it when the names, titles, and location are skewed toward one of the entities.**

**5) Key people at all levels may leave prematurely to ensure their security.** Not only is the new company left with major competency gaps, but it has also lost valuable institutional history, contacts, and information.

**6) Customer loyalty is tested because the customers may feel neglected since so much attention is necessarily devoted to making the merger or acquisition work.**

**WHY IS THE HUMAN IMPACT OF M&AS USUALLY NEGLECTED?** Professionals answer this in a variety of ways:

- People are a less measurable asset than balance sheets.
- Leaders are so preoccupied with strategies, tactics, and techniques in acquiring, merging, and selling that frequently the really crucial human factor becomes an afterthought.
- If addressed at all, companies believe that there is plenty of time after the event to take care of any problems. In fact, because the transition process begins with “the idea” and doesn’t end until several months to two years after the “deal is struck,” there is serious risk in doing too little too late.

Suggestions for a smoother transition:

- 1) Address all issues and processes from a “people perspective.”**
- 2) Develop a cultural assessment that helps the two groups identify their differences and appreciate all that they have in common.**
- 3) Develop forums— in all areas and at all levels— for sharing institutional history, vocabulary, management and work styles, and the sources of institutional pride.**
- 4) Identify expectations and problems and design a realistic process for addressing them.** Remember, *the people who do the job every day know how to solve the problems, so include employees from all*

*departments and all levels in transition planning.*

**5) Develop a new strategic plan and unified goals, objectives, and overriding messages that reflect the newly formed organization.**

**6) Communicate even when there is nothing much to say.** Silence erodes trust, and rumors start when there is a lack of information.

**7) Continually discuss the reasons for the M&A and the rationale for decisions made along the way.**

**8) Be sure that transitional teams occur very early on for all pivotal areas and layers of the organization, and that members represent the employee base.**

**9) Based on cultural assessment and mapping, use appropriate work teams to merge departments and make decisions.** Cultural assimilation becomes a byproduct of best practices and new policies.

**10) Provide leadership and supervisory training as though it were a completely new, start-up company— because it is!**

**11) Label the transition activities as a learning process for all.**

**12) Set up periodic reevaluations over the first two or three years.**

Four final considerations:

- 1) If employees and other stakeholders are not a priority, even impressive financial benefits are not enough.**
- 2) The merger or acquisition is not the end, but the beginning.**
- 3) If you don’t have time to devote to the human impact, ask yourself how much time it takes to deal with dissatisfied employees, inefficient processes, and new hires to replace those who leave.**
- 4) And, if you truly view your employees as your greatest asset, it’s important to act accordingly.** As the old adage says, “What you say and think is important. What you do really reflects what you believe.” ▽▲

GERRI KING, PhD, social psychologist and organizational consultant, facilitates cultural integration to ensure the success of mergers and acquisitions. Dr. King is a founding partner and president of **HumanDynamics Associates, Inc.** in Concord NH. To reach her, log on to [www.gerriking.com](http://www.gerriking.com).

## P O L I C Y

## Health care law starting to cause jitters

How reform is going to impact operations still eludes some.

By AMY SHERRILL  
Editor

While some A/E/P and environmental consulting firms are already making changes to their health care plans in an effort to comply with the new law, other firms are taking a wait-and-see approach.

The additional cost at both the federal and state level will ultimately result in a higher tax burden for businesses and individuals, says J. Al Pond, president of **Pond & Company**, (Norcross, GA), a 150-person full-service architecture and engineering consulting firm.

The administrative requirements for companies will increase substantially due to the additional reporting requirements to federal agencies. The ability to use current providers will decline as many companies will be gradually forced to consider the public option due to cost, he says.

"Our benefits are typically richer than the industry norm," Pond says. "In spite of the challenges listed above, we plan to maintain our current level of benefits using the private sector providers."

**RATE PRESSURE.** James Roberts, president of **Jobs Henderson & Associates, Inc.** (Newark, OH), a 40-person engineering and land surveying services firm, says the health care reform will continue to put upward pressure on insurance rates, which will leave the company with two realistic options:

- Continue what they have been doing, which is to change the plan features— for example higher deductibles and co-pays— and cut and/or reduce benefits/coverage.
- Or maintain the company's current coverage but pass on more of the cost to the employees so they have a larger share of the cost.

