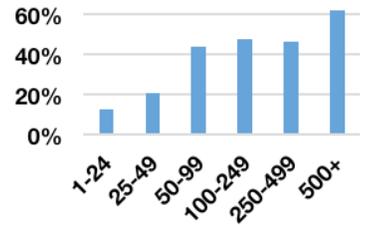


TRENDLINES

Smaller firms and profit



According to Zweig Group's 2017 *Financial Performance Survey*, using median values, smaller firms distributed a smaller percentage of pre-tax, pre-bonus profit for bonuses than larger firms. Smaller firms were also more profitable than larger firms, so the trend for this particular ratio – bonus as a percent of pre-tax, pre-bonus profit – makes sense. (Special discount to TZL subscribers: Use code **SRVY35off** to order surveys at 35 percent off at zweiggroup.myshopify.com/collections/frontpage)

FIRM INDEX

Ames & Gough.....	8
Environmental Consulting & Technology, Inc.	10
Fitzemeyer & Tocci.....	6
Fluor Corporation	4
Graña y Montero.....	2
Jacobs Engineering Group Inc.....	2
Little	12
LJA Engineering	12
Pennoni.....	4
Tetra Tech, Inc.	2

Stop looking in the rearview mirror

“Look up – and out to the future. You will find it’s not only more productive – it’s more fun! And everyone will even like you more!”



Mark Zweig

EDITORIAL

Too many owners/managers/leaders in AEC firms are obsessed with looking in their rearview mirrors when instead, they should be looking far down the road. Doing that – as I was taught at Freddie Spencer’s Superbike School in Las Vegas years ago – will cause you to crash! You’re moving fast. Look where you want to go and you will soon be there. Look down – or look in your rearview mirror – and bad things will happen.

When I say “rearview mirror,” what do I mean? I mean this:

- 1) Stop being obsessed with past financial performance.** You all spend half of your board meetings looking at what happened versus what is going to happen. Big mistake. Big waste of time, too. Focus on the forecast and projections and what you need to make them happen. Head off problems that are looming ahead. Look out versus back!
- 2) Stop worrying so much about your competition.** Who cares what meetings they were seen at or whether or not they are getting a new office or different company cars – or pay their people differently from you. Look at how **YOU** want to do things versus how they do them or you’ll always be a step behind them. They lead and you follow. It should be the other way around.
- 3) Stop having stupid personality conflicts.** Get over your past slights and offenses and move on. You cannot run a business if you cannot get along with your other partners and key people. Sometimes that takes a lot of

See MARK ZWEIG, page 2

MORE COLUMNS

- BRAND BUILDING: Marketing vs. sales Page 3
- GUEST SPEAKER: The protected class Page 9
- GUEST SPEAKER: A culture of entrepreneurship Page 11



Conference call: Edward Fitzemeyer

Page 6

BUSINESS NEWS

JACOBS SECURES ARCHITECTURAL DESIGN ROLE ON BLACKTOWN AND MOUNT DRUITT HOSPITALS EXPANSION PROJECT IN AUSTRALIA Jacobs Engineering Group Inc. has secured a key architectural design role in the \$300 million second phase of the transformational Blacktown and Mount Druitt Hospitals Expansion Project in Australia. The hospital is being built to accommodate population growth in Sydney's western suburbs.

Jacobs will deliver architectural services for stage two of the project, which includes a new emergency ward, ICU, operating theaters, and birthing and maternity departments. The company is also responsible for the electrical, information and communications technology, and security system design for this next stage.

"Our selection to participate in phase two is not only a testament to the work of our people during phase one but also the industry knowledge we bring to this landmark project which has set a benchmark for hospital design across Australia," said Jacobs Senior Vice President, Buildings and Infrastructure, Patrick Hill. "The project has already won a number of significant industry awards and received extensive recognition by industry, government, and the community."

Jacobs was involved in phase one of this project, which began in 2011, providing architectural and engineering design services for the 32,000 square meter, seven story clinical-services building.

USAID AWARDS TETRA TECH CONTRACT FOR MOZAMBIQUE MONITORING AND EVALUATION MECHANISM AND SERVICES PROGRAM Tetra Tech, Inc. announced that the U.S. Agency for International Development has awarded the company a \$25 million single-award contract to provide monitoring and evaluation services in Mozambique. Under the five-year contract, Tetra Tech will support USAID by providing training, research and evaluations, performance monitoring, data verification, and environmental compliance in the region.

