THE ZWEIG LETTER

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HR | FINANCE SUPPLEMENTS

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We're one firm here!

Mark Zweig offers two examples of divisive attitudes, and how to fix them.

You have to remember you're one company. It's OK to be introspective and self-critical, but you also have to be able to balance that with a healthy focus on keeping positive and serving clients.

Mark Zweig

EDITORIAL

It kills me how some people working in our client companies forget that they are all working for one firm. These people seem hell-bent on tearing the company apart from the inside out. They don't get it.

The enemy is not inside the company.

Winning work in today's competitive market is hard enough! Making clients happy is hard enough! Making the government happy is hard enough! Making a profit and having the cash you need to pay bills is hard enough!

You know who these people are. Their negativity makes instituting any change damn near impossible. They blame the other guy for their woes. They don't sell effectively because they really don't know or believe in the mission of the firm. So, whose fault is it?

If you are the owners/managers of the enterprise, it is YOUR fault. One (or both) of two things happened. You either made these people the way they are through incompetence, selfishness, or toleration of poor performance OR you hired and/or tolerated them in spite of their toxic attitudes and behaviors. It's your problem in both cases and you need to fix it.

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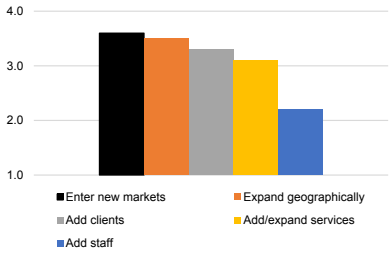
New frontiers



Entering new markets and expanding geographically are the most important objectives that firm leaders hope to achieve through a firm acquisition, according to ZweigWhite's 2014 Merger & Acquisition Survey.

On a scale of 1 to 5, entering new markets and expanding geographically ranked averages of 3.6 and 3.5, respectively.

Meanwhile, other objectives such as adding new clients and adding/expanding services follow close behind, ranking a mean of 3.3 and 3.1 respectively.

– Margot Suydam, Survey Manager

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BUILDING THE COMPANY

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MARK ZWEIG, from page 1

I was once working as a consultant at a large, multi-office E/A firm. One of their branch managers was perpetually unhappy with the firm's corporate marketing group, and griped about his overhead allocation as the reason his office couldn't make a profit. The truth was, he didn't get the support he needed. The reason: He was a rude guy and the corporate marketing director got tired of the way he was treated, so he just stopped serving the guy. Since the complainer was a major firm owner, he couldn't be ignored. The short-term solution was to encourage him to hire his own marketing support person locally, which he did. The longer-term solution was to buy down the guy's stock and eventually take him out of his office management job, where he was an impediment to the firm's growth. After years of muddling along, the office took off under new, more benevolent, less hostile leadership. The former office manager/principal was happier too. Like most management problems, this one didn't get sweeter with age. The long-term solution should have been implemented sooner.

In another case, I worked with a firm that had a principal who was perpetually on a witch hunt. He had the ear of the CEO and would complain and hammer on one person or group inside the company after another. The result was costly turnover and an unhappy cloud that hung over the company and really held it back. It wasn't until a new CEO, who rose up through the ranks, decided to move out the hostile principal that the company was able to start focusing on its clients and growing again.

You have to remember you're one company. It's OK to be introspective and self-critical, but you also have to be able to balance that with a healthy focus on keeping positive and serving clients. Don't let those who don't get the idea that the enemy is outside the firm get too out of control or you'll regret it.

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

A/E BUSINESS NEWS

DROUGHT RESPONSE: With California in its worst drought in the state's 160 years of record-keeping – and following Governor Edmund Brown Jr.'s declaration of a Drought State of Emergency on January 17 – the Departments of the Interior, Agriculture and Commerce are working with the state of California to accelerate water transfers and exchanges, provide operational flexibility to store and convey water, expedite environmental review and compliance actions, and pursue new or fast-track existing projects that might help stretch California's water supplies.

Federal and State officials met to discuss a collaborative response to the drought to minimize its social, economic and environmental impacts. Led by Bureau of Reclamation Commissioner Michael Connor and California Department of Water Resources Director Mark Cowin, administrators from U.S. Fish and Wildlife Service, National Marine Fisheries Service, Natural Resources Conservation Service (NRCS), National Integrated Drought Information System and the U.S. Army Corps of Engineers joined in a demonstration of support for an "all-in" strategy on ongoing efforts to address drought conditions in California. The agencies are seeking maximum flexibility in carrying out water supply operations, investing in conservation measures and coordinating with the California State Water Resources Control Board to implement any new operational standards.

Reclamation and NRCS announced they are working together to leverage Federal funds for water delivery agencies and agricultural producers, and will provide up to $14 million in funding for water districts and associated growers to conserve water and improve water management.

The projects funded through this partnership in fiscal year 2014 will help communities build resilience to drought, including by modernizing their water infrastructure and efficiently using scarce water resources, while continuing to support the agricultural economy.

GREEN GARDENS: The Sustainable Sites Initiative program has certified landscapes at a federal courthouse in New Mexico, a Washington, D.C., elementary school, a campus plaza in Washington, D.C., and an urban plaza in Washington state.