There may further down the road be a

need to go to a "catastrophic" coverage type of plan, an even further extreme of this option, Roberts says.

"In the current economic environment it is not realistic to raise billing rates and try to pass the increased insurance premiums on to our clients, so it will put pressure on our profit," Roberts says. "This is a challenge we are continuing to monitor and assess as we try to determine the best balance between employee needs and company challenges."

**CHANGE OF PLANS.** At **NAC Architecture**, a 135-person firm, (Spokane, WA), human resources director and associate KaLee Quanz says they made changes by dropping one of the two PPO plants offered and adding a Health Savings Account in its place.



KaLee Quanz,  
HR director and  
Associate, NAC  
Architecture.

"Since this changed the grandfather status of our plans we did become subject to the 2011 Health Care Reform standards," Quanz says. Most of the initial changes have been very well received by the employees since, for the most part, they result in an increase in benefits, including the 100% coverage of well-

ness visits, she says.

From an administration side, the company will see much more of an increase with the addition of the HSA plan then it will see from Health Care Reform.

"I don't expect to see an increase in the administration of the plans until the changes in taxes and the exchanges come through in next couple of years," Quanz says. "There was some more paperwork that had to be distributed this year with the new required notifications but that was not too odious."

**BEST GUESS.** Pamela Bain, president, **Bain Medina Bain, Inc.**, a 62-person engineering and surveying firm in San Antonio, Texas, says she thinks no one really knows the final impact of

the health care reform. After salaries, health care premiums are the firm's next largest expense.

"I do know doctors in our city have retired, or are no longer accepting Medicare, and/or some insurance companies," Bain says. "So, this will be an increasing problem for all of us."

While Bain Medina Bain is a stable company, many employees have been there 15 or more years. Employees aging will impact future renewals.

"Unless many changes are enacted to the current reforms, all businesses will find health care to be virtually impossible to afford," Bain says.

Keith Scoular, chief operating officer/senior environmental consultant with **Archaeological Consulting Services, Ltd.**, a 20-person cultural resource, environmental planning and GIS services firm in Tempe, Arizona, says his company is taking a wait-and-see attitude to the impacts that health care reform will have on the business.

"I've asked this question to our health care insurance/benefits consultant and they aren't even sure all this is all going to shake out," Scoular says. "As a small business, our costs to maintain coverage for our employees have gone up steadily over the last several years, so I just hope it doesn't go up on a steeper curve."

Tom Hendrick, principal/COO at **Wallace Engineering Structural Consultants, Inc.** (Tulsa, OK), a 133-person structural and civil engineering firm, says in the short term (2011) the business' health care costs have gone up just as they have in the previous years. While health benefits have moderately increased as deductibles and maximum out-of-pocket expenses increased, the plan pretty much remains the same otherwise.

"Long term, we are aware of what some the changes might entail and how they will affect us, but also know that the next presidential election could alter some of the provisions," Hendrick says.

"We are in a mode of one year at a time at this point." ■▲

BY THE NUMBERS

# Health coverage in state of flux

Companies are switching coverage on the go, often opting for high deductible plans.

By AMY SHERRILL  
Editor

Almost half of the respondents in the A/E/P and environmental consulting industry who replied to this month's *By the Numbers Survey* have changed health insurance plans in the last year.

Many switched for cost purposes, but some firms are still hanging on for the sake of their employees. Forty-six percent of the respondents changed coverage in the last year, while 19% changed in the last two years. In the last five years, 15% have changed coverage and 19% have not changed coverage.

