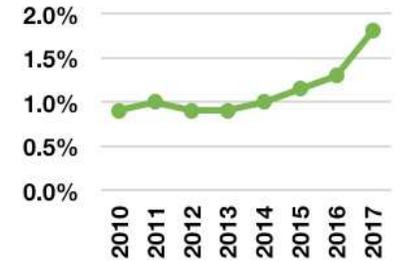


TRENDLINES

HR expenses



According to Zweig Group's 2017

Policies, Procedures & Benefits

Survey, HR costs as a percentage

of net service revenue have steadily

increased over the last five years. HR

related expenses have jumped half a

percentage point from 1.3 percent to

1.8 percent in the last year. The full list

of expenses is captured in the 2017

survey so firms can compare, by staff

size, how all HR related expenses are

being spent. (Special discount to TZL

subscribers: Use code **SRVY35off**

to order surveys at 35 percent off at

[zweiggroup.myshopify.com/collections/](http://zweiggroup.myshopify.com/collections/frontpage)

[frontpage](http://zweiggroup.myshopify.com/collections/frontpage))

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Getting people to work more hours

“Please spare me the angry emails and letters about how everyone should ‘work smarter, not harder.’ If you really want to make money in this business, do both!”



Mark Zweig

EDITORIAL

Zweig Group’s research data shows us that fast growth/high profit firms have a higher number of hours in their average work week. It makes sense – more hours put in by salaried people equates to a higher “capacity” to do work.

So in this day and age – when everyone is so very busy and already overscheduled – and values their personal time – how do you get people to work more? There isn’t one answer – there are many.

Here are my thoughts:

- 1) Have a strong mission and sense of purpose.** It’s hard to place a value on a strong sense of purpose but it certainly can be a motivator to people who want to do something worthwhile with their lives. Enriching shareholders will not suffice. Providing “innovative, cost-effective solutions” won’t do it. That said, you need to articulate why your firm is in business and why what it does can change the world for the better. Doing so will help you keep everyone working harder and longer.
- 2) Dump comp time policies.** If you want people to put in the hours comp time policies make no sense. They effectively cap hours at 40 or some other number. How does that help you get more productivity out of your staff? It doesn’t!
- 3) Have leaders who set the example.** If the leaders are never there – and use every excuse they can to not work ever on a night or weekend – and “unplug” when not in the office – you can forget getting the rest of the people to

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BUSINESS NEWS

FLUOR WINS FEED CONTRACT FOR POTASH MINING PROJECT IN EAST AFRICA

Fluor Corporation was awarded a front-end engineering, design, and optimization contract by Danakali Limited in Eritrea, East Africa for the Colluli Potash Project following a competitive tendering process initiated and completed in 2016. Fluor will book the undisclosed contract value in the first quarter of 2017.

“Fluor will provide a highly qualified design and optimization team with world-class process infrastructure credentials for this important fertilizer project,” said Rick Koumouris, president of Fluor’s mining and metals business. “In addition to working with Danakali to maximize project capital efficiency during the study and execution phases of this project, Fluor will bring top-notch project financing expertise and assistance to help Danakali advance this project to the next phase.”

“We are delighted to be working with Fluor as we progress the Colluli project,” said Paul Donaldson, managing director of Danakali. “The combination of Fluor’s values, people, reputation, optimization approach, mining and metals expertise, experience in Africa, and potash-specific experience will benefit the project significantly as it progresses towards construction.”

Colluli is one of the most advanced greenfield sulfate of potash developments in the world and demonstrates outstanding economics including industry leading capital intensity, bottom quartile operating costs, close proximity to the coast and key markets, and unrivaled product diversification potential. Sulfate of potash is a high quality potash fertilizer used for farming crop development and yield maximization around the globe.

The Colluli deposit is located in the Danakil region of Eritrea, East Africa. Colluli is approximately 177 kilometers southeast of the capital, Asmara, and 180 kilometers from the port of Massawa (230 kilometers by road), which is Eritrea’s key import-export entry.