The four projects certified by the nation's most comprehensive rating system for sustainable landscapes are: Albuquerque's Pete V. Domenici U.S. Courthouse, which received a two star certification; Brent Elementary School in Washington, D.C., which received one star; Square 80 Plaza at The George Washington University, also in D.C. with one star; and East Bay Public Plaza in Olympia, Wash., with one star.

The SITES program is a collaboration of the American Society of Landscape Architects, the Lady Bird Johnson Wildflower Center of The University of Texas at Austin, and the United States Botanic Garden. The program was created to fill a critical need for a comprehensive set of guidelines and a system for recognizing sustainable landscapes based on their planning, design, construction and intended maintenance. This voluntary national rating system and set of performance benchmarks can be applied to projects of all sizes and on sites with or without buildings.

"It is exciting to see a growing number of projects across the country that have applied an integrative design process to meet rigorous sustainability guidelines, while finding ways to address urgent environmental and social challenges," said Danielle Pieranunzi, SITES Program director, based at the Wildflower Center.

The newly certified projects applied the 2009 SITES Guidelines and Performance Benchmarks and met the requirements for pilot certification. There are now 30 landscape projects at universities, businesses and public spaces that have achieved this recognition. The SITES rating system was created by dozens of the country's leading sustainability experts, scientists and design professionals.

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SUCCESS

Dare to be bold and thrive

Smart investments and ability to effectively manage debt are key to success at these firms.

By CHRISTINA ZWEIG
Contributing editor

What are fast-growth firms doing differently than their competitors in the A/E/P and environmental consulting industry?

We asked some firm leaders if the recession made firms in the design industry more risk-averse, and if a reluctance to take on debt might be hindering many firms in the A/E/P and environmental industry from making the investments they need to really grow and thrive in today's economy.

Jim Tull, chief financial officer, **Crafton Tull** (Rogers, AR), a 275-person architecture and engineering firm, says, "I think everyone is more risk averse post-recession. However, most of us in business recognize that if we don't take on risk, we will go out of business."

H. Kit Miyamoto, President and CEO, Miyamoto International, Inc.

H. Kit Miyamoto, president and CEO, **Miyamoto International, Inc.**, a 200-person California-based global earthquake structural engineering company, said his firm took a strong approach during the recession and they actually became more aggressive.

"We figured offence is the best defense. We doubled in size during great recession years. We continuously invested and grew globally," he says. "However, our debt structure is always conservative. Debt ratio decreases each year and our balance sheet is getting stronger. You never know what is ahead. You always prepare for something you don't know. Cash is a king, not debt. But currently, in the U.S., money is cheap. You want to use it wisely."

Ken Ogilvie, Chairman and CEO, EHS Support LLC.

Like Miyamoto and Tull, Ken Ogilvie, chairman and CEO at **EHS Support LLC** (Pittsburgh, PA), a 57-person firm located in 19 states, knows that smart investments can help a firm grow and increase profitability.

"For us at EHS Support, I really don't think the recession impacted our decision-making process," Ogilvie says. "We try to make decisions on what is best for long-term growth of the firm using a responsible growth model we developed back in 2005 that still holds true today. For example, back when the recession was in full swing in 2008/2009 we made some of our largest investments that helped build the foundation for our success today."

The ability to effectively manage debt is certainly key to success. For Ogilvie, choosing to remain debt free is something that has given the company more freedom.

"Over the past eight years EHS Support purposefully remained a debt free company, which allowed us to make investments during the recession that we likely couldn't have made otherwise. It also gives us a measure of financial freedom to look at investments we may not have otherwise made," Ogilvie says. "We do realize there is good debt out there and are not against making a wise investment move if it fits our responsible growth model. Going forward we will need to consider this if we want to really grow and thrive in both today's economy and the future."

What's the appropriate level of debt for a firm? ZweigWhite's 2013-2014 Fast-Growth Firm Survey found that fast-growth firms, defined as firms that have had an average annual revenue and staff growth of 20 percent or more for the past three years, actually have a lower median debt to equity ratio (using total liabilities) than the overall sample (0.4 compared to 1, respectively). The debt to equity ratio

"I think everyone is more risk averse post-recession. However, most of us in business recognize that if we don't take on risk, we will go out of business."

(also known as debt to worth) measures the long term ability of the firm to meet its financial obligations. It is a leverage ratio – the lower it is, the better the firm's ability to borrow.

"Debt is a financial instrument that should be treated with respect and used in the manner in which it was intended," Tull says. "Long term assets (i.e. trucks, GPS, shareholder buy-outs) should be paid for using long-term debt (banks, leasing companies, shareholders). Short term debt (lines of credit) should be drawn on when clients take a little longer to pay than normal and promptly paid back down when they do pay. I think a net debt to EBITDA ratio of under 3 is healthy. If a company is throwing off enough cash to pay off its debt in three years or less, it is healthy."

The slow and steady approach can be effective. Frank Dudek, president, **Dudek** (Encinitas, CA) a 300-person environmental consulting firm, says, "From our perspective we have always been financially conservative and somewhat risk-adverse, although in 2013 we opened two new offices in California and grew our net revenues by 25 percent."

Dudek says the firm never considered using debt because "we strive to be and have succeeded throughout the recession to be a high-profit firm and have had ample internal funding for any venture we choose. Some might consider us risk-adverse because we have not sought nor made any large acquisitions, choosing mostly organic growth as a more suitable method of hand-picking our growing practice leaders and professional staff. We're more comfortable with steady 10-15 prospective

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NEWS

Green home building continues to climb

Increased incorporation of green principles into building codes, ordinances and regulations pushing growth.