USAID/Mozambique manages one of the largest in-country programs in sub-Saharan Africa; however, infrastructure limitations and a dispersed population create challenges to provide effective oversight and management of

the area. Through the Mozambique Monitoring and Evaluation Mechanism and Services program, Tetra Tech will work to close this gap by conducting data quality assessments and by helping to improve the functionality of web-based monitoring and evaluation and reporting systems that use the latest technologies to enable quick, accurate, and cost-effective collection of data.

"Tetra Tech has been supporting USAID in Mozambique for many years including developing innovative water utility and infrastructure programs for the country," said Dan Batrack, Tetra Tech chairman and CEO. "We are pleased to continue to support USAID's efforts in sub-Saharan Africa by providing highly-skilled, technical experts and data scientists to advance the agency's objectives in Mozambique."

GRAÑA Y MONTERO MOVES FORWARD WITH ITS ASSETS DIVESTMENT STRATEGY Graña y Montero, a leading engineering and construction company, announced that it closed its third sale of non-strategic assets in order to fulfill the obligations derived from the termination of the Peruvian Southern Gas Pipeline, as it announced as a Relevant Information Communication the past January 26, 2017.

Through STRACON GyM, which is a subsidiary specialized in mining services, the Graña y Montero Group has closed the sale for 8.69 percent of its stake in the Canadian company Red Eagle Mining Corporation for \$11.5 million, retaining a 3.98 percent stake.

For its part, STRACON GyM will continue with the contract it signed with Red Eagle Mining in 2015 to operate the mining project San Ramón, located in Antioquia, Colombia.

In November 2016, following the successful completion of its construction, the mine achieved its first gold production and expects to start commercial production by the end of the first quarter of 2017.

Recently, the company announced the sale of all of its shares in PRINSUR and in the project Cuartel San Martín de Lima, for \$25 million and \$50 million, respectively. As a result, the total amount in assets sales adds up to \$86.5 million.

MARK ZWEIG, from page 1

forgiveness and even a little forgetting or you won't have the mental capacity and energy to deal with what you need to be doing and will instead be dwelling on the past.

4) Stop talking about what the firm used to be or was at one time. You cannot go back to yesterday no matter how badly you might want to. New day. New world. Things aren't the same. Be a better company for **TODAY** instead of a warmed up recreation of what you once were. This is important!

Look up – and out to the future. You will find it's not only more productive – it's more fun! And everyone will even like you more! ▀

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Take your advice from Mark Zweig to-go.

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Marketing vs. sales

Marketing is the backbone of sales and business development, so be proactive and stop thinking of it as just an overhead function.



**Chad
Clinehens**

**BRAND
BUILDING**

I am passionate about marketing. Everyone who works with me knows it. I am on a mission to bring clarity between marketing and sales to the AEC industry. It's a greatly misunderstood subject in many firms and that confusion holds back firms of all sizes. Marketing is an essential business function that fuels growth. Most firms have what they call a marketing department. These departments spend the majority of their time and resources responding to opportunities by assembling proposals, statements of qualification, presentations, and so forth. Unfortunately, that is not marketing. That is sales support, also know as business development.

Marketing is the process of finding out the needs of your client, then persuading them your products and services meet their needs. It creates awareness of your firm and the services you provide. Typical real marketing functions include advertising, branding, web and social media, and direct mail. Sales is the process of persuading the client to actually buy your services. So whereas marketing is proactive in creating opportunity, sales is reactive in that it attempts to close the deal on a specific opportunity. Sales is developing the proposal and the presentation in the pursuit of actually winning a project.

“I am on a mission to bring clarity between marketing and sales to the AEC industry.”

In order to get your organization to start thinking differently about marketing, you must first start with providing a clear definition of what it is. Here are a few things that can help you advance this cause:

See CHAD CLINEHENS, page 4



BUSINESS NEWS

C. R. "CHUCK" PENNONI NAMED ENGINEERING LEADER OF THE YEAR C.R. "Chuck" Pennoni, founder and chairman of **Pennoni** (Hot Firm #48 for 2016), a multidiscipline engineering firm, was named the 2017 Engineering Leader of the Year by Drexel University's College of Engineering. Since 2003, Drexel University has chosen a worthy delegate for this prestigious award, and Pennoni is the 14th Leader of the Year alongside a distinguished list of individuals that includes presidents and CEOs of major corporations, inventors, astronauts, academics, and industry leaders.