Approval of the social and environmental impact assessment for the project was given by the Ministry of Land, Water, and Environment in December 2016. The award of the mining agreement and mining license for the project is well progressed.

Danakali is an ASX-listed company and 50 percent owner of the Colluli Potash Project in Eritrea, East Africa. The company is currently developing the Colluli Project in partnership with the Eritrean National Mining Company.

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put in extra hours. Just won’t happen. The example is set at the top and at every level of leadership throughout the organization.

4) Promote those who put in the work. Don’t promote those who don’t. That’s the basis of the firm’s culture – what types of behaviors get rewarded – and what types of behaviors get punished. It becomes the unwritten law in the firm. So make sure you are showing everyone in the firm what you value by recognizing the hard workers who put in the time necessary for the firm to be successful.

5) Employ open book management. Sharing all the numbers with your people – everything that tells them how the organization is doing in whole or in-part – is essential if you want your people to see the link between longer hours and greater production and profitability. You need to have your gauges on the organization and then show them to your people – all of them!

6) Tie everyone’s compensation into to the performance of the firm. Once the gauges are established and your people regularly (and frequently) see how everything is working, then you have to pay something to everyone based on that performance. I like to pay this money out monthly. Shows a much more defined “link” to pay and company performance than the typical A/E firm’s annual subjective bonus program. The more clearly you define exactly what that is and how it is calculated on an individual level, the better. Then the performance will be reflected in the numbers and the pay will come to the individuals as a result.

7) Make it fun to be there. If the environment is depressing and not fun, guess what? No one will want to be there! If, instead, it is upbeat and energizing, people will have to pull themselves away. How does your work environment stack up?

Oh yes – one last request. Please spare me the angry emails and letters about how everyone should “work smarter, not harder.” If you really want to make money in this business, do both! Get everyone working smart – and hard. The numbers don’t lie! **▶**

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thezweigletter.com/category/podcast/

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OPINION



Don't waste time (or money)

Sell your firm to recruits, don't overburden them with a marathon interview process, and cover yourself if a candidate pulls a fast one.



**Randy
Wilburn**

RECRUITING NOTES

I recently finished a webinar series called *Becoming a Better Recruiter*. It helps design firms implement and manage the recruitment and retention process more efficiently. Our goal is to help companies avoid making mistakes in the talent acquisition process. Folks, the webinar is needed. I see the same missteps time and again. While I don't have enough space in this article to go over every one of them, I wanted to recommend a few moves you can make to improve your results in the interview and offer stage.

When it comes to interviewing candidates, you need to determine early in the process if they are active or passive. There is a difference. Active candidates may have applied through your career portal on your website, or they could be a referral from a current employee. If they have a desire to work with your organization, your approach to them during the interview process may be a little different than how you approach a passive candidate who is not actively looking and may be referred to your company by a recruiter. Your goal in the interview process is to sell your firm every chance you can get. If you take the posture that you are doing the candidate a favor by meeting with and talking to them, you've already lost. Treat these candidates the same way you would

"I see the same missteps time and again. While I don't have enough space in this article to go over every one of them, I wanted to recommend a few steps you can take to improve your results in the interview and offer stage."

a potential client with which you are having a business development meeting. You should be selling your culture, your projects, and the

See RANDY WILBURN, page 4



BUSINESS NEWS

FINLEY UPDATES SOFTWARE PLATFORM TO SOFISTIK AND AUTODESK FINLEY (#2 Best Firm Structural for 2016) continually reviews and upgrades its technology to enhance problem solving at every stage of the project delivery process, from planning, preliminary and detailed design, construction engineering simulations, and analysis.