McGraw Hill Construction released findings from a new Green Home Builders and Remodelers Study at the National Association of Home Builders International Builders' Show in Las Vegas.

Green homes comprised 23 percent of the overall residential construction market in 2013 and are expected to grow to between 26 percent and 33 percent of the market by 2016. This equates to a doubling in the value of green home construction over three years, growing from $36 billion in 2013 to between $83 and $105 billion in 2016, based on the current McGraw Hill Construction forecast for total residential construction.

According to McGraw Hill Construction research dating back to 2006, the green home building market most rapidly accelerated during the housing downturn, when builders experienced in green remained in business at higher proportions than those not knowledgeable about energy-efficient and green home building. As the residential market improves, indications are that the residential market is becoming bifurcated, with green builders accelerating the depth of their green work, and new or returned entrants into the market focusing on traditional construction practices.

"Green experience was a significant part of what kept builders in business during the recession," said Harvey Bernstein, VP of Industry Insights and Alliances, McGraw Hill Construction, "and now, those same firms are embracing the competitive advantage they earned by deepening their delivery of energy-efficient and green homes. We also see firms reentering the market that are using traditional home building practices versus green practices because that's what they know. However, the broader availability of green building products and practices, a more educated consumer and an increase in activity at the regulatory level will also encourage this group of builders to learn green practices over time."

The study shows that the top drivers to increased green home building activity include changes in codes and regulations, better quality, wider availability and affordability of green products, energy costs, and competitive advantage.

The green home building study, produced by McGraw Hill Construction in conjunction with the NAHB, is the fourth in a series that dates back to 2006. It was designed to provide key insights into market opportunities, backed by proprietary research surveys and the power of the Dodge database. The study reveals business benefits afforded by green building:

"Green experience was a significant part of what kept builders in business during the recession."

- Competitive marketing advantage: 51 percent of builders and remodelers find that it is easier to market green homes, up from 46 percent in 2012 and 40 percent in 2008.
- Customer willingness to pay for green features:
- 68 percent of builders (up from 61 percent in 2011) report their customers will pay more for green, with 23 percent reporting that their customer will pay more than 5 percent
- 84 percent of remodelers report the same (up from 66 percent in 2011), with 55 percent reporting their customers will pay more than 5 percent for green features.

"This study shows that more and more builders are incorporating environmentally sensitive and energy and resource efficient techniques into traditional home building practices, and we expect to see even stronger growth in the coming years," said Matt Belcher, co-chair of NAHB's Energy & Green Building Subcommittee and a Builder from Wildwood, Mo. "Green building expertise provided builders and remodelers with a competitive advantage during the housing downturn, and now as the market continues to recover, NAHB members stand ready to meet the increased demand."

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growth in net revenue each year, high profits and with zero debt, and don't believe avoiding debt has slowed our model for growth in any way over the past 30 years."

Ogilvie says the appropriate level of debt is something that is different for every firm and depends on both short- and long-term goals. "For us the appropriate level of debt will be one we can manage that does not limit our ability to grow and expand based on our specific company goals and objectives. For EHS Support it will be that level of debt that fits our long-term responsible growth model and effectively balances profitability, cash flow, and future investment opportunities."

Tull raises another point, "For some firms, it's not so much about reluctance to borrow as it is being able to borrow. Since the recession began, the federal government has increased the regulatory requirements on banks lending money, making access to capital more difficult for many companies."

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CULTURE

Teamwork: The name of the game

Creating a culture that promotes that kind of attitude is the secret.

By LIISA SULLIVAN
Correspondent

Building a cohesive team – one that sticks together through thick and thin – is the best that a company can hope to achieve. So, what are the secrets to assembling a group where everyone pulls together?

It starts at home. With approximately 80 employees distributed among seven regional offices, working together to build a cohesive company is both critical and challenging for **JLG Architects** (Grand Forks, ND).

Michelle Allen, COO, JLG Architects.

"Fundamentally, we are one company with workstations spread across multiple communities," says Michelle Mongeon Allen, COO. "Our multi-office structure is purposefully designed to facilitate growth of both our company and our employees. It allows us to serve our clients at a local level while leveraging our unique strengths and diverse talents across a broader geographic market."

Technology helps facilitate this structure, but the mechanics of streamlined communication are being continually fine-tuned.

Allen says that sustaining a cohesive company culture is a key tenet of JLG's strategic plan. The management team is accountable for executing this organization-wide vision. It all starts in human resources, where new graduate employees begin their career in the Grand Forks office. They focus their training on building science/technology, JLG standards and processes, cultural orientation, and development of peer relationships. Project delivery follows. The company has created tools and processes to coordinate cross-office project teams to deliver services with efficiency and excellence – always focusing on the client.

"In doing this, we haven't lost sight of our core passion – design – and have been steadily recognized with more than 90 design awards in our 25-year history," Allen says.

> "If we can be the firm of choice for top talent, we will produce great work and our clients will love working with us."

Hop on the 'JLG Bus'. Leadership development at JLG has followed and organic path. It starts with the company's organizational chart, fondly referred to as the "the JLG bus" in reference to one of Jim Collins' (author of "Good to Great") key principles: "If we get the right people on the bus, the right people in the right seats, and the wrong people off the bus, then we'll figure out how to take it someplace great."

