THE ZWEIG LETTER

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HR | FINANCE SUPPLEMENTS

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So you want to be an owner

Seven essential tips from Mark Zweig to those who want to move into firm ownership.

Don't do what you think you are supposed to do because you are a certain age, or have a particular degree or experience, or because your father wanted you to do it – yet don't really love it.

Mark Zweig

EDITORIAL

Working in the A/E/P and environmental industry for 34 years has been a tremendous educational experience. I have been an owner in four different A/E firms and started half-a-dozen businesses or more, including the two Fayetteville-based Inc 500 | 5000 companies I am an owner in today, the Zweig Group (formerly ZweigWhite) and Mark Zweig, Inc. One thing I know for sure – ownership is a big part of the culture of this industry.

Here's some of my advice to those who want to be an owner of the firms they work in:

1) **Is this your passion?** If not, don't proceed. If so, follow your passion. It's been said by many before: Do what you love and the money will follow. Don't do what you think you are supposed to do because you are a certain age, or have a particular degree or experience, or because your father wanted you to do it – yet don't really love it. You will sustain your motivational level for only so long if you don't love what you do. Become an owner only if this business really excites you and you think about it almost every waking hour. Consider the long-term commitment that it will take. Rarely can you buy in and then get your money back when you want to if things don't work out.

2) **Do you like the other owners?** This may prove to be one of the most

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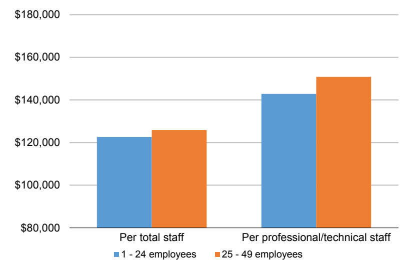
MORE COLUMNS

TRENDLINES

Small numbers



Zweig Group's 2014-2015 Small Firm Survey finds that net service revenue (or NSR) per employee is lower at firms with 1-24 employees, than at those with 25-49 employees.

Firms with 1-24 employees report a median NSR per total staff of $122,652 and a median NSR per professional/technical staff of $142,808, while firms with 25-49 employees report a median NSR per total staff of $125,885 and a median NSR per professional/technical staff of $150,824.

– Margot Suydam, Director, Research

FIRM INDEX

A/E BUSINESS NEWS

ABI REMAINS STRONG On the heels of recording its strongest pace of growth since 2007, there continues to be an increasing level of demand for design services signaled in the latest Architecture Billings Index. The American Institute of Architects reported the August ABI score was 53, down from a mark of 55.8 in July. This score reflects an increase in design activity (any score above 50 indicates an increase in billings). The new projects inquiry index was 62.6, following a very strong mark of 66 the previous month.

As a leading economic indicator of construction activity, the ABI reflects the approximate nine- to 12-month lead time between architecture billings and construction spending.

"One of the key triggers for accelerating growth at architecture firms is that long-stalled construction projects are starting to come back to life in many areas across the country," said Kermit Baker, AIA chief economist. "Long awaited access to credit from lending institutions and an increasing comfort level in the overall economy has helped revitalize the commercial real estate sector in recent months. Additionally, though, a crucial component to a broader industry-wide recovery is the emerging demand for new projects such as education facilities, government buildings and, in some cases, hospitals."

The AIA has added a new indicator measuring the trends in new design contracts at architecture firms that can provide a strong signal of the direction of future architecture billings. The score for design contracts in August was 56.9.

Key August ABI highlights:

- Regional averages: Northeast (58.1), South (55.1), West (52.5), Midwest (51)
- Sector index breakdown: multifamily residential (58.1), mixed practice (57.1), institutional (54), commercial / industrial (50.4)
- Project inquiries index: 62.6
- Design contracts index: 56.9

MCGRAW HILL CONSTRUCTION SOLD McGraw Hill Financial announced it has agreed to sell McGraw Hill Construction to Symphony Technology Group, a strategic private equity firm based in Palo Alto, Calif., for $320 million in cash. The transaction, which is expected to close during the fourth quarter of 2014, is subject to regulatory approval and customary closing conditions.

In March 2014, McGraw Hill Financial announced it was exploring strategic alternatives for McGraw Hill Construction, a leading provider of essential data, news and insights to better inform construction professionals' decisions in the United States.

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important questions you can answer. You'll be spending a lot of time with these people. You better think they are smart, honest, and fun, or you will regret tying yourself to their ship. It's hard to get dead weight owners out of a company. They aren't a whole lot different from tenured professors who choose to retire on the job.

3) **Buying into your firm versus starting your own.** Have you thought about what the differences are and are you going into this with your eyes wide open? You do have options. Are you better off becoming an owner in a firm with clients, employees, history and name recognition, or would you rather have none of the baggage of the past and go at it on your own? There are some big differences in the two scenarios in terms of risk and just what your workday would be like on a daily basis.

4) **If you seek out advisors to look at the deal and the paperwork, pick them carefully.** I have run into some completely unqualified advisors giving new potential owners lots of bad information. Many folks go to their parents, the CPA who does their mom and dad's taxes, their own tax advisor, their friends, or a mentor they once worked for as their advisors. One big concern: Do these people know anything about ownership in an A/E or environmental firm? Have they ever been an owner in an A/E or environmental firm? If not, consider if the quality of their input is worth what you are paying for it. Get an experienced A/E attorney or ownership consultant to look over the deal if you need one – it could be money well spent.