SOFISTiK has created a seamless BIM workflow for structural engineering. It is a breakthrough in construction planning. For the first time, all necessary steps from modeling through to generating reinforcement sheets for civil and structural engineering projects can be carried out using a smart data transfer between Autodesk and SOFISTiK software. Using add-on modules for AutoCADD and Inventor from SOFISTiK AG, the last gaps in BIM-based structural engineering have been closed. For bridge projects the CABD (computer aided bridge design) concept from SOFISTiK has been used to dramatically reduce the time spent in modelling infrastructure projects including the variation of cross sections, construction stages, vehicle loading, and post tensioning.

FINLEY staff received extensive training and ran the software concurrently on projects. Any new projects moving forward will be done in SOFISTiK. Frank Deinzer, managing director at SOFISTiK was at FINLEY's office as part of our office transition to SOFISTiK.

"The combination of the consequent pursued

target of FINLEY's management to use innovative state-of-the-art software to deliver high quality results to its customers combined with highly skilled employees and a SOFISTiK and Autodesk training tailored for FINLEY lead to a great success. FINLEY integrates the construction methodology into the design. This approach to complex bridge projects is very different from what most bridge engineers do. FINLEY's quality control process was very strong which helped during the transition to using the new software. The results are very impressive." said Frank Deinzer.

"We're very excited about the SOFISTiK software and our collaboration with them. FINLEY has been looking for several years for something to achieve full bridge information modeling on projects and have finally found the right product and partner to make it a reality on every FINLEY project. After a few months, we're more efficient and faster in our modeling production and with better quality and visualization. The results come with a FULL BIM model mentality on every project. FINLEY's approach is state-of-the-art with SOFISTiK and Autodesk and our clients are seeing it as a tremendous advantage to them too," said Craig Finley, president, FINLEY.

FLUOR AWARDED REFINERY PROJECT IN CHILE Fluor Corporation announced that it was awarded a contract by Empresa Nacional del Petróleo for the engineering, procurement,

and construction of a new process unit at its Biobío refinery in Chile. Fluor booked the undisclosed contract value in the fourth quarter of 2016.

Fluor will perform the engineering, procurement, and construction services to install a new flue gas steam generator, a wet gas scrubber and purge treatment unit to treat residual gas generated in the refinery's fluid catalytic cracker that will reduce air emissions. Fluor is also responsible for interconnections between the new and existing unit, which will occur during a schedule-driven 2017 turnaround.

"We leveraged our extensive Chilean experience, strong relationships with local contractors and our global refining expertise to develop the construction-driven execution plan that meets the client's requirements," said Mark Fields, president of Fluor's energy and chemicals business in the Americas.

"While Fluor has been active in Chile for more than 35 years, this project is significant for us as it marks our entry into the oil and gas market in Chile," said Andrés Beran, Fluor's vice president of sales for Latin America. "We look forward to making this project the first of many to be executed for ENAP in the coming years."

RANDY WILBURN, from page 3

opportunity for growth. Anything else and you are wasting time.

Another mistake we see is that firms put too many interviewers in the hiring process. You've heard the expression, "Too many cooks in the kitchen!" Well, the same applies during the interview process. Keep the number of interviewers to a minimum and, where possible, make sure the candidate is aware of the people they will meet during the process. We regularly send candidates a LinkedIn profile or links to an online resume of anyone they will meet. Trust me, candidates appreciate this.

"Your goal in the interview process is to sell your firm every chance you can get. If you take the posture that you are doing the candidate a favor by meeting with and talking to them, you've already lost."

Finally, when it comes to offers for a candidate who is relocating to work with you, please be sure to cover your firm when it comes to the reimbursement of relocation

expenses if things don't work out early on. I had a client call me recently to tell me that he hired a guy and paid for him to move from the East Coast to Detroit. Within a week of arriving for the new job the employee quit and took a position with a competing firm down the street.

"You should be selling your culture, your projects, and the opportunity for growth. Anything else and you are wasting time."