The Engineering Leader of the Year is an award given to individuals who demonstrate leadership in the development of technology-based solutions to societal problems, and serve as an example of outstanding achievement for current and future generations of engineers. A 2000 inductee into the National Academy of Engineering, Pennoni has held many designations, including president of the American Society of Civil Engineers, director and president of the ASCE Foundation, a trustee and president of United Engineering Trustees, Inc., president of the Accreditation Board for Engineering and Technology, and a member of the United States Council for International Engineering Practice.

Along with holding these titles, Pennoni has spent much of his career teaching other engineers and remaining highly involved in education. A licensed engineer in 11 states, Pennoni has taught strength of materials and structural design at Temple University, lectured at numerous colleges and universities, and authored 44 papers on the subjects of engineering, planning, ethics, accreditation, and professional development. He served on the engineering advisory boards of Widener University, the University of Pennsylvania, and Drexel University, and is governor emeritus at the Pennsylvania State System of Higher Education.

FLUOR JOINT VENTURE AWARDED FEED CONTRACT FOR TENGIZCHEVROIL MULTI-PHASE PUMP PROJECT IN KAZAKHSTAN Fluor Corporation announced its joint venture team, KPJV, has been selected by Tengizchevroil LLP to execute the front-end engineering and design for the Multi-Phase Pump Project in Kazakhstan. Fluor booked its share of the contract value in the fourth quarter of 2016.

Part of TCO's major capital program, the project will implement multi-phase pump technology across the gathering network of existing oil and gas facilities at the Tengiz and Korolev fields to maintain crude production by

reducing wellhead pressure and increasing well deliverability. The project also includes the modification or upgrade of some utility systems.

"Fluor is delighted to have been selected by TCO for this important operational project," said Al Collins, president of Fluor's energy and chemicals business in Europe, Africa, and the Middle East. "Through early involvement, we can optimize design and construction solutions and provide a strong foundation for the project's advancement. We will leverage our team's extensive knowledge of executing oil and gas projects in Kazakhstan to deliver the project in a safe and efficient manner without disruption to production."

The project scope includes FEED, detail design, and procurement services.

The integrated project team will be based at Fluor's Farnborough, U.K. office, providing strong links to TCO's Future Growth Project – Wellhead Pressure Management team also located in the office.

Fluor began working in Kazakhstan in 1982 and at Tengiz in 1997 on a condensate stabilization project. Since then, Fluor has performed ongoing work in Kazakhstan on numerous additional projects.

CHAD CLINEHENS, from page 3

- **Define a marketing and sales organizational chart.** Provide clarity on roles, making specific investment in both true marketing and sales support functions. The organization needs to understand what marketing people do versus sales/BD and how to get the resources they need to grow their areas.
- **Invest in real marketing staff.** Have dedicated resources toward building and managing client lists, executing marketing campaigns, generating awareness, and constantly updating and populating your website and social media channels. These are critical marketing functions that many firms underinvest in. Larger firms need a strategic marketing leader in the form of a director or chief marketing officer who has a seat at the highest level of the organization. They need to be involved in overall corporate strategy as well as driving growth through marketing and sales strategies.

"The majority of AEC firms need to empower marketing more than they currently do. Organizations must break from viewing marketing as an overhead function and instead view it as a critical need for driving growth and profits."

- **Tie marketing into the projects.** Marketing and BD staff need more integration and coordination with project teams. One of the big challenges for marketing in professional service firms is that we are marketing and selling a service versus a product. Products are built in factories with precision

"Marketing sets the stage for much more effective business development and sales performance. Without it, firms simply respond to opportunities and are a proposal factory."

and have very clear features and functions that deliver a consistent experience to the consumer. Professional services are delivered by people with unique personalities and personal circumstances that can vary the experience greatly. People have good days and bad days and that alone can greatly affect how the service is delivered to the client. Project managers need to know how to act and be held accountable for a high level of service that marketing and BD can then communicate and sell.