5) **Are you someone who likes and is ready for the responsibilities of being an owner?** All eyes will be on you. Can you set a good example for others? Will you do the things you have to do; turn your timesheet in on time? Make your collection calls? Are you a good seller of work for others to do? Can you handle all that goes along with the responsibility for your employees' livelihoods? Will you do all the things that an owner in a leadership position in a firm should do? You really have to answer these questions affirmatively and honestly!

6) **If it's a go, make the total commitment and buy all the stock your company will let you buy.** Nothing looks worse to the other owners than the person who gets offered stock but chooses not to buy it for ANY reason, really. The hungrier you are for the stock the better the other owners will feel about you and your commitment level. It will come back to you in many ways!

7) **Throw yourself into it.** Work hard. Work really hard. That means you arrive earlier and stay later during the week, work weekends, etc. Return your calls and emails promptly at all hours of the day and night. Be at meetings on time. Be a nice person. Be known as someone who knows how to treat people inside and outside of the firm. Be a good team player. Give credit to the other guy when you have a chance to do so. This is especially true the first year or two when the spotlight will be on you as a new owner. Put your back into it and make sure you give a total commitment. If you do, my prediction is you'll be a smashing success and your ownership investment will turn out to be the best investment you've ever made!

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THE ZWEIG LETTER

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OWNERSHIP

Feeding the ownership conveyor belt

How are firms identifying and preparing their best for principal and ownership roles? What characteristics do they look for?

By LIISA SULLIVAN
Correspondent

John Hogan, CEO, Principal, Hall & Foreman, Inc.

Samuel Schwartz, CEO, Sam Schwartz Engineering.

Mike McKenna, Principal and Senior Traffic Engineer, Affinis Corp.

It's always time to think about your future and potential new principals and/or owners. But where to begin? Do you seek to reward business acumen or does technical brilliance make someone shine?

PRINCIPAL PATHWAYS. John Hogan, CEO, principal, **Hall & Foreman, Inc.** (Tustin, CA), an 85-person civil engineering, surveying and planning firm, says that their principals are experts in their fields, plus they have a combination of business and sales acumen.

"Since we want well-rounded individuals on our leadership team, we also look at soft skills like leadership abilities," he says. "Being able to inspire others and having the courage to make tough decisions are key components to a principal's success."

Hall & Foreman's Associate Program is designed to develop principals.

"We consider it the 'pathway to principal'," Hogan says. "The program recognizes high-potential individuals and serves as a training ground for developing their leadership and business skills. When it comes time to nominate a principal, the decision is easier because the owners have had a chance to assess the candidate under a variety of conditions."

"Since we want well-rounded individuals on our leadership team, we also look at soft skills like leadership abilities."

Sam Schwartz Engineering (New York, NY), a 125-person interdisciplinary transportation engineering and planning firm, also has a leadership program in place.

Samuel Schwartz, CEO, says that program participants move from associate to principal or vice president.

"Within the program we encounter professionals with a wide variety of characteristics. As a result, we often face the dilemma of promoting someone with great technical skills who has made substantial contributions to the company, but has little business or marketing skills – and probably won't have in the near future," he says.

However, this doesn't necessarily stop Schwartz from advancing that person once past contributions are assessed and it's determined that the future role of this individual is integral to the company's overall growth.

"When someone has excellent marketing skills and has brought in substantial business, we tend to have less of a discussion about promotion. It's more evident. But, in all cases we look for someone who is 'passionately invested' in what they do for the company," Schwartz says.

"When someone has excellent marketing skills and has brought in substantial business, we tend to have less of a discussion about promotion. It's more evident."

Schwartz adds that since they are what he calls "an open-book and transparent company," this approach makes the decision-making process much easier.

"There's much less worrying about 'hidden agendas.' The decision-making process includes a good deal of input from members of the executive team as well as associates," he says.

Decisions at Sam Schwartz Engineering are often by consensus, but if a consensus cannot be reached, the executive vice president or president will make it.

"We try not to drag out critical decisions," Schwartz says. "We follow the adage of Yogi Berra, 'When you come to a fork in the road – take it!'"

MANAGING THE MIX. While **Affinis Corp.** (Overland Park, KS), a 24-person transportation planning and design firm, does not have a formal written process or structure in place when it comes to ownership. Mike McKenna, principal and senior traffic engineer, says that they look for a combination of technical capabilities, business development success, and other business skills – like corporate finance, etc. He says that the current 10 owners who are in place represent this range of talents and skills.

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RESOURCES

SUCCESSFUL FIRM SURVEY Even during the recent economic downturn, there are firms in the A/E industry that still report continued growth and increasing profits. How do the most successful architecture, engineering, and environmental consulting firms do business? What are they doing that you're not? Find out with the 2014-2015 Successful Firm Survey of Architecture, Engineering, Planning & Environmental Consulting Firms.

This new publication covers every area of management for leaders of design and environmental firms. Whether you want answers to questions on financial performance, marketing, information technology, project management, compensation, billing practices, or other issues, you'll find it all in this one report. Statistics are shown for the fastest-growing firms and highest-profit firms separately from the overall sample so you can benchmark your firm against the most successful firms in the design and environmental consulting industry.

The 2014-2015 Successful Firm Survey will help you:

- Find out how the most successful firms operate in every area of firm management from project management to ownership to compensation
- Make sure your firm is aiming for higher than the industry averages when setting goals for growth in 2014 and beyond
- Find out how much the fastest-growing and most-profitable firms are spending on marketing, information technology, compensation, and more
- Get the secrets on how the most-profitable firms handle billing, personnel policies and procedures, branch offices, and other areas of management
- Make sure your firm is setting high standards and not settling to be just "average!"