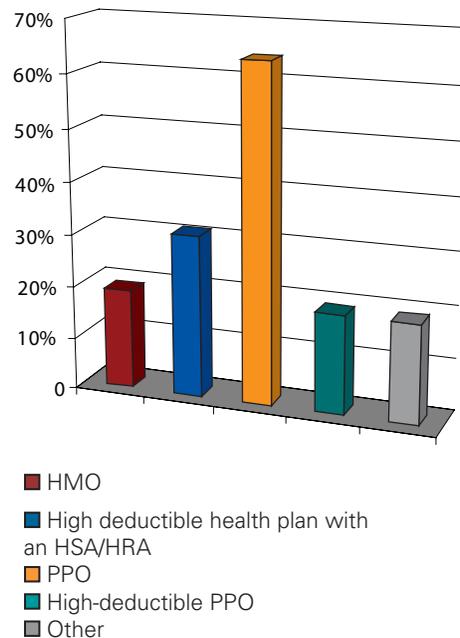
One respondent said, "The firm principals have made the decision each year not to reduce and where possible to enhance benefits to the employees. For health insurance, we have expanded coverage in areas such as vision and dental and maintained coverage in medical by creatively using non-traditional policies. These policies operate as a traditional insurance program and thus have no impact on the employee interaction with the carrier."

Another respondent had this to say, "We were able to migrate to a less costly plan (to Medical Mutual from Anthem Blue Cross Blue Shield— both were PPOs) while maintaining most of our plan features. The major disappointment for our employees was larger co-pay for office visits. To my way of thinking, larger co-pay is equitable because those who use the services pay, and the corollary is true."

Wendy Matyjevich, HR director with **X-nth** (Maitland, FL), a 360-person consulting engineering firm, said the firm changed health insurance within the last two years.

X-nth has two PPOs and one HDHP. The employer pays the same dollar amount toward each plan, so if the employee wants the PPO with a lower deductible (\$500) vs. the DHP (\$2000),

**WHAT KIND OF HEALTH INSURANCE DO YOU OFFER?**



he/she has to pay more toward the premium. However, the employer also provides \$1000 HRA money if the employee chooses the HDHP as an incentive to choose this plan.

"More than 50% of our employees overall choose this plan," Matyjevich said.

Carla Erickson, HR director with **Withers & Ravenel, Inc.** (Cary, NC),

consulting engineering firm, said the company changed the health insurance coverage plan within the last year.

"We originally only had the PPO Blue Option Plan," Erickson said. "This year we have a choice of Base Plan of Blue Options-1-2-3 or buy up to Blue Options PPO plan."

Becky Caudill, HR liaison with **Natural Resource Technology, Inc.** (Pewaukee, WI), a 38-person environmental consulting firm, said the company offers a high deductible plan with and HSA/HRA.

"We went to a high deductible with HSA five years ago," she said. "We fund 80% of health insurance premiums and 80% of the annual deductible with deposits to the HSA. This arrangement was less expensive than the proposed PPO premiums and provided a route to a high deductible plan with little staff financial frustration." ▴▾

"The major disappointment for our employees was larger co-pay for office visits. To my way of thinking, larger co-pay is equitable because those who use the services pay, and the corollary is true."

## ON THE MOVE

**ROBERTSON JOINS RTKL:** Jessie Robertson, a 20-year architecture industry veteran, has joined international architecture, planning, and design firm **RTKL** (Baltimore, MD) as a principal in the Los Angeles office. In her new position, she is responsible for health care business development in the western United States.

"The western region of the U.S. and specifically California is a very important market to RTKL, and it requires an in-depth understanding of the unique issues that drive health care planning and design in this important region," said Brad Barker, RTKL executive vice president and managing director of the firm's Health + Science Practice Group. "Jessie has extensive health care experience and is known for her in-depth market analysis and business growth strategy capabilities. We are pleased to welcome her to the RTKL team."

Robertson joins RTKL from **HGA Architects and Engineers** (Minneapolis, MN) where she worked closely with the higher education and health care industries. A founding board member of the Lean Construction Institute's Los Angeles chapter, she is also the 2011 president-elect of the Southern California Development Forum. Her involvement in professional associations also includes the Hospital Association of Southern California, Los Angeles Headquarters Association, and California Hospital Association.

## STRATEGY

# Improve collecting financial information

This is an old problem, but instituting policies that lead to rendering information voluntarily is a way to improve the process.

By AMY SHERRILL  
Editor

**C**ommunication and organization are key in collecting financial information within architecture, engineering, planning and environmental consulting firms.