The majority of AEC firms need to empower marketing more than they currently do. Organizations must break from viewing marketing as an overhead function and instead view it as a critical need for driving growth and profits. Marketing sets the stage for much more effective business development and sales performance. Without it, firms simply respond to opportunities and are a proposal factory. Firms that invest more in real marketing outperform their peer firms. Invest in leadership, staff resources, software, and online channels to truly set your firm apart and make your organization see the benefits of real marketing. ▀

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ZWEIG GROUP SEMINARS

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FINANCIAL MANAGEMENT FOR NON-FINANCIAL MANAGERS

The Financial Management for Non-Financial Managers seminar is designed to help design and technical professionals become more comfortable dealing with financial management and accounting and to help them gain a better understanding of the financial factors affecting professional business services firms.

April 19 - Washington, DC
August 9 - Cincinnati, OH

AEC BUSINESS DEVELOPMENT TRAINING

AEC Business Development Training is a one-day seminar that was specifically developed to help design and technical professionals in architecture, engineering, planning, and environmental firms become more comfortable dealing with clients and promoting the firm and your services.

April 27 - San Antonio, TX
June 29 - Minneapolis, MN
November 16 - Seattle, WA

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SPOTLIGHT ON: Fitze

PROFILE

WORD OF MOUTH

Conference call: Edward Fitzemeyer

President of Fitzemeyer & Tocci (#2 Best Firm Multidiscipline), a 50-person engineering consulting firm based in Wolburn, Massachusetts.

By LIISA ANDREASSEN
Correspondent



Edward Fitzemeyer,
President,
Fitzemeyer &
Tocci

“The expectation is growth through 2018 followed by a mild recession in 2019,” Fitzemeyer says.

“We have three shareholders with a robust leadership pipeline that is intended to increase the number of shareholders to diversify and solidify our ownership position.”

A CONVERSATION WITH EDWARD FITZEMEYER.

The Zweig Letter. What’s your philosophy on fee/billing and accounts receivable? How do you collect fees from a difficult client?

Edward Fitzemeyer: Our preferred contract type

is fixed fee which allows us to manage the project to meet the client’s expectations. We are a sub-consultant on about 50 percent of our work and on many of those projects we are assigned by the owner. We have a proactive collections procedure that monitors AR in advance of the next major milestone. We provide enough advanced warning, so we don’t typically get much pushback if we must withhold service or deliverables.

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

EF: We’re in the process of revamping our board to improve our corporate governance. We have an internal board made up of only shareholders which doesn’t help with our vision of the outside world. We are looking to include one to two outside board members or advisors. The outside members would be elected every two years based on the current strategic needs.





TZL: Is there a secret to effective ownership transition?

EF: I acquired our firm as a sole proprietor from my dad. He had chosen a principal who worked with him for many years and was set to take the reins. That person died at a very young age before he was able to take over the firm’s management. This drastically changed the firm’s direction and I was thrust into leading/buying the firm. I learned quite a bit about what can go wrong during ownership transition. Now we have three shareholders with a robust leadership pipeline that is intended to increase the number of shareholders to diversify and solidify our ownership position.

“I acquired our firm as a sole proprietor from my dad. He had chosen a principal who worked with him for many years and was set to take the reins. That person died at a very young age before he was able to take over the firm’s management.”

TZL: How do you go about winning work?

EF: Our reputation and word-of-mouth from our long-term clients. We recently changed our structure and have a far stronger business development system. This is continually evolving and we are in the process of rolling out our “Thought Leadership” program to boost these efforts. Everyone from project engineer to principal will contribute in some way.

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

EF: We use an ERP system to generate our proposals. We had the ERP customized to help streamline and standardize proposal generation. It’s good in theory, but the software is very clunky. However, the standardization aspect alone is well worth the effort.

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

EF: We require a signed contract or letter of intent prior to issuing a project number and charging time to the project. Once the project number is assigned, the project manager has a project team kick-off meeting to get everyone on the same page to execute the project. On small projects or reports, we use a short form for project kickoff.

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?

EF: Marketing has traditionally taken a back seat at our firm. We did monthly email newsletters, local client organization presentations, and the occasional article in a trade

publication. We are ramping up our systems to include blogs, white papers, guides, and increase publications and industry presence.

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

EF: We rely heavily on technology and consider this to be one of our top investments. Each person has a two-year or newer laptop. PMs have Microsoft Surface tablets. We have a robust server with remote backup and redundancies. We have the latest versions of our Deltek ERP system, Office 365, our Newforma PIMS system, and Autodesk design products. We are investigating virtual desktop infrastructure for our next upgrade to improve working remotely. In our experience, VPN is not ideal for working remotely with Autodesk products.