The Successful Firm Survey is a compilation of all the major management topics covered in 10 of Zweig Group's survey reports conducted throughout 2014. In addition to compiling survey data from other reports, we also broke data down by the overall sample compared to the fastest-growing firms and the most-profitable firms. Whether you're a firm president, CEO, vice president, principal, or division or department director or manager, you're going to want to see these survey results!

For more information or to buy a copy, call 800-466-6275 or log on to http://zweiggroup.com/p-2210-successful-firm-survey-2014-2015.

MARKETING SURVEY Times are tight, and your firm may not have a lot of money to spend on marketing. How can you get more out of your marketing dollars? See what's working – and what's not – for your competitors and other firms just like yours with Zweig Group's 2014 Marketing Survey of Architecture, Engineering, Planning & Environmental Consulting Firms. You could find out what's working by trial and error, but why not save time, money, and headaches by getting the most comprehensive report on marketing for design and environmental firms?

With this book, you'll be able to see which marketing activities can provide the biggest bang for your buck; set realistic budgets for 2014-2015, including staffing levels, compensation, and investments in marketing systems and infrastructure; and determine reasonable goals for your own proposal activity, hit rates, and more.

The 2014 Marketing Survey of Architecture, Engineering, Planning & Environmental Consulting Firms will help you:

- See which marketing activities can provide the biggest bang for your buck
- Set a realistic budgets for 2014-2015, including staffing levels, compensation, and investments in marketing systems and infrastructure
- Determine reasonable goals for your own proposal activity, hit rates, and more

For more information or to buy a copy, call 800-466-6275 or log on to http://zweiggroup.com/p-2205-marketing-survey-2014.

OWNERSHIP, from page 3

Roseana Richards, Senior Vice President, Pond & Company.

"We don't struggle much with owner decision making for two reasons," McKenna says. "First, the ownership group only meets a couple of times a year to vote on company board members, to recap company performance and to make sure we are meeting ownership expectations. Second, our day-to-day operational decisions are handled by our leadership team, which includes a few owners, but also other key players in the firm, like our manager of recruiting and retention."

Roseana Richards, senior vice president, **Pond & Company** (Norcross, GA), a 250-person architecture, engineering, planning and construction firm, says that it's definitely a mix of the two – business acumen and technical brilliance – that lead to principal-level appointments. However, Pond & Company places a heavy emphasis on business acumen. Why? Richards says that since they are in business to provide consulting design services, they not only need to do a good job technically, but they also need to satisfy clients and make a profit.

Richards explains that new principals or owners in the company derive from individuals who have already achieved the level of associate.

"Each year, the current owners gather to discuss the list of associates and we voice our opinions on whether those individuals have continued to demonstrate all the subjective qualities that we believe they should have in order to progress from being an associate to a principal/owner (through a nomination process)," she says.

Ultimately, the board of directors meets to make that decision. Sometimes the process is a slam dunk, but other times it requires frank discussions and the individual may have to wait another year (or more).

"And, not all associates are nominated to be considered for ownership in the company, so we're not discussing the entire list of associates each year," she says.

So, what do you look for in your leaders?

MERIT

Keys to creating a meritocracy

The case for rewarding good performance at the peril of those who can't quite make it.

By LIISA SULLIVAN
Correspondent

GOOD TO KNOW

Firms report their most successful incentive compensation plans are performance bonuses (46 percent) and profit sharing (28 percent).

Source: 2014 Incentive Compensation Survey, Zweig Group: http://zweiggroup.com/p-2207-incentive-compensation-survey-2014

Meritocracy – it's basically a pay-for-performance culture that means you get paid for what you deliver. It's not based on tenure. But how do you institute a culture of meritocracy without alienating long-time employees?

Kathy Hagedorn, president, the Hagedorn Institute, a management and HR consulting firm, says that she gives companies the following advice when it comes to creating a meritocracy:

- **Don't reward poor performance.** People who are not performing their jobs should not receive a pay increase. (The employee who does not get a pay raise should have already been warned about poor performance, behavior, attendance, or any other reason that signals he/she is not performing satisfactorily.) The majority of employees (especially long-term employees) are annoyed when the non-contributors get the same raise they do. "I feel that way even about so-called 'cost-of-living' raises because that is still money from the salary budget that should not be spent to reward poor performance," Hagedorn says.
- **Do reward fully satisfactory performance**. Everyone at and above the "fully satisfactory" level should receive a merit-based raise. During the first year or two of implementation, this amount (or percentage) could be the same for everyone who meets that standard. Later, as the performance measurement systems improve, a company can begin to differentiate.
- **Go above and beyond for top performers**. Top performers should receive a pay raise over and above the raise given to everyone else. The additional increase should be based on clearly defined achievements that exceed the norm, resulting in higher levels of performance for the company, greater cost savings, or significant customer satisfaction ratings. In some organizations, a small committee of managers will meet to review nominations for this additional merit increase (or bonus). This helps to calibrate the overall awards. This is also a good time to review the overall compensation of top performers to ensure that they are being paid fairly compared to internal and external benchmarks. It doesn't help much to give a top performer a five percent pay increase if they are being paid 20 percent below market.