JLG focuses its energies on being a talent-rich organization.

"If we can be the firm of choice for top talent, we will produce great work and our clients will love working with us," Allen says. "We really do believe it's that simple. We allow our employees to map their own career paths and, to date, our leadership has risen naturally from this pool of great people. As we grow, we know that a formalized leadership development program will accelerate and enhance the advancement of our talent, and they will be actively engaged in creating this structure."

Strong leaders provide the glue. With all that, you cannot be a cohesive company without strong leaders. As a result, JLG is comprised of people who are passionate about design, hard-working and committed to being actively engaged in their communities.

"Our firm's culture and future is dependent upon recruiting and retaining the best, and we know that in order to do that we need three things," Allen says. And they are:

1) A strong local economy that provides limitless opportunity – check;

2) Great communities to call "home" – check; and

3) A commitment by JLG to be the best place to work, period – check, check!

John McGrath, COO, **Advantage Engineers, LLC** (Mechanicsburg, MD), a 150-person engineering consulting firm, says that in an effort to keep everyone aligned with the company's culture and goals, the CEO or he will hold a mission, vision, and values orientation with new employees every few months.

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HELPFUL RESOURCES

- **Barrett Values Centre** (www.valuescentre.com): The Barrett Values Centre provides powerful metrics that enable leaders to measure and manage the cultures of their organizations, and the leadership development needs of their managers and leaders. For example, it reports that team cohesion is not possible without trust. Trust is a trait that must be present among team members, between team member and manager, and between the team and company leadership. Building trust takes a combination of personal characteristics such as integrity and authenticity and work performance attributes such as experience and industry knowledge.
- **Beinga Better Leader** (www.BeingaBetterleader.com): Information on this website helps leaders communicate more effectively and connect with their people more deeply. In doing so, they can influence, engage and inspire with greater clarity, purpose and passion, while having a direct and positive impact on their organizations' bottom line. For example, the site advises that organizations with open cultures allow strong teams to grow and thrive.

Visionary leadership

There is more to the visionary leader than just the vision.

We hear the expression"visionary leadership" often. What is it and what does it mean to be a visionary leader in our industry? Vision in any business requires that you clearly see where the organization will be and what it may look like at some point in the future. Most AEC leadership teams do a decent job in the visioning exercise these days but, unfortunately, many fall short in executing the steps needed to get there.

Leaders must have the passion and the will to achieve long-term goals of their company. Only those who can inspire a team and actually help drive a company forward to reach its goals can be called visionary leader. Focusing on just the vision may not provide sufficient motivation or inspiration for a company to achieve its stated goals. Rather, the emphasis should be placed into both vision and the steps required to get there – perhaps with even greater emphasis on the latter. A great deal of discipline is necessary to satisfy the requirements for visionary leadership. This discipline requires that you follow through with your purpose and direction, even in the face of obstacles and setbacks.

A visionary leader turns vision into reality by creating a vivid image of the target or goal through a plan to get there that outlines the specific responsibilities of each key team member. These leaders also know that differentiation of their businesses from the competition is key to their success. And these leaders are mindful to celebrate the small victories with the team, while remaining focused on the goals of the vision.

Visionary leaders also recognize that business success can be achieved by being different. They are insightful in determining what others are neglecting, then act on it. Most may downsize, cutback, or reduce budgets following fears of recession while the visionary leads teams on the offensive – capturing larger market share or expanding into new areas. Visionary leaders continually focus their business plan on the future using well-planned, bold moves that create big excitement and pay off with big results.

What are the most important characteristics of a visionary leader?

Visionary leaders have the ability to see the future and have good instincts on the path(s) needed to get there. They are curious individuals who constantly seek more information and have a yearning to learn – especially about those things that can reveal a glimpse of the future. Therefore, they have the ability to see things in the future before others, allowing them to build an accurate model of that future. Consequently, they are willing to try new things or approaches and make bold moves while having a healthy respect for measuring the downside risk that could damage an organization.

Gerry Salontai

GUEST SPEAKER

These leaders have a strong conviction to succeed. Along with this conviction, visionary leaders possess the discipline and the persistence needed to achieve success. They know that you don't get from point A to point B overnight. Rather, they recognize that it's a long march of continued execution that focuses on the fundamentals of the business.

See GERRY SALONTAI, page 8

Leaders must have the passion and the will to achieve long-term goals of their company. Only those who can inspire a team and actually help drive a company forward to reach its goals can be called visionary leader.

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Making design-build work

Four practices that must be followed to attain design excellence.

Ed Friedrichs

FROM THE CHAIRMAN

Design-build has achieved prominence as a means to overcome owners' concerns about whether their architect and contractor are on the same team. It assures cost control and aids in avoiding disputes. But architects, owners and the American Institute of Architects have long voiced this concern: "Can we achieve Design Excellence" under design-build? If the contractor is in charge, will my architect's creativity be suffocated by a contractor driving for budget and schedule adherence?

In response, the DBIA (Design Build Institute of America) has formed a committee on Design Excellence on which I serve. During a recent committee meeting, I expressed my thoughts about what it takes to achieve great design on a design-build project and want to share them with you.