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

EF: Since 2012 we have had a full-time recruiter/HR manager. This has been a great addition to our team. They are continually sourcing candidates to help fill positions quickly with the right talents. They keep us focused on employee brand and attend the right career fairs, etc. We now spend much less on outsourced recruiting fees. Prior to this position our processes were not good and hiring was a challenge. As a testament to our commitment to our employees and our brand, for the past two years, we won a Zweig Group Best Firm to Work For award.

“We are continuously working on building a flexible, results driven environment with working remote options for every employee and software that works from anywhere. It’s important that our employees feel comfortable taking care of their personal lives while also having a successful career.”

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

EF: We don’t want employees to worry about healthcare. We ensure our benefits package works as well for our staff as our staff works for our clients. We evaluate our health plans every year to ensure we offer the best possible plan with the most comprehensive coverage and pay 95 percent of the benefit. We offer four options that are all covered at the same contribution rate because we recognize that not everyone’s needs are the same, but we want to be sure everyone is taken care of regardless of family dynamic. We are continuously working on building a flexible, results driven

See CONFERENCE CALL, page 8

BUSINESS NEWS

ARCHITECTS & ENGINEERS SEE PROFESSIONAL LIABILITY INSURANCE RATES FLATTEN AMID INTENSE INSURANCE MARKET COMPETITION

Although a slim majority of insurance companies providing architects and engineers professional liability insurance saw their rates stabilize in 2016, nearly one in three experienced modest decreases in rates. A new survey by insurance broker **Ames & Gough** finds that market competition and favorable claim results are combining to hold premium rates down. In fact, most insurers reported they are looking to keep rates flat this year to retain or expand their business.

According to the Ames & Gough survey of 19 leading insurance companies (which represent more than 80 percent of the overall marketplace providing professional liability insurance to architects and engineers in the U.S.), premium rates remained flat in 2016 for 53 percent of the insurers, while 32 percent saw rates decrease and 16 percent reported higher rates. By contrast, in 2015, 38 percent had rate increases, while 57 percent had flat rates and 8 percent reported lower rates.

Last year, no rate increases achieved by any insurer in the survey exceeded 5 percent; and decreases ranged from below 2 percent to between 6 percent and 10 percent. Interestingly, at the start of 2016, no insurers surveyed expected to lower rates. Additionally, the actual increases achieved in 2016 by insurers planning to raise rates at the start of the year fell slightly short of expectations.

“As stable to improving claims experience continues to make this line of coverage

profitable for insurers, more insurance companies are entering the marketplace or looking to expand their business,” said Dan Knise, president and CEO, Ames & Gough. “Besides holding the line on rates for design firms with good loss experience and favorable risk profiles, some insurers are now expanding what they’re willing to cover.”

Specifically, some insurers are adding endorsements for cyber risk to their professional liability insurance policies for design firms and considering new endorsements for liability risks related to drone usage.

Nonetheless, in evaluating the new cyber insurance available under their professional liability policies, Knise explained that stand-alone cyber insurance policies typically offer more robust protection against first-party exposures.

The survey also found that insurers are maintaining underwriting discipline and placing greater emphasis on claims experience. This year, 95 percent of the insurers surveyed identified recent claims experience as a top factor for raising a specific firm’s professional liability insurance rates, a significant jump from the 79 percent citing that factor last year.

When asked if plans to develop and repair the U.S. infrastructure raised any concerns regarding A/E professional liability exposures, 63 percent of the insurers surveyed cited the failure of design firms to adhere to effective contractual best practices when negotiating new projects, 53 percent pointed to firms accepting contractual responsibility outside

their expertise, and 32 percent were wary of the inability of design firms to effectively assess and manage subconsultants.

“Even though there’s widespread enthusiasm over opportunities arising from the anticipated investment in infrastructure, design firms still need to maintain sound risk management in evaluating new projects, beginning with reviewing their contracts,” said Joan DeLorey, senior vice president and partner, Ames & Gough. “While the insurance market is competitive, the buyers benefitting the most will be those that maintain high standards for managing risk, including evaluating the risk-reward potential of new projects and knowing how a change in project mix might affect their risk profile and insurance program.”