Everyone should have a clause in their offers that allows for a proration repayment of relocation expenses, and in many situations, for the sign-on bonus so that if a bogus situation happens like the one previously described, you have some built-in compensation protections for your firm. You will never cover every situation, but some issues are easier to resolve with proper planning. We sent that client a clause to use in their offer letters that should help them avoid this problem in the future.

If you would like to participate in the Becoming a Better Recruiter series, obtain a copy of this clause, or any other helpful information to streamline your interview or offer stage, shoot me an email. I'll do whatever I can to help. ▀

RANDY WILBURN is director of executive search at Zweig Group. Contact him at rwilburn@zweiggroup.com.

ZWEIG GROUP SEMINARS

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This 2-day seminar was specifically developed to provide design and technical professionals with the skills to become more competent leaders. This course helps attendees develop and re-affirm the leadership skills, strategies, and techniques that will help them grow personally and professionally.

April 25-26 - Washington, DC
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zweiggroup.com/seminars/ for more information



SPOTLIGHT ON: **Wantman**

PROFILE



Conference call: David Wantman

CEO of Wantman Group, Inc. (#5 Hot Firm and #19 Best Firm Multidiscipline for 2016), a 310-person engineering consulting firm based in West Palm Beach, Florida.

By LIISA ANDREASSEN
Correspondent



David Wantman, CEO, Wantman Group, Inc.

“The easiest work is repeat work – they know us, we know them – and the whole process just runs smoother,” Wantman says.

“Cash flow is the heart of any business, and it’s something we actively monitor at many levels.”

A CONVERSATION WITH DAVID WANTMAN.

TZL: What’s your philosophy on fee/billing and accounts receivable? How do you collect fees from a difficult client?

DW: Cash flow is the heart of any business, and it’s

something we actively monitor at many levels. First, we use an escalation-based process, where the project manager approaches the client when they are behind – typically around the 60-day mark. If that isn’t effective, it escalates to accounting. The next step involves the senior management team, and finally it would end up in our legal department for collections. It’s a bit clichéd, but it’s a situation professional services providers and consultants know will happen – the client never had the money, never had the intention, or has an “I don’t need to pay for it” attitude. We try to be proactive at the lowest level before it becomes contentious.

TZL: What’s the recipe for creating an effective board?

DW: There are a number of factors. We strive for a board that is talent-centric so that we have





multiple perspectives; one that is diverse because the workforce is diverse. We want each director to have the ability to provide strategic direction based on his/her past history, so we like to have a board with a diversity in experience as well (i.e. a combination of financial, legal, and insurance experience). And we really like outside directors; we had two people for years and are actively speaking with a third. People who have recently retired from our profession have tremendous value to add.

“Outwork the competition. The easiest work is repeat work. Most successful firms know that if you take care of the client on the last job, you can leverage your existing client base with repeat work.”

It’s also important that the loudest voice in the room isn’t necessarily the dominant influence. All of our board members are on equal footing and have equal airtime. There should be no “yes” people, but rather those who will challenge the group. This isn’t a golfing event – they should leave the room mentally exhausted.

TZL: Is there a secret to effective ownership transition?

DW: Start really early. Firms in our industry tend to grow rapidly, not just in size, but in revenue generated. As a result, we tend to outpace the S&P 100 growth pattern over our lifecycles. Internally, it takes a lot of time to prepare to transfer ownership to employees. You have to create value; you have to sell and not give that ownership opportunity in order to build its value. You have to develop a pride of ownership, for the chance at ownership to be coveted, for the opportunity to share in the financial rewards of a company that continues to grow.

TZL: How do you go about winning work?

DW: Outwork the competition. The easiest work is repeat work. Most successful firms know that if you take care of the client on the last job, you can leverage your existing client base with repeat work. However, if you’re going after new clients or public-based procurement, start early and assemble the team the client wants so they see the value in selecting you.

WGI generates the most revenue on repeat business – they know us, we know them, there is a higher level of trust, and the whole process just runs smoother.

TZL: What’s the greatest problem to overcome in the proposal process?