Over the years, I was involved in many design-build programs. While most involved separate contracts between owner, architect and contractor, several, were single contracts between owner and contractor, with the architect as a consultant to the contractor. The factors for success remain the same under either arrangement.

Achieving design excellence in design-build relationships requires four actions on the part of the team, which includes owner, architect, contractor, sub-trades, suppliers and craftsmen:

1) **Leadership.** Every project needs a leader, not just to provide direction and keep the project moving but, more importantly, to establish and maintain the team's working attitude and spirit. Whether leadership comes from someone on the architect's team, the contractor's, or from a third party – a developer, a program management consultant or the owner himself – someone sets the tone, pace and style by which the participants work together.

2) **Inspiration.** The spirit and tone set by the leader can inspire the team to achieve a noble and worthy end result, to be adversarial, or to just "get the job done." The former keeps the project vision and goals "front-of-mind" for all participants; the latter is, sadly, the norm in design-build.

3) **Collaboration.** Historically in design-build, team members work and act independently. Bolstered by an insurance industry and legal profession driven to isolate entities for liability purposes, it's enormously difficult, even in today's world of BIM where many team members may be contributing to a common 3D informational database from which the project will be constructed, to achieve true collaboration among team members. Design-build achieves a high quality result only when – by structure and attitude – there's a working relationship where each member of the team works with others in a well-coordinated manner.

4) **Respect.** An atmosphere devoid of fault-finding and back-biting is essential. That's an atmosphere in which each team member appreciates and values the contribution of each other team member. That's how everyone would like to work. Project leadership sets the tone and is vigilant about shared respect. Those who prefer or foster a toxic atmosphere don't belong on the team.

Finally, there's an art to setting objectives for a project to achieve design excellence. Owners, architects and contractors come together to define a program, budget and schedule for a project. They define how much it can cost, when it will be completed and the schedule milestones. They determine objectives and quantifiable programmatic elements such as how big, how much, plan adjacencies and so forth.

See ED FRIEDRICHS, page 8

Every project needs a leader, not just to provide direction and keep the project moving but, more importantly, to establish and maintain the team's working attitude and spirit.

CALENDAR

BECOMING A BETTER SELLER: Could every person in your firm describe your services in a succinct and persuasive way that demonstrates what sets you apart from the competition? It's not enough to have the technical expertise to complete projects, you need seller-doers who can convey excitement and tailor the message for the audience.

That's why ZweigWhite developed a one-day program that will help anyone who could possibly be involved in selling and who wants to be more successful and increase their value to their employers – design and technical professionals as well as marketing and business development professionals, principals, managers, architects, engineers, planners, scientists, surveyors, designers; anyone who wants to know more about selling.

Becoming a Better Seller was specifically developed to help design and technical professionals become more comfortable dealing with clients and promoting the firm and your services.

Seminars will be led by Mark Zweig, ZweigWhite CEO and chairman, or Chad Clinehens, executive vice president, ZweigWhite.

Here's what attendees will learn:

- What's different about business development, marketing, and selling
- Dispelling the myths about selling
- How to overcome "sales reluctance"
- Proposals that get noticed
- Presentations that get the job
- The client-centric approach
- Building a personal brand

Seminar dates scheduled for 2014 include March 6 in San Diego, March 7 in Dallas, April 10 in Cincinnati, Ohio, and April 11 in Washington, D.C.

Group discounts are available for teams of four or more attendees from the same firm. Please call 800-466-6275 or log on to www.zweigwhite.com/seminars/better_seller for details.

GERRY SALONTAI, from page 6

Visionary leaders also understand that operating a healthy business is essential to the long-term success of the company. They recognize that the core services or products provided today fuel the company's engine and allow the investment needed for tomorrow. These leaders drive for exceptional financial performance by getting the most out of what the company provides, which includes a continued rationalization of every aspect of the business.

Finally, visionary leaders excel at inspiring and motivating; and they don't have to be particularly charismatic in doing this. Everything a leader does on a daily basis has an impact on the organization. Taking a few minutes to ask people how they're doing, thanking them and encouraging them to do more is inspiring and motivating. The visionary leader knows that inspiration and motivation are essential ingredients for the organization to reach its goals, especially during setbacks that may occur along the journey.

Vision is one only one ingredient in the secret sauce. Visionary leaders can see, believe, strategize and inspire others to act in order to achieve success in a company.

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But often it's easy to forget that the project is being built for the people who will use the place we're making. Will our design solution inspire the occupants to use it in ways that enhance the performance of the enterprise? Does the design contribute positively to the fabric of the community in which it's situated? If the people who will ultimately use the place don't have a "voice" during the design process, design excellence cannot be achieved.

Besides framing the project's quantitative parameters, the team leader must also define the sociological objectives for the project and keep all members of the team, including subcontractors, tradesmen and suppliers, focused on why we're making this place and what it will accomplish if successful. In my experience, contractors and the construction trades are just as interested in this as we designers are. It inspires them, too. It's what brings pride in what they've accomplished, just as it does to us.

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John McGrath, COO, Advantage Engineers, LLC.

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"The goal of these meetings is to ensure that the company's values are understood by new employees and to give them the opportunity to ask questions about corporate goals and vision," he says. "In 2014, we will be implementing an employee engagement program where, in a series of meetings, small groups of employees from different offices and job functions will meet with company executives to discuss operational and cultural issues that impact our staff. In order to continue our success and to grow responsibly, we need to solicit honest feedback from our staff in an environment that is conducive to open communication."