For the second consecutive year, 79 percent of the insurers surveyed reported no change in their overall claim activity compared to prior years; in 2016, however, a greater percentage of insurers (21 percent) than in the past saw their claims experience improve and none had worse experience.

Meanwhile, insurers have been carefully monitoring emerging issues. Among the most prominent issues they identified were: judicial rulings that are eroding protections for design firms under state statutes, such as economic loss doctrine (79 percent); evolving project delivery methods, cited by 68 percent; innovation, such as the use of BIM and technology and new construction materials/methods, and international exposures (each at 32 percent).

CONFERENCE CALL, from page 7

environment with working remote options for every employee and software that works from anywhere. It’s important that our employees feel comfortable taking care of their personal lives while also having a successful career.

TZL: How do you raise capital?

EF: We have a line of credit that is equivalent to 20 percent of our revenue. We have had this financing in place for the past 13 years and are satisfied with our banking terms and relationship.

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.

EF: We are a steady growth firm and have grown organically. Boosting our business development and structure has helped us grow from 30 employees in 2014 to roughly 50 employees by the end of 2017. We continue to add services that our existing clients need. Our commissioning and energy and infrastructure services have helped us grow beyond traditional building design services.

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

EF: Our organizational structure was our biggest barrier to growth. In 2014, we revamped our structure which has allowed us to expand quicker and seamlessly. Prior to 2014, we had a small project team structure. We outgrew those benefits. Our new structure allows us to be nimbler and to quickly react to all size projects.

“Boosting our business development and structure has helped us grow from 30 employees in 2014 to roughly 50 employees by the end of 2017. We continue to add services that our existing clients need.”

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

EF: The expectation is growth through 2018 followed by a mild recession in 2019. Our market of health sciences continues to grow and we are fortunate to be in one of the largest areas in the world for healthcare, health research, and health studies. ▀

OPINION



The protected class

If your firm does not have a well-crafted system for handing out employee bonuses, you run the risk of creating the haves and the have nots.



Marc
Florian

GUEST
SPEAKER

2016 was a good year in the domestic A/E industry. Revenues were generally up, as were profits. The results closely paralleled those of the national economy.

Now that the year-end numbers are in, and bonuses have been distributed, I'd like to talk about something often whispered about around water coolers and coffee machines this time of year – “the protected class.” You know what I'm talking about; that project team or group of people within your firm that always seems to have the favor of the boss. It's okay. Just about every firm has one. But, it's at the end of year when its significance is most obvious and disconcerting – bonus time.

While many organizations today award and distribute bonus compensation according to a prescribed formula, many still leave it to the subjective discretion of the division manager or

“Just about every firm has one. But, it's at the end of year when its significance is most obvious and disconcerting – bonus time.”

office manager. The key word here is “subjective.” In most instances, these decisions are made within a very short period of time, sometimes in less than 24 hours, due to the needs of the organization to post and distribute bonus compensation prior to the accounting department's official year-end closing. The result? Managers lacking a prescribed

See MARC FLORIAN, page 10



MARC FLORIAN, from page 9

distribution formula often make their decisions with brevity and absence of foresight, typically gravitating to what is most familiar in terms of staff, as opposed to what is quantifiable in terms of performance.

In these situations, the process can be further hampered by the organization's failure to articulate to its managers why the bonus program was installed in the first place. For example, in most organizations the fundamental tenet of a bonus program is to acknowledge and reward performance above and beyond the expected. In most organizations, the intent of bonus compensation is to incentivize staff by directing their attention and their personal interests beyond a basic job classification or performance objective, and toward what is seen as gainful for the firm's economic success. Often, bonus compensation is also used to acknowledge an employee's lasting efforts for the firm.

Unfortunately, and in the absence of such direction or a prescribed formula, many managers will use bonuses to acknowledge performance as they would an annual salary review, or to correct a prior inequity in pay with respect to a job classification or peer group. This amounts to a "double-dipping" of sorts for those whose efforts might have already been used to justify a previous salary adjustment. In this sense, awarding bonus compensation to personnel whose base salaries have already been adjusted as a result of their having demonstrated an ability to meet or exceed the expectations of their job, but who have not ventured beyond those expectations or goals, serves little motivational purpose and effectively represents an already rewarded effort.

