ADVICE FOR A/E FIRM LEADERS: *DATA-DRIVEN, PROVOCATIVE, ACTIONABLE*

PSMJ

JULY / 2016 • VOL / 43 • ISSUE / 7

THIS MONTH

FIVE WAYS TO RAISE YOUR PROFITS

by Charles Nelson, AIA, LFRAIA

Most design firms see themselves as unable to break through the downward fee pressure created by clients and their agents. They pound their heads on the commoditization wall, and resign themselves to working for substandard fees. What they don't see are the ways to increase profits without increasing fees, other than working more hours for less. There really are alternatives:

1: STAMP OUT REWORK

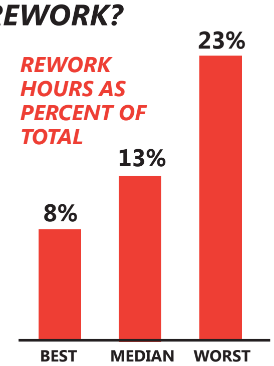
There are many metaphors for rework, but my favorite is this: Rework is a giant tapeworm down in the bowels of your practice, munching on your profits. From time to time you see evidence it's in there, but mostly it stays out of sight.

First: What rework is not: Rework is not extra work that turns into paid scope change (change orders). It is not the iterative process in design. Rework is doing again something you've already done, but can't get paid for. How big is rework? The vast majority of firms have no idea, because they don't measure it. One firm that does measure it found it varied from 8% to 23% of total project hours, with a median of 13% (see illustration).

HAVE YOU EVER MEASURED REWORK?

RECENT EXAMPLE:

- 28 PROJECTS
- OVER A CALENDAR YEAR
- RANGE OF FEE SIZES
- ALL LESS THAN 6 MONTHS IN DURATION



Almost all project managers, when asked, say they think rework is somewhere between 5% and 50% of total project hours, but the most common answer is 15%-20%.

What most firms don't realize is that every hour of rework comes straight off bottom-line profit at full chargeout rates – because it's an hour of time you can't sell to another client.

So let's say your EBBT profit level is 12.5%, and you are spending 15% of your hours on rework. If you could cut rework in half, your profitability would go up to 20% - ***without doing anything else differently.***

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GRAPHICS/LAYOUT / Marc Boggs
PUBLISHED BY / PSMJ Resources, Inc.
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Five Ways to Raise Your Profits *(continued from page 1)*

ACTIONS YOU CAN TAKE

You can never stamp out rework completely, but you can get it under control, for huge benefit to the bottom line. Here is how to do it – and you need all these steps.

1. Start measuring rework, on every project, all the time, with a "rework" line item on your timesheets and in your accounting system.

2. Make it very clear to all staff that most rework is not caused by mistakes, but by poorly managed design processes and failing to get paid for scope change. Emphasize the importance of putting real rework numbers down, as it is the only way to analyze the problem and start to solve it.

3. If there is any vestige of a "blame" culture in senior firm leadership, eradicate it firmly and completely. If you don't, staff will never be honest about the real extent of rework – they will equate it to "making mistakes" and hide it.

4. Once that's all working, start to code the rework as to source, with a simple letter system, like A, B, C, etc. – where each letter stands for a rework group, like A = Client changes for free.

5. Export and analyze the rework history, identifying areas ripe for improvement, then implement change. Make your first goal a 50% reduction. Compare rework for different project types, and different clients. Find out where the tapeworm lives, and kill it.

2: CREATE A MORE CHALLENGING, MORE INTERESTING WORK ENVIRONMENT

Sounds like a good idea – but how will that increase my profits, you might ask? David Maister, in a lengthy and rigorous research project, found that how people felt about their work was very closely tied to bottom-line profitability of their companies. His team interviewed staff members in 139 offices of 29 firms in 15 countries in 15 different lines of business. They used a 200-question survey, with responses scored on a 1-5 scale, and discovered that just 4 questions out of the 200 made all the difference, as you can see from this slide.

REAL PRODUCTIVITY

David Maister's research: a one-point jump in employee satisfaction ratings caused a 42% improvement in financial performance. The critical questions:

- ***I am highly satisfied with my job.***
- ***I get a great sense of accomplishment from my work.***
- ***The overwhelming majority of the work I am given is challenging rather than repetitive.***
- ***I am committed to this firm as a career opportunity.***

David H. Maister, *Practice What You Preach: What Managers Must Do To Create A High Achievement Culture*, p. 81

▶ ***CONTINUED / PAGE 3***

THE MOUNTAIN AHEAD, OR, THE STONES IN OUR SHOE

by Michael Ellegood, P.E.

There is an old Chinese proverb that states something like, "It's not the mountain ahead that stops the traveler, it's the stones in his shoe."

In our United States, there is a well-documented and widely acknowledged need for more infrastructure investment. We have bridges and highways to build, dams and water systems to repair, tunnels and transit to fix... and no money to do it with.