Keep it in check. Hagedorn says that she often hears, "Our pay raise pool is so small, it's not worth it to try to differentiate between people and upset them."

"I remind these employers that the salary budgets may be the largest single expenditure each year, and even two or three percent of that amount is a significant investment," she says. "They would not purchase a piece of equipment for $100,000 without a great deal of study, and pay raises should be invested wisely also."

"The company needs to invest in those people who are making the biggest contribution and the potential to keep doing so. If a poor performer was to get upset and leave, likely, the company is better off."

Hagedorn says that employers also often want to reward poor performers because they need the money, or they have been at the company for a long time. In these cases, she reminds them that they need to focus on the employees they want (and need) to retain.

"Again, the company needs to invest in those people who are making the biggest contribution and the potential to keep doing so," she says. "If a poor performer was to get upset and leave, likely, the company is better off. However, in most cases, the poor performers will not leave if they continue to get rewarded for staying."

Take a page from Polyvore. Jess Lee, CEO, Polyvore, a community-powered social commerce site, says that to achieve meritocracy they try to be thoughtful about their processes and cultural norms. They also:

- Use objective measures of success, including clear team goals and metrics.
- Use Scrum retrospectives and departmental email updates to ensure transparency around what's being worked on, by whom, and why it matters.
- Encourage a culture of explaining and asking why, to ensure that decisions are made based on the merit of people's arguments, not on seniority or social clout.

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10 enjoyably understated leadership traits

These overlooked characteristics are the key ingredients to identifying true leadership, wisdom and potential.

William Egan

GUEST SPEAKER

So you are ready to hire a CFO, or perhaps a COO. What skills and traits do you look for to fill these vital functions in your management team? Big picture-wise, there are three areas where you want to generally see success in a candidate's experience: 1) forward-leaning (strategic) thinker; 2) technical expertise; and, 3) fundraising ability. Moreover, there are a plethora of articles and books that tell us which attributes to look for. Often we are told to focus on a potent combination of hard skills (robust technical skills, deep experience), and soft skills ("wears many hats," "embraces change"), all of which are true.

However, also consider the 10 enjoyably understated leadership traits that follow below. These are leadership attributes that we all can learn from. They offer the key ingredients to identifying true leadership, wisdom and potential.

Place yourself into the shoes of others and converse naturally and in a way they are likely to understand. This will establish you as someone who is easily relatable, approachable, and genuine.

1) **Humility.** Pretending to know it all is superficial and unnecessary. Listening to others and carefully balancing and considering all points of view is an excellent way to be a consensus builder. There is nothing wrong with admitting you don't know something. Edgar Schein's excellent book, "Humble Inquiry" teaches us that asking (instead of telling), and learning from those both higher and lower in the organization is true humility and an excellent way to allow everyone to learn and spark creativity, and allow new ideas (or alternative points of view) to flourish.

2) **Possesses a quiet confidence.** Some of the world's most highly successful, creative, and engaging people possess a quiet confidence. They are not afraid to make mistakes, poke fun at themselves, and creating more genuine interaction, which is refreshing! They are self-aware, aiming to fulfill their full potential, also acknowledging their limitations of being perfectly "human." Musicians, writers, business executives are consistently working on new material, innovations, techniques; ultimately developing a great sense of timing, resilience, and know-how. Also, don't be afraid to engage in a little self-deprecating humor, not taking yourself too seriously! Often, this is mistaken for a lack of confidence, but we know the opposite is the truth and is a sign of strong self-awareness. It displays someone who is perfectly in tune with themselves and their skill set, all the while having a little fun, knowing that on the inside they are a quietly confident person.

3) **Possesses a silent commitment to oneself and one's cause.** Having a healthy "sense of worry," continuously believing that you can, and will, do better even when you already have a positive outcome, is a great attribute. A "healthy worry" that doesn't lead to stress and negative worrying, can be a positive way to internalize that you consistently want to do better and possess an unspoken, silent commitment to both oneself and one's cause. Never truly being satisfied, but instead persistently driven to being a continual learner seeking self-improvement is a must. Young baseball star Bryce Harper has been quoted saying, "I'm never satisfied with what I do. I don't think I ever will be. I never have been." Something can always be improved upon, no matter what. Baseball players possess a steady, dignified commitment to their game. We should do the same in the business world. Know yourself and consistently seek self-improvement.

4) **Execution of the 'practical application of strategy'.** Sure, we all want to pontificate amazing forward-thinking strategies and game-changing

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OPINION

The professional project manager

As architecture and engineering schools have scared away anyone with business talent, firms are starting to recruit PMs from outside the industry.

Ed Friedrichs

FROM THE CHAIRMAN

I'm a staunch advocate for the professional project manager; and not necessarily ones trained in architecture or engineering. Too many architecture and engineering candidates with management talent have self-sorted out of the profession during their school years or have been spirited away from our firms by progressive development and real estate enterprises that saw the value of recruiting creative types knowledgeable in project process. Today, the more successful architectural or engineering firms have figured out how to recruit, retain and nurture professional project managers (no matter what their background) for what may be the most critical role in the profession.

It all starts with architecture and engineering schools that seem to sort against anyone with a good business head on their shoulders reflected in their curriculum and attitude. In architecture all the attention and plaudits are on design. The ghost of Howard Roark from Ayn Rand's "The Fountainhead" persists, perpetuating the attitude that, "I could do really great work if it weren't for the client (or consultants or the contractor) getting in the way." Remember that Howard Roark was a loner. Despite a trend in the academies to work on projects in teams, I'm still finding that many designers remain Lone Rangers. They simply don't want someone else meddling with their design. The best designs emerge through a collaborative process engaging engineers, contractors and manufacturers.

