

TWO PATHS TO A/E/C FIRM SUCCESS

2019 ALL OHIO CONVOCATION

MAY 1, 2019



THE MOST
SUCCESSFUL
FIRMS FOCUS
ON TWO
SIMPLE
PRIORITIES

- Make your firm attractive to high-quality clients
- Make your firm attractive to talented employees

THE CHICKEN OR THE EGG??

Which comes first?

- Great Clients with Great Projects?
- Talented People with Great Attitudes?

BOTH ARE COMPLETELY INTERTWINED AND INTERDEPENDENT



Highly talented and motivated architects and engineers create their own demand for their services



Great clients provide opportunities to apply that talent and are willing to pay for it so you can pay the employees

SO WHAT'S SO DIFFICULT ABOUT THAT?

- It only takes one low-quality client or employee to poison the culture of your firm
- How do you grow your firm without compromising that quality?

RECRUITMENT AND RETENTION OF HIGH-QUALITY STAFF



IT STARTS WITH YOUR CULTURE

- Is payroll looked at as an expense or an investment?
- Do you invest in low quality assets?
- Are performance standards set high and clearly communicated?
- What happens when poor performance occurs?

A/E FIRMS ARE NOTORIOUSLY BAD AT TALENT AND PERFORMANCE MANAGEMENT

- Not “wired” for interpersonal aspects of the business
- A challenge and an opportunity!!!
- Get good at H/R (hire someone who is)

YOUR CULTURE CAN ACTUALLY POLICE ITSELF

- Proactive recruiting and hiring practices
- High expectations for performance
- Objectively measured standards
- Significant compensation differentials

DO'S AND DON'TS OF RECRUITING



DO get your staff involved, DON'T be cheap



DO a lot of investigation before the interview



DON'T make the interview into the inquisition



DO sell the opportunity to the best candidates



DON'T exceed the market with base compensation

PERFORMANCE MANAGEMENT AND COMPENSATION



Performance management must start at the top



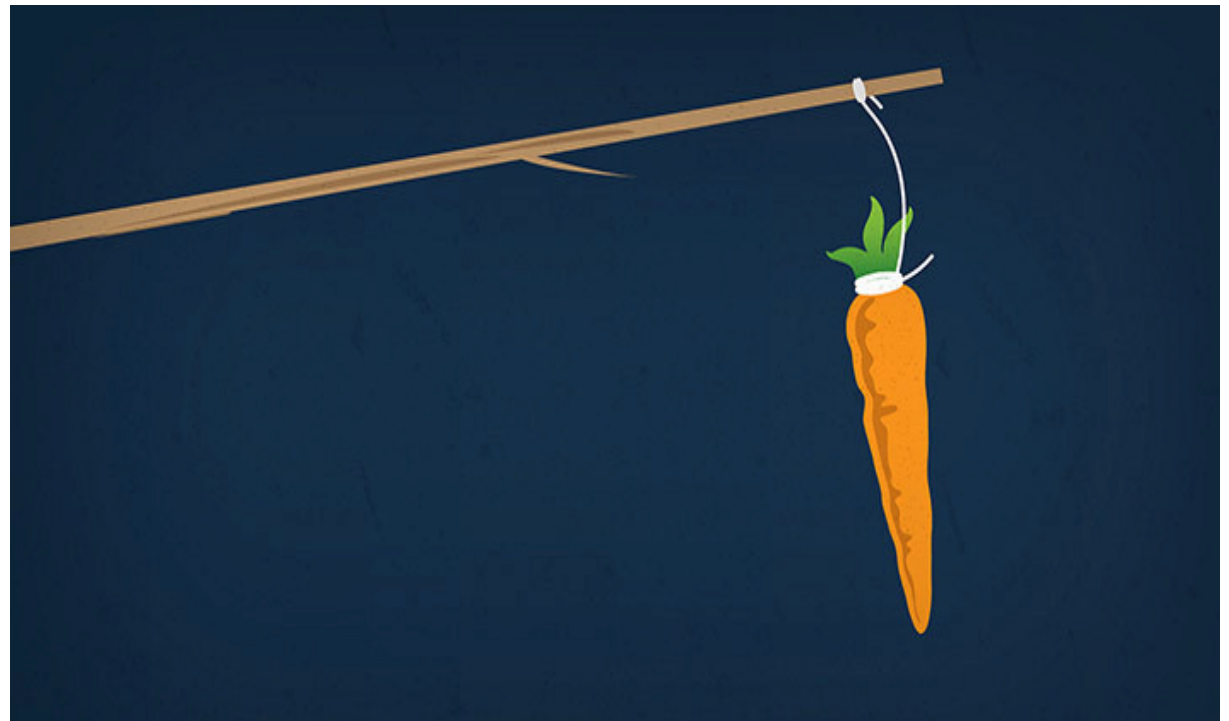
All employees need objective and subjective goals tied to a career development path