DW: This is something we deal with constantly: Getting the technical leadership and division managers, to find the time, have the energy and appreciation for chasing the next win while they’re at their busiest on current projects. You

cannot wait for one project to end before chasing the next one.

TZL: Once you’ve won a contract, what are the “marching orders” for your PMs?

DW:

- Deliver a quality project
- Don’t ever sacrifice the quality control process.
- Make the client happy
- Beat delivery milestone dates even if by a single day. Many firms cannot deliver a quality set of plans a day early, so if you can, you’ll stand out over 99 percent of the competition and make money, too

TZL: How does marketing contribute to your success rate? Are you content with your marketing efforts, or do you think you should increase/decrease marketing?

DW: Branding and name recognition are huge in this business, so great marketing is anything you can do to create a positive public image for your firm and its individuals.

The broadest reach and most inclusive way to build an engaged audience is through social media and your website – it puts you in front of the largest possible audience without any of the borders of more traditional media. You have to commit to making this a regular and ongoing effort. We also commit to more leveraged outreach to traditional media for press opportunities in business and trade publications, as there is still prestige there – it represents a higher qualified value than the more casual tone of social media. That said, it’s all part of an integrated strategy, and we’ve leveraged both with a lot of successful parallel and crossover efforts.

“The broadest reach and most inclusive way to build an engaged audience is through social media and your website – it puts you in front of the largest possible audience without any of the borders of more traditional media. You have to commit to making this a regular and ongoing effort.”

We also encourage our associates to publish white papers and case studies, and encourage all staff – not just management – to be active in their respective professional organizations, attend regular meetings and seminars across the country to network with peers, and to join task forces and committees. That word-of-mouth “marketing” builds relationships that tend to foster teaming arrangements on

See CONFERENCE CALL, page 8

ON THE MOVE

MATTHEW LEE FOR WESTWOOD'S GROWING DFW OFFICE Westwood Professional Services, Inc. (#9 Hot Firm for 2016), appointed Matthew Lee to the position of Dallas-Fort Worth office leader, where he will be responsible for supporting the growth of local land, power generation, and corridor operations.

Lee is a registered professional civil engineer in Texas and has served Westwood's land division as a project manager since 2015. He will continue to serve as a project manager for residential and commercial development clients while leading the DFW office. Lee received his MBA from the University of Texas

at Dallas and B.S. in civil engineering from Texas A&M University.

As the office leader, Lee will report to Jason McCarty, who is vice president overseeing the firm's national operations. McCarty says, the firm's rapid growth in the DFW area led to selecting Lee for the leadership position.

CONFERENCE CALL, from page 7

future projects. In short, every marketing decision we make has to also take the long view.

TZL: What has your firm done recently to upgrade its IT system?

DW: Last year we relocated all our critical infrastructure to a co-locate facility that is disaster-proofed. We also upgraded our companywide shared network, significantly increased network data speeds and upgraded to a more robust backup system that records backups on an hourly basis rather than daily.

TZL: What's the best way to recruit and retain top talent in a tight labor market?

DW: Word-of-mouth is our number one source for recruiting; you get your best associates from existing associates. Even so, the labor market for qualified professionals is almost non-existent. There simply is not a robust pool to go after. We have in-house recruiters, use social media, our website, outside recruitment specialists, offer employees financial incentives, sit on boards and teach at universities to find talented prospects while they're still in school, have a strong and attractive internship program – and it's still a constant effort.

TZL: What's the key benefit you give to your employees? Flex schedule, incentive compensation, 401(k), etc.?

DW: This question really should be, "What do your employees think of the key benefits your company offers?" What we think isn't really material – to retain talent you have to take care of your team. If you want to know those key benefits they like and those they wish you offered, you should be asking them through surveys what is most important to them.

"There's a constant need in this business to keep our professionals happy and retain them – and if we don't consistently grow, the best people leave. In my opinion, you can't grow at a healthy rate just through organic growth – there is just not enough talent available."