Engineers in school seem entirely focused on the technical aspects of the profession. Anyone with business wit (as in, "solving the client's problem and doing it within budget and schedule") or any innate leadership talent to inspire a team to work collaboratively toward a common end, ends up pursuing other interests, be it general business, marketing, contracting or development. It's extremely rare to find a great manager among the graduates I'm seeing these days.

A new employment avenue for skilled project managers opened up in the development and real estate industries. As developers became the dominant force in creating the built environment, starting back in the 70s, many of the development managers I was working with had been architects or had studied architecture. The emphasis on design and the exclusion of good business practices chased them out the door to where their talents were appreciated and the potential for reward was greater.

Today, the more successful architectural or engineering firms have figured out how to recruit, retain and nurture professional project managers for what may be the most critical role in the profession.

We then saw the arrival of real estate companies such as Jones Lang LaSalle and CBRE, which expanded their business relationships with space users – first offering facility management; then program management. Once again, they were a source of brain-drain from architecture and engineering firms, luring talented project managers away with better compensation and the opportunity to sit on the owner's side of the table.

I've been observing the consequence of this process. As firms wake up to the fact that many their best management talent had been spirited away over the years, and their current project managers coming from architecture and engineering programs just aren't cutting it, they have begun to hire professional project managers; not necessarily trained in architecture or engineering, but highly skilled in managing the process of a project (fee, scope, schedule,

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ideas. And yes, a finance leader should be a strategic thinker. However, often overlooked in emerging companies is for a leader to share in doing the practical application of strategy – to do the work! The willingness to share in the heavy lifting, particularly in the early stages of an emerging company, is an unsung job. Don't delegate anything you would not do yourself, and when sharing in the heavy lifting, train your staff well, inform them how they will benefit from the new experiences, and reward them. Placing trust and confidence in your people leads to loyalty. Lead from the front and lead by example!

5) **Is bilingual – can speak both finance *and* business.** Look for a candidate who is not simply a "numbers-cruncher," but conversely has an appreciation for, and willingness to stretch their boundaries and add value across the total enterprise. The worlds of finance, tax, accounting, contracts, insurance, HR, operations, and sales and marketing are constantly shifting and, therefore, the willingness to continually learn and remain curious is absolute. Being able to transcend the numbers to add additional value and be a self-starter makes for a more well-rounded and interesting candidate.

6) **Knows when to step aside and 'share the stage'.** Many times it is your employees who bring forth great ideas, or provide extraordinary effort toward an important project or presentation. In that case, confidently step aside and push your employees forward into the limelight, championing their efforts. It will empower them to continue to be creative since they will know their ideas and feedback will not be hijacked, but instead collaboration and 'stage sharing' will ensue. Consider for a moment legendary singer/songwriter Robert Plant. Today, he shares the stage with his fellow band members, allowing them a deserved spot in the limelight while he humbly fades into the backdrop. Become a rock star executive today and learn to step aside and share the stage, personifying the attributes of having a true sense of humility, dignity, and confidence.

7) **Compelling, persuasive communication skills.** Savvy executives work hard on building exceptional communication skills. Become more conscious of your oral, written, and negotiation type communications. CFOs manage a ton of confidential information and therefore clearly and concisely communicating the flow of that information is key. What good is holding all that information if you are unable to communicate it in a fashion that is effective and easily understandable by your intended audience? Place yourself into the shoes of others and converse naturally and in a way they are likely to understand. This will establish you as someone who is easily relatable, approachable, and genuine. Furthermore, developing a reputation for being a diplomatic, calming influence, as opposed to being a 'hot-head,' is most effective. Some of the world's top CEOs, including Marissa Mayer (Yahoo), and Richard Branson (Virgin), are world-class communicators. Study and emulate your favorite communicators.

8) **An engaged listener.** Proactive, attentive listening is a welcomed skill for any employee, but is crucial for an executive. Listening, really listening, shows that you are engaged in the conversation and respecting what someone else has to say. Listening to others, particularly subordinates, will empower people to want to speak with you, which in turn allows you to learn even more. To help keep yourself engaged, don't allow yourself to be distracted by checking your text or email messages, or surfing the web. Instead, ask open-ended questions, and briefly recap the main points of the conversation at the end to demonstrate that you have taken note of the high points. This will show that you are focused and truly listening. Also, do not interrupt others as they speak; take turns talking without talking over others, that's simply poor manners. Others will truly appreciate your fine art of listening and will quickly take note!

9) **Don't control… but instead… let go.** Trying to control everything and also getting your hands involved in as many things as you can is exhausting and can paradoxically work against you and possibly demonstrate a lack of confidence. How can you learn more, get promoted, and present staff with new challenges if you continually do the same things over and over by trying to control everything, and not properly delegate? Don't control, but instead, learn to confidently let go. Recognize the need of when to get involved, but more importantly, when not to get involved. I used to tell my staff that I hope they work me out of a job because that would ironically demonstrate that I did mine well.

10) **Manners and kindness do matter.** Listen to your mother, mind your manners. Manners and kindness are a potent combination for unlocking doors, even in business. Doing the opposite is a sure-fire way to not make allies. Nothing is more refreshing than a kind person with old-school manners, and everyone will want to work with that person over and over again – particularly clients!