Advantage Engineers understands that driving the culture of a growing company is something that takes time and focus. That was one of the factors weighed in the decision to add director level staff last year in order to allow the CEO and COO more time to manage the corporate culture.

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HIRING

Keep your pulse on market trends

Competition for new hires is heating up and job seekers are savvy.

By LIISA SULLIVAN
Correspondent

Are you finding that the market is heating up for quality employees? Are these people expecting more in terms of salary and benefits? If so, what are you doing to stay in step?

Cindy Martens, Manager of Recruiting and Retention, Affinis Corp.

"Not only are engineering firms vying to gain new client relationships and to meet clients' increasing expectations, we are competing for quality employees."

Recruiters get busy. Cindy Martens, manager of recruiting and retention at **Affinis Corp.** (Overland Park, KS), a 24-person transportation planning and design firm, senses that the market is picking up for engineers and those in related technical professions.

"Our feeling is that recruiting efforts will look more like they did prior to the 2008 recession," Martens says. "Within the last month, we've seen job posting from our competition for positions that appear to be comparable to those we anticipate hiring for. This would suggest that recruiting efforts are picking up and that we might be competing for some of the same qualified candidates."

At this point, it's difficult to tell what these candidates are looking for.

"We will know more as we continue to interview and hire new co-workers, but if the market picks up and the number of qualified candidates is limited, general economics would tell us that salaries will increase. Right now we are not seeing a shortage of candidates," she says.

However, in order to ensure that Affinis does not lose out to qualified candidates, the firm conducts annual salary surveys to benchmark its offerings with those of comparable firms. It also review sits benefits (insurance, vacation, sick leave, etc.) and compares that information with other firms in the A/E industry.

Of equal importance to Affinis is perceptions among co-workers and how culture, work and benefits line up with their needs and expectations.

Ashleigh Williams, HR Assistant, Testengeer Incorporated.

Job seekers are savvy. Ashleigh Williams, HR assistant with **Testengeer Incorporated** (Port Lavaca, TX), a 260-person full-service engineering firm, says that the company has experienced tremendous growth over the past several years due to new leadership and the flourishing petroleum and petrochemical industries in south Texas. It expects more growth in 2014.

"Not only are engineering firms vying to gain new client relationships and to meet clients' increasing expectations, we are competing for quality employees," she says. "Recruiting top engineers, designers, and drafters has been challenging due to the increased demand for their specialized skill sets in this region."

As a result, Williams says that candidates are aware of the high demand for experienced experts in the petrochemical field and expect significant compensation.

Testengeer has a two-fold approach when it comes to staying competitive: "We deliver competitive compensation, advancement opportunities, and the best employee benefits possible," Williams says. And, "We maintain a diligent focus on recruiting. If we can offer the first, then we can attract and retain key employees."

Government stats offer outlook. According to the Bureau of Labor Statistics' Occupational Outlook Handbook, employment of architectural and engineering managers is projected to grow seven percent from now through to 2022, slower than the average for all occupations. Employment growth will largely reflect the growth of the industries in which these managers are employed.

For example, the engineering services industry is projected to grow 21 percent through 2022, adding the most new architectural and engineering manager jobs. Demand for engineering consulting and civil engineering services is expected to be high as the nation's aging infrastructure needs repair and expansion. Mechanical and electrical engineering services will also continue to be used on many different projects.

However, employment in manufacturing, the largest industry employing architectural and engineering managers, is projected to decline by six percent, impeding overall growth of the occupation.

Because these jobs are highly desirable, candidates can expect very strong competition for openings.

Those with technical knowledge, strong communication skills, and years of related work experience will likely be in the best position to become managers.

In addition, because architectural and

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ON THE MOVE

K&H PROMOTES: **Keast & Hood** (Philadelphia, PA), a 38-person structural engineering firm, named structural engineer **Craig Swiftan** associate of the firm. Based in the Washington office since 2010, Swift provides project management and structural engineering design for projects in the U.S. and abroad.

"Craig has proven himself as a well-rounded engineer, an organized project manager, and a creative structural designer," said Matthew Daw, principal. "He has been recognized for his commitment and contributions, which have been a critical part of the firm's continued growth."

Swift has over 10 years of structural engineering experience, including extensive involvement with seismic analysis, design, and retrofit in the U.S. and Haiti. He recently managed earthquake repairs at the Baltimore Basilica in Baltimore, Gymnasium Vincent in Port-au-Prince, Haiti, and the Sherman Building in Washington, D.C. He also oversaw renovations to the University of Virginia Pavilions X and VII.

Swift's current involvement ranges from renovations at Gettysburg College and Virginia Tech to design for new construction at Old Dominion University, management of a multi-year continuing services civil and structural engineering contract for the National Institute of Standards and Technology, and additional work in Haiti, including pro bono structural design for an orphanage and a school.

KLOTZ ASSOCIATES NAMES: **Klotz Associates** (Houston, TX), a 110-person engineering consulting firm, announced that **Steven Pike** has been named a shareholder of the, while **Morena Arredondo, Mike McClung** and **Jeremy Sury have** been named associates.

Pike has 18 years of experience in preparation of plans and specifications. He is the manager of Klotz Associates' TxDOT Department, where he participates in transportation design services, including roadway design and development of plans, specifications and estimates. Pike's industry experience and comprehensive knowledge of the firm make him well qualified to be a shareholder.