Also, peer pressure may help others fill in needed financial data, some managers say.

**BCDM** (Omaha, NE), a 50-person architecture firm, holds a coordinating meeting every two weeks with principals and project managers, where they review resources and project performance.

"This meeting exposes incomplete data input for our reporting," says President Jim Dennell. "Peer pressure promotes this to be complete and the accountability of those involved."

The exercise instills ownership and immediate follow through, he says.

Since people have a forum to coordinate, the chance for redundancies and things falling through the cracks is reduced, Dennell says. This process makes the firm's reports credible and also allows staff to incrementally become educated on for incremental education of the finances. That in turn increases the value and need of timely and accurate data.

**CFO IN THE LOOP.** Keeping the CFO in the loop can enhance the collection of financial information effort as well.

Ralph Hawkins, chairman and CEO, **HKS, Inc.** (Dallas, TX), a 850-person architecture, planning and project management firm, says the company holds a monthly financial management meeting, chaired by the CFO, where financial issues that have bearing on project

managers are discussed.

The key players, including the CFO, also meet weekly to discuss project status and topics range from report configurations to format of job cost budgets.

"The CFO is present, which allows him to stay current with projects that go in hold and potential new projects in the pipeline," Hawkins says.

The project managers do a quarterly update of all active projects, providing their best estimate of billings on each project for the upcoming 15 months. This information is kept in spreadsheet form that can be accessed through a *SharePoint* site that the PM can constantly update and the CFO can review at any time, he says.

**OLD PROBLEM.** Mike Phillips, CEO, **Phillips Architecture** (Raleigh, NC), a 26-person firm, says the industry the to have a chronic problem keeping designers current on submitting financial info.

"We have a measure-to-improve practice where we ID who has (and who hasn't) stayed current with required paperwork each week," Phillips says.

The business also publishes a monthly single-page roll up of financial status that can not be completed until all information is included.

It is a popular document that no one wants to hold up, Phillips says.

**MAKE THE PROCESS VOLUNTARY.** At **Walter Schoel Engineering Co., Inc.** (Birmingham, AL), a 65-person consulting engineering and environmental consulting firm, CFO Ty Kicklighter says the company's goal is to make people want to give this information because they see it is in theirs and the company's best interest.



Ty Kicklighter,  
CEO, Walter  
Schoel  
Engineering  
Co., Inc.

"In 2011 one of our goals is to create a more financially intelligent culture within our company by teaching financial literacy, sharing financial information, incentivizing financial performance, and regularly tracking financial performance..." Kicklighter says.

The firm hopes these practices can lead to a culture where everybody understands the value of supplying correct financial information in a timely manner.

Richard Gustaf, CEO, **TSP** (Sheridan, WY), a 160-person architecture and consulting firm, says in order to get the information the company needs essentially requires accounting and others letting the CEO, COO—the so-called business unit leaders—know of incomplete information and personally contact the individual holding up the show.

"We moved from a location based accounting system to a single financial organization based on project performance," Gustaf says.

The company doesn't measure account by location, business unit, discipline or any other group; only projects. When the company moved to this five years ago, "it was ugly and eliminating the 'fiefdoms' was problematic." The firm lost many people, but now it is up and running well. At that same time the firm organized around three business (market) units in lieu of locations or discipline. Each unit has a leader and their unit's direct reports consist of all of the business developers and project managers where ever they may sit.

"In 2011 one of our goals is to create a more financially intelligent culture within our company by teaching financial literacy, sharing financial information, incentivizing financial performance, and regularly tracking financial performance."

OUTLOOK

# Hot and cold markets in 2011

ZweigWhite consultant paints picture of what to expect this new year.

The question of where the action is surfaces every year around this time and it is becoming increasingly difficult to answer. The stubborn economy isn't showing sure signs of improvement and pinpointing markets with true potential is difficult—they do exist, however.

According to Hobson Hogan, a principal with ZweigWhite, hot markets are those with positive demographics, secure funding sources, stable income streams, access to bond markets or fee based revenue, and with high barriers to entry. Cold markets are those with poor demographics, high competition, commodity service, reliance on commercial bank credit, high loan loss reserves, and too many "construction related" non-performing loans.