The traits described above are leadership traits beyond the traditional set of characteristics we have become all too familiar with. Moreover, these traits will lead to a candidate who possesses integrity, another key attribute and the bedrock from which the financial leader must sit upon for performing the balancing act necessary to successfully fulfill the finance leader's role.

WILLIAM EGAN, CPA, is CFO for **EHS Support**. An MBA, he is the 2009 'CFO of the Year' for Pittsburgh. He can be reached at began@ehs-support.com.

MERITOCRACY, from page 5

As CEO, Lee also takes the time to explain how they arrived at their strategy, versus just telling people to march in a particular direction. And, while they have many fun offsite social events, they also ensure that important work decisions happen at work during work hours, not at events where some people might be absent. This prevents the formation of an "inner circle" that excludes people from important decision-making.

Meritocracy is the key to success. N.R. Narayana Murthy, former executive chairman, Infosys, an IT services firm, recently reported that Infosys had "diluted its focus on meritocracy and accountability" in the past decade. This prompted him to step down from his position. He said his "work was done" and that he hoped the new CEO, Vishal Sikka, would chart a new course without any interference from founders.

In Murthy's farewell address to shareholders he said that, "Fairness, transparency, meritocracy and accountability are the key to success for any enterprise."

CAPACITY

Staffing for current and future demand

It's a daunting task to allocate the adequate human resources to multiple projects – both underway and incoming.

By LIISA SULLIVAN
Correspondent

John McGrath, COO, Advantage Engineers.

You're bringing in new projects quickly. You've recently lost staff to a merger. A key member of the team has relocated due to a spouse's transfer. Whatever the reason, you need staff and you need it now. So, what's the plan?

Nurture contractors. John McGrath, COO, **Advantage Engineers** (Columbia, MD), a 170-person firm, says that they strive to optimize the use of their internal staff, hire pre-vetted candidates, and work with short-term, trusted subconsultants when needed.

Kathy Prock, VP, Director, HR, Wight & Company.

Kathy Prock, vice president, director, human resources, **Wight & Company** (Chicago, IL), a 177-person integrated design and construction firm, says that they also add capacity quickly by establishing relationships with those individuals who prefer to be contract-type employees.

"These people are not necessarily looking for a dedicated full-time position, so we find these types of individuals through networking in our communities and within the professional organizations we belong to," she says.

Sharon Batchelor, Director, HR, Klohn Crippen Berger Ltd.

Combine internal and external efforts. Sharon Batchelor, director, human resources, **Klohn Crippen Berger Ltd.** (Vancouver, BC) reports that in the last 10 years the engineering services firm has grown from 197 employees to more than 500.

Internally, KCB has:

- Dedicated and talented recruitment professionals
- Implemented a customized applicant tracking system linked to a customized career website
- Set up offices in strategic locations
- Acquired companies with compatible and relevant skills
- Allowed for and encouraged inter-company transfers
- Provided for cross-training of staff
- Utilized its employee referral program – "Clone a Klohn"

Externally KCB has:

- Used consultants and agencies
- Attended international career fairs
- Developed its own external brand for recruiting
- Supported university and other education institution programs
- Supported cooperative programs for university students

"Not having a clear understanding of the quantity and type of resources required for both current work and work under pursuit can be problematic for your project."

Janice Gary, Director of HR, Sr. Associate, A. Morton Thomas & Associates, Inc.

Janice Gary, director of human resources, senior associate, **A. Morton Thomas & Associates, Inc.** (Rockville, MD), a 430-person civil engineering, landscape architecture, surveying, planning, construction inspection, and subsurface utility engineering firm, says that when the company needs to add staff on the fly, HR reviews its résumé database and advertises on various organizations' sites. The firm will also use executive search firms and solicit and reward employee referrals.

Don't get caught with your pants down. At **Array Architects** (Cleveland, OH), a 105-person firm, Joseph Doherty, principal and studio director, mid-Atlantic region, says that their COO keeps track of the current demands of each office by holding firm-wide, bi-weekly meetings to review staffing needs in each office.

"These meetings allow us to better balance our business," Doherty says.

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ON THE MOVE

SKA HIRES SKA Consulting Engineers, Inc., a multidisciplinary engineering firm, added two new faces to its headquarters office in Greensboro, N.C. The latest new hires, **Tracey Gould**, director of marketing and business development, and **Tonya Tatum**, receptionist, bring the total number of employees close to 85 firm-wide and are in response to positive business and industry growth.

Recently, SKA's leadership renewed its focus on marketing, branding, and client service and identified a need for a strategic hire to build an aggressive, award-winning marketing program for the firm in support of its business goals and objectives. The primary goal of this role, led by Gould, is to demonstrate the value and impact of the firm's intellectual capital and services on its clients, industry, and the communities where the firm works. The secondary goals are to differentiate the firm among its competitive set, position the firm as a leader in the marketplace, and explore potential areas for geographic expansion.

Gould oversees all internal and external marketing communications, branding, market analysis, strategic planning, and marketing assets firm-wide. Specializing in award-winning integrated marketing communications, including media relations, writing, and social media, she has over 20 years of experience in the AEC industry, has worked in several markets across the United States, and is a published author and speaker. Most recently, she was director of marketing and public relations for Baskervill (Richmond, VA), an architecture, engineering, and interior design firm, where she helped grow the firm from 72 to 100 people and from $8 million to over $13 million in annual revenue. She also served as an adjunct professor in public relations for two years at West Virginia University.