"Delivering year-over-year performance and driving exceptional outcomes demands impartiality from those who are responsible for awarding and distributing bonus compensation. Anything less will quickly be viewed as favoritism and bias, undermining the tenets on which a firm's bonus program was based, and the performance it seeks to incentivize."

So what do I mean by "protected class?" Here's the issue. We can't pick up the newspaper or listen to the nightly news today without reading or hearing about some inequity or inequality in our society. It's commonplace. Just as rectifying social injustice has become a mantra of many politicians, eliminating corporate injustice has also been among the goals of many global corporate leaders. In the A/E industry, our individual firms are no different. We all espouse the virtues of working toward a common goal

or objective, and how the efforts of every single team and team member will in some way affect the success of our organizations. While some may do so more than others, we recognize the contributions of one team and the members comprising it, yet they are likely to be no more sincere or effective as other teams.

"While having a well-crafted formula that helps drive exceptional economic performance for your firm won't necessarily eliminate the protected class in your organization, it could very well prevent the issue from becoming a point of discontent around your water cooler later this year."

Unfortunately, at the end of the year much of what we espouse falls victim to "gamesmanship" on the part of managers whose firms lack a prescribed formula for the award and distribution of bonus compensation. In these instances, bonuses are prone to being adjusted or even manipulated to the benefit of those who are responsible for distributing them. And, despite the best of intentions, and often adamant denials to the contrary, there is always a protected class, and in your company I'm guessing you know who's part of it and who's not. That's not to say that the "outsiders" are any more or less deserving than the "insiders." But when it comes to acknowledgements and rewards, the boss always has his or her favorites, and consciously or subconsciously, it generally factors into their decision on who gets what at bonus time. That's life.

Here's the problem. In the face of a highly competitive and increasingly commoditized A/E industry, delivering year-over-year performance and driving exceptional outcomes demands impartiality from those who are responsible for awarding and distributing bonus compensation. Anything less will quickly be viewed as favoritism and bias, undermining the tenets on which a firm's bonus program was based, and the performance it seeks to incentivize.

By the way, that whispering you might be hearing around your water cooler or coffee machine isn't good. Young employees today want to know what they have to do to advance in terms of their careers and in terms of their compensation. There's little tolerance for favoritism or bias with respect to promotions, and there's even less with respect to bonus awards and distributions. And, while having a well-crafted formula that helps drive exceptional economic performance for your firm won't necessarily eliminate the protected class in your organization, it could very well prevent the issue from becoming a point of discontent around your water cooler later this year. ▀

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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.



A culture of entrepreneurship

You don't want to lose sight of your current business, but fostering ideas and innovation with your staff is increasingly essential.



**Jim
Williams**

**GUEST
SPEAKER**

Achieving the seemingly impossible could be one way to sum up several epic sporting events over the past few months. The Chicago Cubs won the World Series for the first time since 1908. The Clemson Tigers beat Alabama in the final second of the College Football National Championship. And then, there was Super Bowl 51 – the only Super Bowl to end in overtime with a Patriots comeback win over the Falcons. Although there were moments during these events in which each of the winning teams was behind, it was the never-give-up attitude and the unwavering belief in achieving the impossible that allowed them to succeed.

This belief is also what fuels a culture of innovation and entrepreneurship – a culture that, based on increased competition for work and the brightest talent, is no longer a “nice to have” for the AEC industry. It used to be that design firms could tweak existing services or open offices in new markets to substantially grow, adjusting to the opportunities that arise. Now, we must focus on creating and maintaining innovative new businesses – not only for clients who are relying

on it, but also for the emerging talent who expect to be part of creating it.

Can you have a culture of innovation without entrepreneurship? Yes, and that's much of what we've seen over the past several years. Innovation can introduce new ideas and foster creativity, but a culture of entrepreneurship transforms a great idea into a valuable business opportunity.

See JIM WILLIAMS, page 12



BUSINESS NEWS

LJA ENGINEERING CELEBRATES 45TH ANNIVERSARY LJA Engineering (Hot Firm #2 for 2016) – a leader in the architecture, engineering, and construction industry – marks its 45th anniversary this year. With more than four decades of experience in the public and private sector, LJA is a highly ranked, premier provider of professional engineering and design services.

“It might seem like 1972 was just yesterday, but LJA’s come a long way from working around Dutch Lichliter’s kitchen table. We’re very proud of the firm’s growth. Our 650 personnel, 21 offices, and an annual revenue

in excess of \$120 million is worth celebrating,” said Bill Jameson, founding partner of LJA.