**FASTEST GROWING SECTORS.** Hogan predicts health care, transportation and education to be the fastest growing sectors in 2011. On the other hand, he considers the office, commercial, manufacturing and residential sectors to experience the slowest growth.

A key factor contributing to the continued growth of health care, traditionally considered one of the strongest sectors for the design industry, is simply demographics—an ever aging population and high life expectancies.

Nevertheless, the nature of future spending remains uncertain under the recent health care overhaul. Hogan wonders what the new legislation will mean for construction and where funding will come from. Also unknown, is what kinds of facilities will be built in the future.

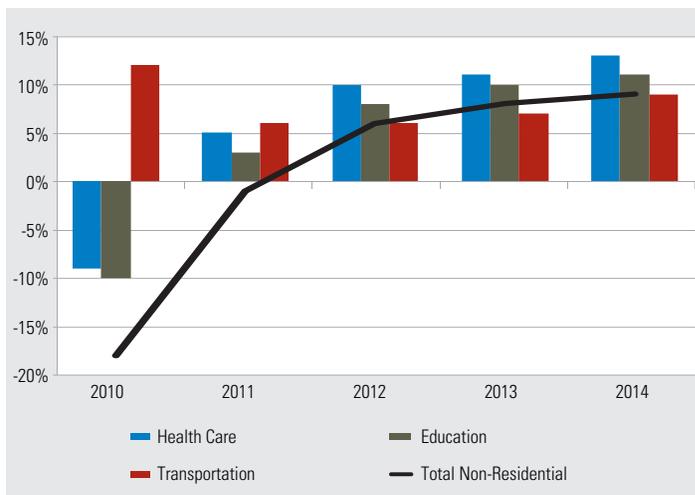
In education, another traditionally strong sector, Hogan said higher education holds more promise, with tuitions partially filling the funding gap. Plus, endowments are growing again. Also, debt markets are available to fund facility needs and facility spending tends to be counter cyclical, he said.

Growth in primary and secondary education is more uncertain as state and local governments are stretched thin. Some states are also seeing negative growth and dwindling birth rates in the recession, Hogan said.

**NON-BUILDING SECTORS.** Hogan predicted the fastest growing areas in the non-building sectors to be conservation and development, power, water supply, and wastewater. He predicted highways and bridges to be the slowest growing sector.

Hogan considers the diversification of fuel sources will drive plant construction, contributing to growth in the power sector. The implementation of smart grid technologies, as well as the upgrade of existing systems, will also drive growth.

The increasingly hot water/wastewater market will continue to expand simply because the need is there—although funding is lacking. For example, the Environmental Protection Agency estimates that the nation must invest \$390 billion over the next



A key factor contributing to the continued growth of health care, traditionally considered one of the strongest sectors for the design industry, is simply demographics—an increasingly aging population and high life expectancies.

20 years to update or replace existing water/wastewater systems and build new ones to meet increasing demand, Hogan said. The Congressional Budget Office estimates that for the years 2000 through 2019, annual costs for investment needs to be between \$13 billion and \$20.9 billion for wastewater systems.

Also, an EPA survey found that in systems that serve more than 100,000 people, about 30% of the pipes were between 40 and 80 years old and about 10% of the pipes were more than 80 years old.

**HOT GEOGRAPHIES.** Simply stated: Texas, Georgia, and Colorado. Texas is business friendly, has no state income tax, has a highly diversified economy and a low cost of living and energy. Georgia is considered the capital of the "New South," has a diversified economy, is a transportation hub and is a popular destination for relocating corporate headquarters. Finally, Colorado scores high in quality of life and has a highly diversified economy. ▲▲

**ABI BOUNCES BACK**

After stepping back in October, reversing into the negative territory, the Architecture Billings Index (ABI) rose more than three points in November to reach its highest mark since December 2007. The American Institute of Architects (AIA) reported the November ABI score was 52.0, up from a reading of 48.7 the previous month. *Read the January 10 issue of The Zweig Letter for complete coverage and commentary.*