Tatum oversees the front desk operations of the Greensboro office and serves as accounting support. As one of the "faces of SKA," Tatum primary goal is to set the standard of client care, elevating our client service from the first touch point. Previously, Tatum held several long-term roles in sales and administration for companies such as SunGuard OSSI and Tyco Electronics.

"I am excited about the direction SKA is headed and the opportunities before us as a firm," said C. Brad Ehrhardt, president. "Our firm is committed to being the premier engineering firm in the southeast and nationwide, and our leadership acknowledges that our talented team members – including the new hires – will be vital to our success. We are pleased to have Tracey and Tonya on our team."

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Technology plays a role too. By rigorously using the planning module in Deltek Vision for every project and reviewing current and future workload, Array is able to forecast staffing needs three- to six months in advance. This allows for time to get well qualified staff on board and to train them.

"We look ahead rather than react," Doherty says.

George Shmidheiser, principal and COO at Array, says that one of the "dirty little secrets" of the A/E industry is that many firms have a limited understanding of their staffing requirements for both current work and work they are pursuing. For many firms, resources flex when month-end P&L statements come out, putting them in a reactionary mode and their clients' project schedules in jeopardy.

"Not having a clear understanding of the quantity and type of resources required for *both* current work and work under pursuit can be problematic for your project," he cautions. "For a firm to clearly understand if it has the capacity and the type of expertise needed to meet a project schedule, and to do something about any shortfall, it must have a resource allocation process that is fluid, in real time and one that considers both current and projected work."

For example, a firm with a staff of 75 people may be working on 20 different projects in various stages of design and construction, all having project schedules that ebb and flow. Managing the resource data that includes all project schedules, staff vacations, administrative duties and experience levels across a 75-person firm with multiple offices is a daunting task in and of itself. It becomes even more complex when you add the variable of pursuit resource requirements and schedules to the mix.

"In an attempt to plan, some designers resort to Excel spreadsheets to forecast staffing requirements. Using spreadsheets, where the data is static, to achieve an accurate and timely understanding of a firm's resource needs and projections is nearly impossible, as they become immediately obsolete," Shmidheiser says. "You need to understand the ongoing process that team uses, not just a snapshot of a spreadsheet developed to meet a requirement of your RFP."

Using a resource allocation process that is proactive and must be integrated with daily timesheets requires resource plans to be prepared for all current and proposed work, and must be reconciled with project schedules at least on a biweekly basis.

"This process ensures a clear understanding of resource levels required to meet project schedules and client commitments across the entire firm," Shmidheiser says.

Resource planning is a daily challenge for professional services firms.

"Your design firm must demonstrate that it uses a real-time resource planning tool that is fully integrated with its project management system, or risk being able to have timely information necessary to make proactive decisions to manage your project schedule. You should be able to demonstrate a process that simultaneously considers scheduling, budgeting, forecasting and resource management for all projects across the entire firm when developing resource allocation plans," Shmidheiser says.

FINANCE A SUPPLEMENT OF THE ZWEIG LETTER

ORGANIZATION

What ownership structure is best?

Two experts offer insight on what makes sense according to firm size, goals and available resources.

By LIISA SULLIVAN
Correspondent

When structuring an A/E firm, what is the best type of ownership structure to have in place? Should you consider a partnership? An ESOP? A corporation? We asked two financial professionals to share their thoughts.

Small to mid-sized firms. Jacqueline Weir, director of the architects and engineers services group at Feeley and Driscoll, P.C. in Boston, says that, often, small- to mid-sized A/E firms choose to be an S corporation or Limited Liability Partnership.

"These structures provide legal protection, similar to C corporations, and come with favorable tax benefits," Weir says. "Particularly, an S corporation structure allows you to be taxed on one level of taxation upon sale and dissolution of a company. A C corporation has two levels of taxation, once on the sale and then again on the distribution of cash from the company's shareholders. In addition, most A/E firms are qualified professional service companies (PSCs). This requires a flat tax rate for corporations of 35 percent."

Weir says that an S corporation or partnership are the preferred entity choice for small and mid-sized firms. As companies grow, however, they may be forced to switch their structure to a C corporation because S corporations have a limit on the number of owners (100) and also limit who can own the company.

Larger companies look to ESOPs. ESOPs are an excellent choice for larger companies that wish to have a broad-based ownership structure, Weir says. Such structure requires a sophisticated leadership group because these companies are monitored by the Department of Labor, require annual valuations and have different governance than non-ESOP companies.

ESOPs are also an excellent vehicle to transition ownership at a more tax advantaged way as the principal and interest to finance a transition is deductible.

Robert Brewer, partner and architecture/engineering practice leader at Grassi & Co., an accounting and consulting firm, says that when it comes to business, timing is everything, even when it comes to your business' exit strategy.

It is estimated that more than 10 million employees in more than 11,000 companies, most of them closely held, participate in ESOPs, so it is a widely used exit strategy, as well as an excellent method of giving employees ownership of a company.

> "An S corporation structure allows you to be taxed on one level of taxation upon sale and dissolution of a company. A C corporation has two levels of taxation, once on the sale and then again on the distribution of cash from the company's shareholders."

To decide whether and ESOP is right for you, ask these questions:

- Are you approaching retirement age?
- Do you have an exit plan in place?
- Is all of your net worth tied up in your business?

If you answered "yes" to any of these questions, then now is the time to consider an ESOP.