TZL: How do you raise capital?

DW: WGI uses traditional bank financing most of the time; we do not use leveraged third-party financing. When we do

use bank financing, it's typically short-term and for the purpose of M&A.

TZL: What's your preferred strategy for growth, M&A or organic? Give us a synopsis of how your firm effected growth in the recent past.

DW: Our strategy is a blend of both. There's a constant need in this business to keep our professionals happy and retain them – and if we don't consistently grow, the best people leave. In my opinion, you can't grow at a healthy rate just through organic growth – there is just not enough talent available.

"Branding and name recognition are huge in this business, so great marketing is anything you can do to create a positive public image for your firm and its individuals."

Look at it this way: Say you are a firm with 500 people with a growth target of 10 percent this year. That's 50 new hires. At the same time, your turnover is 12 percent, or a loss of 60 people. That's 110 new employees that must come on board to meet your goal – more than two new hires every week. Given that, M&A is a complementary path to growth where we acquire talented people who bring other ideas, new talents, markets, geographic locations, clients, and more – much more efficiently than trying to do so organically.

TZL: What's the greatest challenge presented by growth?

DW: Maintaining our culture while integrating new people. We have to ensure that we have systems in place for growth at the technical level which leads to growth on the executive level which requires growth on the administrative level, and so on.

TZL: What's your prediction for 2017 and for the next five years?

DW: I believe that 2017 and the next five years will be rewarding for the infrastructure markets. The new administration has shown an interest in repairing, growing, and bettering the nation's infrastructure. I'm optimistic that we'll see some action. Our industry has done a tremendous job of bringing infrastructure to the forefront with the public. They know money must be spent to make the country better. It's with limited funds, however, and the populace is more aware of the continued reliance on public-private partnerships where private money is used to deliver public projects sooner. ▀



Get ready

So you're thinking about acquiring an A/E firm? You've got a lot of questions to ask yourself, and you need to have honest answers.



**Phil
Keil**

M&A INSIGHTS

In a recent article, I wrote about how important it was to prepare your firm for sale even if you are not thinking about an external ownership transition. This week, I want to take a look at the buyer's side and the questions that should be asked before making an acquisition or merging with another company.

The A/E/P industry is experiencing fantastic growth in many markets around the United States and M&A activity has been at an all-time high since the Great Recession of 2008. Capital has remained steadily available and that generates a lot of excitement around making an acquisition as part of your growth strategy. There are also several good reasons to consider buying another firm:

- Inorganic growth immediately:
 - Increases your firm's assets and income
 - Diversifies risk
 - Expands market presence and adds additional services and competencies

"I want to take a look at the buyer's side and the questions that should be asked before making an acquisition or merging with another company."

- You will have the opportunity to increase your firm's value.
- It can help eliminate competition.

Contemplating the idea of making an acquisition

See PHIL KEIL, page 10



PHIL KEIL, from page 9

is exciting. It can be easy to get swept up in all of the possibilities, but before making a commitment, start by asking yourself a few questions.

1) First and foremost, are YOU ready? I've written before about the steps that sellers must take to be ready and these all apply to buyers as well. Buyers are not the only party that performs due diligence. Sellers will want to know that the foundation of the company that is buying them is strong. There are dozens of studies that estimate the number of M&A deals failing to meet financial expectations are anywhere from 50 to 90 percent. Odds are better for the A/E/P industry, but it still behooves you to take a step back and analyze whether your firm can withstand the disruption that an acquisition entails.

The cost goes beyond the purchase price of the business you are looking to buy. In addition to capital, you will expend a lot of time and energy to make the integration or partnership with the acquired company work. You will need to have your house in order financially, structurally, and strategically. Consider performing internal stress tests to determine whether your firm has the infrastructure and resources to handle the change.