High performers get the best bonuses and future opportunities

INCENTIVES OR REWARDS?

- A good incentive plan is better than a good reward plan
- A reward plan of any kind is better than a bad incentive plan



PERFORMANCE AND SALARY REVIEWS



Never in the same meeting!!!



One is about performance – highly variable



One is about long-term career growth and the market



The outcomes are directly related to the investment of time by the firm

WHY DO GOOD PEOPLE LEAVE?



Lack Of:

Recognition
Challenging work
A higher cause
An H/R management system



Too Much:

Bureaucracy
Politics
Of an unprepared manager

TOP PERFORMING A/E FIRMS

- Have about 7% annual turnover
 - ½ of that is “employer sponsored”
- Pay a little more in base salary than median firms
 - \$82,000 vs. \$77,000
- Have a much bigger difference in total compensation
 - \$104,000 vs. \$85,000
- Employ H/R professionals much earlier
 - 1 to 38 FTE vs 1 to 78 FTE

SECURING AND MAINTAINING HIGH-QUALITY CLIENTS



ARE YOU CHASING PROJECTS OR CLIENTS?

- Recent PSMJ survey shows that 83% of all A/E firm revenue comes from repeat customers
- Is that a good thing?
 - Much less marketing expense
 - But are they “Quality”?

ARE YOU CHASING REVENUE OR PROFITS?