From the beginning, the firm stood out by recognizing the importance of comprehensive client collaboration and timely, cost-effective delivery. LJA is highly regarded for imparting invaluable insight and leadership on economic issues, business solutions, and property trends in Texas. The firm has hosted a bi-annual Economic Forecast for the past 12 years to its clients. Reaching capacity crowds, the event showcases top analysts, current data and research, and future-casting on a range of topics that appeal to all sectors of

industry from land development, banking, and energy to real estate.

An internal culture of dedication, commitment, and client-focused results is indicative of LJA’s approach to work at all levels and evident in the way the firm conducts business. Industry recognition is a gauge of this. The firm has received awards not only for project excellence, but more importantly for its ability to connect with employees, clients, and communities.

“The main ingredient of our success that has fueled our growth stems from the employees and clients of LJA,” said Calvin Ladner, PE, president and CEO of the Houston-based firm.

JIM WILLIAMS, from page 11

Based on my own passion for creating a culture of entrepreneurship, here are five key observations:

- **Breakdown the silos.** All big ideas need a team to make them happen, but it’s constructing the right team that creates the sweet spot. Professional service organizations, even design firms, are seemingly notorious offenders of carving out highly specialized experts into defined practice areas. But breaking down the silos isn’t about turning everyone into a generalist – it’s more about allowing specialized experts to see how their work fits into a bigger picture. One of the simplest of ways you can merge talent is to physically change your workspace. Rid the mentality that everyone needs an assigned desk and create an open, flexible environment that inherently breeds breakthrough ideas.
- **Question everything.** A culture of entrepreneurship finds time for questioning and critically examining assumptions and the status quo. Oftentimes it’s the answers that we reward, but it’s the questioning that helps us learn and explore the unknown. To encourage an environment where people are more inclined to ask questions, Google offers wide-open weekly “TGIF” sessions where all employees are invited to submit questions to the company’s top executives. Those questions that rise to the top are fielded on the spot and set the tone that anyone can ask anything of anyone else. This open communication also sends the message that every employee has the ability to contribute to the success of his or her organization.

“Entrepreneurship comes in many shapes and sizes. Its sustenance comes from teamwork and curiosity, patience and hard work. Fully embracing a culture of entrepreneurship will nurture the belief that achieving the impossible is, well, possible.”

- **Treat failure as a step toward discovery.** Often after a failure, particularly one that costs your organization a substantial amount of money, it’s our natural instinct to quickly try and forget what happened. But innovative risk taking can drive growth and strengthen your competitive advantage, so empower your employees to try and fail (assuming you have the full support of this mindset by your leadership team). Treat the failure as an opportunity, and people will be more

likely to try again and succeed at something else. Just recently, Microsoft committed an epic fail when they launched a Twitter bot by the name of Tay. CEO Satya Nadella responded with, “Keep pushing, and know that I am with you ... The key is to keep learning and improving.” After all, oftentimes, innovation can simply be the improvement of something that already exists.

“Although there were moments during these events in which each of the winning teams was behind, it was the never-give-up attitude and the unwavering belief in achieving the impossible that allowed them to succeed.”

- **Implement supporting programs.** Several programs we’ve introduced at Little have proven that, if you give people the idea that an entrepreneurial culture is theirs to develop and the freedom to show initiative, then they do it. With LaceUp, a mini-grant program that has funded more than 60 projects, employees who have a unique idea or interest are awarded a stipend of up to \$1,000 and up to 40 hours to explore it. Our Rethink program prompts proactive thinking and rethinking – in how we see the world, what we’re designing today and what our clients may need in the future. Companies like Google, 3M, and IDEO offer similar programs.
- **Balance old and new.** Roman God Janus had two sets of eyes for the purpose of always looking behind and ahead. A successful culture of entrepreneurship requires a balancing act between old and new. While it’s important to seek, develop, and sustain innovative new business opportunities, organizations can’t ignore the existing operations that earn the bulk of their revenue. They key is to meld old and new practices while not leaning too much in one direction. But if you must lean, lean forward.

Entrepreneurship comes in many shapes and sizes. Its sustenance comes from teamwork and curiosity, patience and hard work. Fully embracing a culture of entrepreneurship will nurture the belief that achieving the impossible is, well, possible. ▀

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