2) Do your values and culture align? Possibly the most important factor when considering a deal is the cultural and philosophical fit between the two companies. It is easy to get wrapped up in the numbers, but it is hard to put a value on values. I like to get buyers and sellers together on the phone, and in person, as soon as possible. M&A is a lot like dating and making sure there is chemistry between the executive teams is crucial to a successful deal.

“Possibly the most important factor when considering a deal is the cultural and philosophical fit between the two companies. It is easy to get wrapped up in the numbers, but it is hard to put a value on values.”

This takes a lot of time, phone calls, and face-to-face meetings, but the dividends you will reap are immense. Your conversations should center around culture, values, company structure, firm history, as well as financial history. Do you feel like the target firm is a good fit?

3) Who are the key players that will be crucial to the success of the firm after the acquisition? While you do not want to share that you are looking at a possible acquisition until the time is right, it is important to be as transparent and authentic as you can be. Especially with key personnel that are going to be essential for the success of the firm during and after the acquisition. Millennials, the future of the industry, consistently rank authenticity as the most important trait that can be possessed by a company or leader.

Some estimates put the turnover cost for mid-level employees

at 150 percent of their annual salary, but more importantly, gaining these key players' trust can go a long way in ensuring a successful partnership. These people can act as ambassadors that make integrating two firm cultures much easier. To gain their trust, executive leadership must be clear about their intentions, flexibility, and commitment to the partnership. If executed correctly, these key players will be growth drivers long after the deal has been closed.

“Careful evaluation of these key areas, management of emotions and expectations, clear communication of intentions, and an executive team that champions the change, will go a long way to ensuring a successful transaction.”

4) Is this firm a good strategic fit? This one may seem like common sense, but it is easy to get distracted from your initial vision and start rationalizing the integration of the acquired firm. Focus needs to be on the business plan and vision for your firm. Does this firm objectively fit into that strategy? Will the acquisition open geographical markets or new market sectors? Are you seeking to add new services to your product offerings? These questions must be answered before moving forward with any deal. M&A has the potential to make your business – and the potential to break it. Therefore, it is imperative that careful consideration be given to whether the seller fits into your strategy.

5) Finally, where should you focus your due diligence efforts? OK, you've determined you are ready for an acquisition. You believe that the seller's values align with yours. You have identified the key players, and the company fits into your long-term strategic vision. Now, it is time to perform a thorough examination of the company's history and portfolio to determine its value and reveal any red flags.

Items that should be reviewed will be detailed by your attorney once they understand the particular risks of the specific target firm. In general, due diligence items will always include financial statements for the last three to five years, paying close attention to current assets (especially accounts receivable), and liabilities. Backlog and contracts, projections, revenue concentrations, bonus plans, benefits, equity arrangements, leases, credit reports, employment contracts, compliance records, and many other contracts that might affect the success of the deal should also be reviewed.

Change is difficult for any organization. Careful evaluation of these key areas, management of emotions and expectations, clear communication of intentions, and an executive team that champions the change, will go a long way to ensuring a successful transaction. This is a good start to thinking about the exciting world of M&A. ▀

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TALK TO US

Do you have an interesting story to tell? Is your company doing things differently and getting results? Let us know. We'd love to contact you and feature you in an upcoming case study. If interested, please email rmassey@zweiggroup.com.



New Year's resolutions

While many of them might have flopped, you still have a chance to make the most important one a reality – ownership transition.



**Ted
Maziejka**

FINANCIAL

FITNESS

Welcome to March! And congratulations on making it through all those resolutions! You've hit the gym, worked on your diet, started studying that foreign language you always wanted to learn, joined Toastmasters, and worked on your weekly speech. How have all those worked for you?

Odds are you started out great but your energy and enthusiasm have fizzled.

“How about switching gears and resolving to get serious about leadership and ownership transition in the next few months?”

So how about switching gears and resolving to get serious about leadership and ownership transition in the next few months?