Arredondo is a project engineer at Klotz Associates and has six years of experience in site design, public utilities, design and water and sanitary sewer modeling. She is a licensed professional engineer in the state of Texas. The Society of Hispanic Professional Engineers, Houston Board, recently recognized Arredondo as Young Engineer of the Year for her leadership and commitment related to various community outreach events.

As a project engineer, Mike McClung's responsibilities are focused primarily on roadway design. He also has eight years of civil engineering experience in preparation of plans and specifications.

Jeremy Sury has been with Klotz Associates – where he started as an IT support technician – for 15 years. He is now the network administrator within the firm's information technology department, and is responsible for all network and telecommunications infrastructure and services. Sury plans and coordinates the design, installation, and connectivity of computer and network systems to ensure consistent and stable operation of the organization's IT assets.

LOUIS BERGER APPOINTS: **Jamey Barbas** has been appointed by **Berger Group Holdings, Inc.** (Louis Berger), a 6,000-person multidisciplinary architecture, engineering, planning and environmental consulting firm based in Morriston, Pa., to serve as senior vice president in charge of the firm's global practice for major structures. Barbas brings to Louis Berger more than 30 years of design and management experience, specializing in complex and long-span bridges. In this role, she will provide strategic direction for Louis Berger's transportation structures practice across its operating companies worldwide, lead large-scale pursuits, supervise project managers on signature projects and provide company wide quality assurance for complex structures and long-span bridge projects.

"In addition to her impressive long-span bridge résumé, Jamey also brings a valuable depth of experience in managing public-private partnership and design-build projects on a global scale," said Larry Walker, Louis Berger's executive vice president for global strategy and development.

Barbas has held leadership positions in several international professional services firms, including **Hardesty & Hanover, Arup, Parsons** and **URS Corp.** During her career she has served as a technical advisor to numerous design-build and public-private partnership projects, and her management and design experience includes several award-winning domestic and international projects. Most notably, she led the inspection, design and construction support services for the reconstruction of the Williamsburg Bridge in New York City, and was the bridge design manager for the AutoRoute 30 project in Montréal, Canada – one of the largest P3 bridge projects in North America.

ARUP HIRES: **Arup** (London, UK),a multidisciplinary engineering and consulting firm with a reputation for delivering innovative and sustainable designs, announced that **Brian McElhattenhas** joined the company as associate principal and the structural lead in the firm's Chicago office. In this new role, McElhatten will be responsible for the day-to-day involvement of all structural projects with the major goal of continuing to develop and grow the Chicago office.

McElhatten comes to Arup with more than 14 years experience as a structural engineer. He has worked around the world on several notable projects throughout his career including the 70-story Pearl River Tower in Guangzhou, China; a 40-story tower in Shanghai, China; three 60-plus story towers in New York City; two 100-plus story towers in South Korea, and several government buildings on the East Coast. Previously, McElhatten was an associate director of structural engineering for **Skidmore, Owings & Merrill**. He served as the project engineer on multiple, simultaneous projects and oversaw engineers in the Chicago and New York City offices.

"Brian is an exciting addition to Arup's Chicago office," said Mahadev Raman, chairman of Arup Americas."With his previous skills and knowledge, Brian will foster tremendous opportunities for our Chicago operations."

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engineering managers are involved in the financial, production, and marketing activities of their firm, business management skills will be beneficial for those seeking management positions.

Further, the Bureau predicts that employment of environmental engineers will grow in response to an increasing need to comply with environmental regulations, to develop methods of cleaning up existing hazards, and, more generally, to respond to increasing public concern over a safe and clean environment.

So, to keep up with a market that is heating up, make sure you keep a close eye on the competition.

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REVENUE

Fee outlook – staying put or going up?

As the market heats up, are firms raising fees? How do they make that decision?

By LIISA SULLIVAN
Correspondent

What are firms doing in terms of fee structure now that the market seems to be on the mend? Are they raising fees, or staying put? We talked to three firms – small, medium and large – to find out.

Humza Chowdhry, Principal, HC Structural Engineering, Inc. .

Upping the ante. Humza Chowdhry, principal, **HC Structural Engineering, Inc.** (Daly City, CA), a six-person firm, says that while he is sensitive to competition, HC is raising fees as the company seeks growth, development, and better benefits for employees.

"We continue to keep abreast of what other firms charge for similar services and find that we remain competitive," Chowdhry says.

"Our clients work with us because of our customer service, ability to adapt to each of our client's needs, and our easy approach to problems," he adds. "Contractors, especially, find us very helpful and, in some cases, while we may be more expensive than other firms, our quality of services and satisfaction are valued more than just the money."

Chowdry says that there are a few things HC does to ensure that it is able to keep fees fair, yet competitive. Those things include:

- Keeping overhead low
- Finding ways to cut costs without comprising quality of services
- Paying employees reasonable wages and maintaining employee satisfaction (this keeps them focused and productive). With increased productivity and low turnover rates, a company can really focus on delivering quality products and not retraining its workforce.

John Koehler, Director of Sales and Marketing, Process Plus.

Staying put. At **Process Plus** (Cincinnati, OH), a 112-person architecture and engineering firm, John Koehler, director of sales and marketing, says a fee raise is not in the cards presently.