STRONG INDUSTRY PRESSURE
TO KEEP EVERYONE BUSY



CAN INCENTIVIZE BAD
MARKETING BEHAVIOR

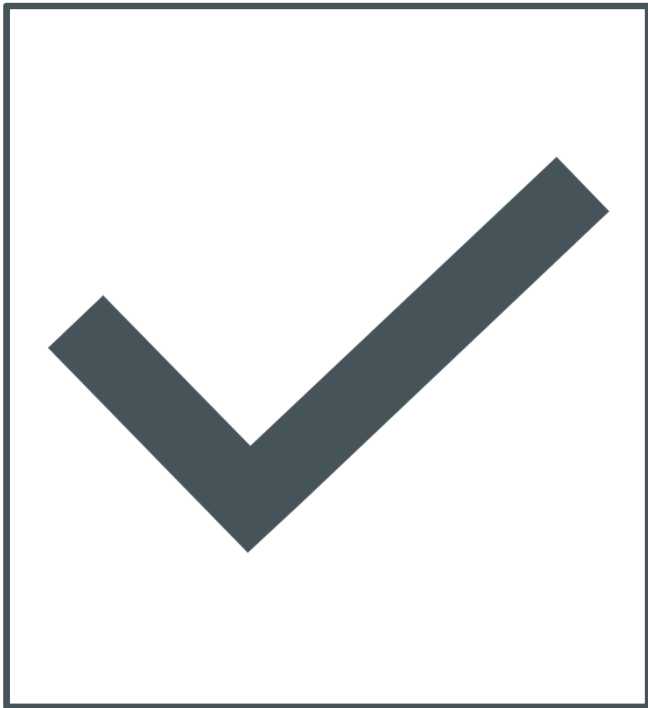


IT IS MUCH EASIER TO SELL FEES
THAN MARGIN



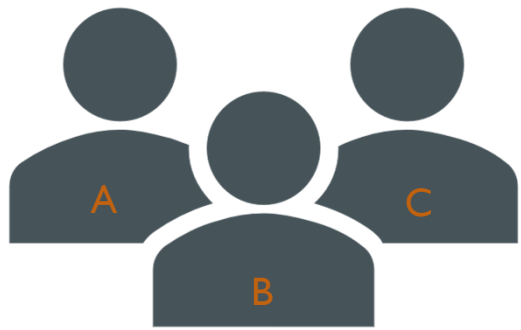
HOW DO YOU DEAL WITH A
LONG-TERM CLIENT WHO
GIVES YOU A LOT OF LOW-
MARGIN WORK?

FIRST: LET'S DEFINE "QUALITY CLIENTS"



- Three Classifications:
 - One-off, great opportunity
 - Common repeat client
 - Loyal, symbiotic relationship

WHAT DEFINES QUALITY IN YOUR FIRM?



- Sole sourced projects?
- Fair negotiations / contracts?
- Has lots of projects?
- Projects are challenging / fun?
- Willing to accept change orders?
- Pays their bills on time?
- **Respects your expertise and is willing to pay for it...**

1

Focus on adding value, not selling hours

2

Maximize the “net benefit” to your clients

3

What truly differentiates your firm

4

Clients must not see you as a commodity

THE CONCEPT OF GROSS PROFIT SOLD



THE AMOUNT OF MARGIN YOU EXPECT TO MAKE ON A PROJECT

Cost of Labor	Pass Through Costs	Value Added	Fee Sold	Gross Margin	Planned Net Fee Multiplier
\$3,000	\$1,000	\$6,000	\$10,000	60%	3.33
\$5,000	\$1,000	\$4,000	\$10,000	40%	2.00



#1 reason cited by defecting clients = indifference by A/E firm

- Doing a fine job delivering the project
- Can't complain about the responsiveness
- Technical solutions met the need
- Fees and contract terms are fair

Maybe there is another firm out there who will go a little further?

KEEPING YOUR
BEST CLIENTS



How do Project Managers
do marketing?

By securing repeat
business and
referrals from
quality clients

THE CONCEPT OF “CLIENT MAINTENANCE”



CLIENT MAINTENANCE DOESN'T HAPPEN BY ACCIDENT

- Requires a task code in the job cost system
- Requires a budget of time for each client
- Requires accountability for that time
- Requires detailed plans with targeted outcomes

HOW DO YOU KNOW HOW YOU'RE DOING?

- Getting repeat business isn't enough – you could just be the best bad firm around...



LESS THAN 10% OF A/E FIRMS UNDER 100 PEOPLE ASK THEIR CLIENTS FOR WRITTEN PERFORMANCE REVIEWS

Must be an organizational priority

- Strategic goals for targeted client ratings

Outsourced surveys get better response rates

- 7-10% vs 3-5% (increases over time)

Works best when there is a “Client Sponsor”

- Sometimes known as the PIC

CLIENT SPONSOR VS PROJECT MANAGER

Client sponsor knows the client

Project manager maintains the relationship

Client sponsor is familiar with the project

Project manager delivers the project

Client sponsor collects client feedback

Project manager keeps the client happy

Client sponsor is the client "relief valve"

Project manager responds to concerns

CONNECTING THE TWO PRIORITIES

A typical “Balanced Scorecard” performance review for a project manager

- Amount of repeat business secured on a non-competitive basis
- Net revenue deficit (surplus) on assigned projects
- Client feedback rating
- Professional development (technical or management)
- 360-degree feedback from other employees
- Amount of potential performance bonus earned

TOP PERFORMING A/E FIRMS

- Well defined quality client criteria
 - Applied to new and existing clients
- Selling value and not “brains by the hour”
 - 3.55 vs. 3.10 target multiplier
- Project managers drive repeat business
 - 2-3 hours per week for client maintenance
- Get written client feedback continuously
 - Client ratings in PM performance reviews

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QUESTIONS

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