As you ponder the future of your firm, there are many thoughts running through your head:

- Do I have the right second and third tier in place?
- Do they want to be owners? Do they know what that means?
- How are they going to buy my and my partners' shares?
- How am I going to transition our solid leadership team to new leaders?
- What the heck am I going to do and how am I going to let go of something I've been doing for 30-plus years?
- Will I have a role in the future organization?

Having worked with many senior leaders over the

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last few years, I know that weathering this uncertain turf can be made much easier by gaining a clear understanding of the issues that you, your partners, and the new partners face. Ownership transition is as much about leadership transition as it is about a seamless transfer of stock and ownership!

“Really assessing the next tier of leaders is a critical first step. Through onsite meetings and interviews with not only the second tier, but the rising third tier, we gain insight into the roles that the staff want to play.”

It is not too soon to start thinking about this. We have guided firms with 40-year-old senior leadership as well as assisted a firm that had the youngest member of the ownership transition group in their early 60s.

Really assessing the next tier of leaders is a critical first step. Through onsite meetings and interviews with not only the second tier (those who are more senior in experience, may already be partners, and are poised to take on more ownership), but the rising third tier, we gain insight into the roles that the staff want to play. By discovering what each individual’s professional passion is, we gain insight into who is interested, who might be terrified of the idea, and who just wants a little more information.

Oftentimes the senior leaders are stuck, and since they have been doing this all their professional careers, they don’t have the time to step back and objectively evaluate their staff.

With one firm, six older senior partners were convinced that the firm shouldn’t change, that it should operate as it always had. After interviewing a highly dynamic staff with a good deal of talent under 35, the following was our recommendation:

“By discovering what each individual’s professional passion is, we gain insight into who is interested, who might be terrified of the idea, and who just wants a little more information.”

“It is time for a radical transformation. I want to liken what we are about to propose to the cult classic, *The Matrix*. In the story, the hero, Neo, is faced with the following: ‘You take the blue pill and the story ends. You wake up in your bed and believe whatever you want to believe. You take the red pill, you stay in Wonderland and I show you how deep the rabbit hole goes.’ Allow everything to remain the same or radically transform the firm with a fresh, new approach. I am proposing that a 32-year-old, highly dynamic, well-respected young woman become the new chief vision officer and president and that the board seek to install

some of her energetic peers. They will require your wisdom, but it’s time to let them soar.”

After they picked themselves up off the floor, they became interested in the idea and, ultimately, adopted our recommendation.

This was a unique circumstance, and it all worked together and is continuing to evolve. In some cases, we see senior leadership move to gradual transitions of leadership. There is not a one-size-fits-all approach, but our knowledge of senior leadership and their staff and their trust in our ability to assist, coach, and help the younger leaders and their desire to be mentors, allowed this to work.

Once many of the qualitative concerns get addressed, the nagging questions get answered and the staff want to take the firm’s reins. The next step in the process is to review and prepare an in-depth financial review.

The most important part of the next phase of work is the creation of a dynamic ownership transition model that will review the senior leaders’ sale of stock to the future owners. When complete, the model will review the cash flows for sellers and buyers going out 15 years.

“When the senior leaders don’t share their thoughts, keep the staff guessing, tease or spoon feed what their goals and timelines are, they run the risk of watching good people leave, all because they did not communicate the plan.”

What is critical to take into account are the answers to the following questions:

- How do the new and senior leaders see revenue growth occurring and at what percentage of change over the next 15 years?
- What capital expenditures will the firm contemplate in the near-, mid-, and long-term?
- How is the current stock value of the firm calculated? (And if it is not, we can provide our opinion of value in our review.)

Once complete, the firm has a flexible, modifiable model that can be updated annually based on firm performance.

People in firms want to have a clear idea of what is going on. When the senior leaders don’t share their thoughts, keep the staff guessing, tease or spoon feed what their goals and timelines are, they run the risk of watching good people leave, all because they did not communicate the plan.

Don’t run that risk, take the radical step. Transition sounds simple, but it’s not easy. Resolve to make your firm clear on your plans. ▀

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