"We raised our fees during the recession, and consistently raised our fees over the next few years," he says. "Typically, we raise our fees annually, but did not in 2014 because we feel they are at a competitive rate."

How do they know that?

The company purchases industry comparison surveys to benchmark its fees. It also solicits customer feedback through online surveys, interviews and proposal comments and regularly asks for feedback on its proposals.

"Our customer feedback process is extremely important to us," Koehler says. "Online surveys are sent to key clients on a monthly basis. This quick and easy survey helps us to evaluate our client's satisfaction with 'price versus perceived value,' as well as several other factors."

Process Plus controls its fees by focusing on:

- Providing core services
- Choosing the right projects
- Controlling overhead/flexible workforce

Core services are front-end engineering, master planning, specialty services and viability studies. These are services that Cost Plus provides regularly; therefore it can be confident proposing on the scope and the hours it will take to complete deliverables.

> "Similar to providing our core services, we are selective about the projects we pursue."

"Similar to providing our core services, we are selective about the projects we pursue," Koehler says. "We have a go/no-go formula and a philosophy of 'it takes three,' meaning at least three people (one person from each of the following departments: sales, operations and project management) need to be committed to a project before we commence the proposal process."

Regarding overhead, one way Process Plus works to keep overhead expenses in check is through a flexible workforce. The company has full-time salaried employees, but it also has the ability to increase its staff size through flex-time employees, contract employees and alliance partners.

Flex-time employees work between 24- to 40 hours per week, depending on their availability and project demands.

"Our network of alliance partners al-

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GOOD TO KNOW

Over half of firms (55 percent) update their billing rates annually.
Billing rates have increased a median of 3.6 percent over the past three years.

Source: 2013 Fee & Billing Survey, ZweigWhite: www.zweigwhite.com/p-2163-fee-billing-survey-2013.

TRANSACTIONS

MEAD & HUNT BUYS: Mead & Hunt, Inc. (Madison, WI), a 500-person planning, design, engineering and architecture firm, announced that it is significantly expanding its position in the water and wastewater treatment market with the acquisition of **H_2O in Motion.** H_2O offers specialized water and wastewater consulting with offices in Marquette and Harbor Springs, Mich., and Phoenix.

H_2O is a team of water and wastewater specialists. Much of their expertise centers on the operation and management of treatment facilities for municipal, industrial and mining clients. They provide technical support and design for treatment systems. The team also includes on-call instructors who lead training sessions for state and local agencies on water-related topics and running wastewater facilities.

"Mead & Hunt has strategically identified the water and wastewater market as a very important growth market for the future of our country as clean water becomes a scarce commodity," said Andy Platz, president of Mead & Hunt." The merger of H2O in Motion with Mead & Hunt is part of our continued expansion into key markets by adding new expertise to serve existing and new clients nationwide. We are very excited to add these new services and have their top notch employees join Mead & Hunt. "

"This will be a real positive for our clients. They enjoy the personal attention of our local staff, and now they also have direct access to a much larger array of environmental and engineering services," said Troy Gallagher, president of H_2O in Motion. "My team is excited about applying expertise at multifaceted projects for industrial, food, energy and mining clients across the country." He added that his team has worked together with Mead & Hunt on previous projects in Michigan.

Mead & Hunt serves markets nationwide that include aviation, dams and hydropower, food, industrial, military, municipal infrastructure, highways and bridges.

"With the addition of the H_2O team, Mead & Hunt significantly expands our water and wastewater treatment services to include niche areas such as facility management, operations and maintenance," said Amy Squitieri, vice president and group leader of Western Infrastructure Services. "It will be a new foray for us to pursue mining projects where we can offer environmental mitigation, water quality improvement and other support."

RESOURCES

M&A 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 2014 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 24th 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 2014 Merger & Acquisition Survey goes beyond benchmarking statistics to provide invaluable advice from our experts. It also provides descriptions of more than 300 transactions of AEC firms that have bought, merged, or been sold since 2009 – these descriptions include firm names, locations, staff size, revenues, firm services, and other important details to help you gain valuable insight into recent M&A activity in the industry.

For more information or to buy a copy, call 800-466-6275 or log on to www.zweigwhite.com/p-2189-Merger_Acquisition_Survey_2014.

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lows us to complement our existing services with additional services and/or additional staff," Koehler says.

Dan Noble, President and CEO, HKS, Inc.

KEEPING A WATCHFUL EYE. Dan Noble, president and CEO, **HKS, Inc.** (Dallas TX), a 991-person architecture and engineering firm, says that the market remains somewhat unstable with continuing increase and decrease of the Architectural Billing Index (ABI) from month to month.

"And, basic service fees are more driven by market, and we are not currently seeing the market raising fees," Noble says. "In fact, we continue to see some firms cut fees to keep their doors open. This is, of course, unsustainable in the long run and will result in more firm failures. We are more closely monitoring our fee calculations and instituting more of our go/no-go with opportunities. Clients that are solely fee-driven are best not pursued."

In order to ensure competitiveness, HKS has large historical databases that it reviews for trends. It also relies on client interaction for benchmarking.

To keep fees in line, there are three guidelines that HKS uses consistently. They are:

1) Develop a detailed work plan.

2) Assign hours to tasks and estimate reimbursables.

3) Confirm with your historical database and market knowledge.

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