Let's review why. First, an ESOP is essentially a type of tax-qualified employee pension plan where most or all of the assets are invested in the employer's stock. Like profit sharing and 401(k) plans, which are governed by many of the same laws, an ESOP generally includes full-time employees who meet certain age and service requirements.

Employees can acquire shares and ownership through an ESOP that range from one to 100 percent. Employees usually do not buy shares directly in an ESOP. Instead, the company contributes its

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GOOD TO KNOW

In 36 percent of firms, one principal owned more than half of the firm. Among privately owned firms, the median number of owners was four, and the mean was 11. Typically, 12.5 percent of firms' total staff are owners.

Source: 2014 Principals, Partners & Owners Survey, Zweig Group: http://zweiggroup.com/p-2193-principals-partners-owners-survey-2014

FIRMS ON THE MOVE

DESIGN WORKSHOP EXPANDS **Design Workshop** (Denver, CO), an international landscape architecture, planning, and urban design firm with work spanning the globe, announced the opening of five new office locations in Beijing, Chicago, Dubai, Houston and California and the launch of their new, international website.

During the Great Recession, Design Workshop benefited greatly from work in China. They are proceeding with the establishment of a Wholly Foreign-Owned Enterprise that will provide them with greater latitude to operate in the country. They are also publishing a book titled; "International New Landscapes," which documents some of their most recent work. The new office in Beijing will be led by Principal Jim MacRae and Associate Fenglin Du.

The opening of a Chicago office location provides them with an opportunity to establish a presence in the region and build upon strong existing relationships. Office Director Jon Brooke, a former principal at Hoerr Schaudt, and Associate Sara Egan are leading the effort.

Dubai is one of the most dynamic, dense, urban environments in the world. As a result Design Workshop opened an office in the Dubai Marina. They have completed and are working on several projects in the Middle East, including Petra and MENA, a Moroccan ski area. Chuck Ware, a 15-year employee, returned to the firm this year after living in Saudi Arabia for two-and-a-half years is the principal-in-charge.

Design Workshop's Austin office has been very active in Texas since 2008 and has contracted significant work in Houston including the Houston Arboretum and Post Oak Boulevard. As a result Design Workshop opened an office in Houston's Midtown District. The office is being led by President Rebecca Leonard, Principal Steven Spears and Office Director Amy Harbert, a former Associate at SWA.

The firm is also developing a presence in California having recently opened an office in Los Angeles that will be led by Office Director Lance Lowrey.

ED FRIEDRICHS, from page 7

contracts, consultant relationships) and leading a team of people. They occasionally recruit them from those very developers and real estate brokers seeking an involvement in the creative side of building things.

My advice as you consider this option in your own enterprise: The role or PM takes a special personality within an architectural or engineering firm. Women are often better than men. Here's why: If the manager takes the role as purely running numbers, being directive toward people about how much time and how many hours they have to complete a task, rather than working with a person or team to determine together how to accomplish what's in the contract and to meet the client's expectations within the fee available, then it won't work. The manager must be collaborative, holding "what's best for the client" and "achieving design excellence" as the priorities. If he or she doesn't, you'll have a disaster on your hands. While I've certainly seen men who are successful in this role, women seem naturally more collaborative and less "command and control" focused.

These characteristics apply to managing client, consultant and contractor relationships as well. A close bond of trust and respect needs to form between the project manager and those outside the firm upon whom you depend to pay your bills in a timely fashion and get the job done.

For those of you who have shied away from placing a non-architect or non-engineer in a project leadership role, maybe it's time for you to "get over it." I'm seeing some successful examples in firms I'm working with today.

EDWARD FRIEDRICHS, FAIA, FIIDA, is a consultant with Zweig Group and the former CEO and president of **Gensler**. Contact him at efriedrichs@zweigwhite.com.

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shares to the plan, contributes cash to buy its stock (usually over several years for a gradual sale), or, more commonly, uses money borrowed from a bank or other financing source to buy the stock with the loan being repaid with employer contributions to the ESOP.

When outside funding sources are used, it is called a leveraged ESOP buy-out. This is common because few companies have the cash on hand necessary to fund a significant buy-out. The company uses proceeds from a bank loan to make the loan to the ESOP. The ESOP buys shares of stock from existing shareholders. The value of the shares is determined by an independent business valuation. The company makes tax-deductible contributions to the ESOP, which the ESOP uses to repay the initial advance from the company.

"Annual contributions are limited to 25 percent of the eligible compensation of qualified employees; so obviously, the more employees participating, the larger the annual contribution," Brewer says.

The company then takes the repayments from the ESOP and uses it to fund the debt service on the bank loan. Using a leveraged ESOP allows the owners to take all the cash up front. When the owners are paid a lump sum of cash they can use it to purchase qualified replacement property, which can defer the capital gains tax on the sale of the business. This deferral can be permanent.

In addition, owners can borrow against the qualified replacement property, allowing them to make other investments of their choice. Also, the stock purchase is done with pre-tax dollars, which reduces the cash flow required to fund the buy-out by almost half. Other benefits of using an ESOP as an exit strategy include the fact that it allows for the continued existence of the organization, allows employees to build value in ownership of the company, and provides owners with a way to cash out without giving up control of the company.

Brewer says, in general, if your company meets the following conditions, ESOPs could be your ideal exit strategy:

- Strong cash flow
- Good history with lending sources
- A solid client base
- Competent second tier management
- A broad base of employees to be included in contribution calculations
- No licensing requirements relating to ownership