As politicians pontificate about taxes and smaller government and more individual "freedom," the sad reality is that we, charged with delivering public infrastructure, do not have a track record that will engender public confidence. If and when the money becomes available, can we deliver?

The sad reality is...probably not.

In 2007 AASHTO published a report on State DOT project delivery. About half were delivered on time and budget except for "big" projects – defined as over $5 million in construction cost. In that case, only 35% were delivered on time.

A recent article in the ***L. A. Times*** chronicles the saga of the first segment of the long-awaited California High Speed Rail project; a mega project with great visibility worldwide. This project, if completed, will speed travelers from LA to San Francisco in just a few hours. The initial segment, under construction in California's Central Valley, is already delayed by many months and is substantially over budget.

Boston's Green Line has a similar story, over budget and now undergoing significant scope reduction to deliver it with the funds available.

How come? Why can't we do what we set out to do? It's not like we engineers haven't built roads and bridges and rail systems before. The dirty little secret, the stones in our shoe, is that we keep making the same costly mistakes time and time again.

▶ ***CONTINUED / PAGE 3***

The Mountain Ahead... *(continued from page 2)*

The AASHTO study and comparable observations by competent project managers shows that the five most common causes for public projects to be delayed or go over budget are: Right of Way Issues; Utility coordination problems; Issues with permits; public/political acceptance; and underground "surprises."

In fact, the California High Speed Rail project has most of these:

• The managing authority issued NTP to the contractor before all the rights of way were acquired. Read contractor delay claim...a costly claim indeed!

• The underground utilities were not where they were shown on the provided maps (imagine that!). More relocation, more delay, more claims, more cost.

• A road relocation was not acceptable to one of the adjacent business communities(public acceptance). Redo the relocation plans, more delay, re-design, more cost.

If we, as professional engineers, charged with infrastructure delivery, are ever to earn the trust of the public that provides the funds and the elected officials that represent them, we need to do better. Much of this is simple management. Much of this is simply not making the same costly mistakes over and over from project to project.

Now you know the stones in our shoe that stop, delay and make our journey painful: Right of Way, Utilities, Permits, Public Acceptance, and Underground Surprises – isn't it time that we learned to manage these? ●

In semi-retirement, I am a frequent blogger, writer and editorializer, proudly signing my name: Michael S. Ellegood, P.E.

DID YOU KNOW?

ArchDaily recently released its list of the top 100 projects that can serve as case studies for students and other architects. Among the featured projects are Perkins+Wills' Tinkham Veale University Center at Case Western Reserve University; MOS Architects' Museum of Outdoor Arts Element House; and Renzo Piano's Building Workshop at the Whitney Museum. For the full list, visit http://www.archdaily.com/tag/top100.

Five Ways to Raise Your Profits *(continued from page 2)*

Just a 1-point difference in responses to these 4 questions translated into a 42% profit difference! Maister, in his book describing the project, says he first thought the outcome must be a mistake, so he did all the calculations again – and it really was true.

ACTIONS YOU CAN TAKE

You will quickly see that creating this terrific profit generator is somewhat more difficult than attacking rework – which is hard enough! Half of the answer is in your own mirror. As a firm leader, you are personally responsible for the work dynamic in your practice – and that might require a little soul-searching. Here are some things you should be doing if this idea resonates with you:

1. When you carry out performance reviews (which should be twice yearly), use these 4 statements in question form, and see what answers your staff give you.

2. If you have people who really don't belong in your practice, start planning their replacement with people who will.

3. Institute 360-degree reviews – where your staff evaluate your own leadership. You might not be as great as you think.

4. Have frank discussions with your senior staff on how to improve a sense of project ownership and involvement.

5. Use these 4 questions as part of your employment interviews. Try to find out why people want to work in your practice, and what their expectations are, before you hire them.

6. Surround yourself with people who will challenge you, not accept whatever you say.

7. If you are a "micro-manager," stop. Cold turkey, stop. If you can't do that, get professional help. Micro-managing is a massive incentive killer.

3, 4 and 5: There are – at least – 5 ways, but they wouldn't all fit in this article. See ***Three More Ways To Increase Your Profits*** elsewhere in this newsletter. ●

Charles Nelson, AIA, LFRAIA, is the Director of PSMJ's Australasia practice. He is also known for writing and speaking extensively on project and practice management. Charles can be reached at cnelson@psmj.com.

FIRST: DO WHAT YOU PROMISED

by John D. Doehring

In an increasingly noisy, competitive, and commoditizing marketplace, differentiating the firm with extraordinary customer service seems like a no-brainer. Maybe so conceptually, but actually executing on this promise is anything but a given today. Many firms talk, but few do. And a great service experience begins with addressing all of the client's expectations – whatever that means.

Here's an example. We recently had our home exterior cleaned by pressure washing. The crew was prompt, courteously, and efficient. They did a nice job (really better than expected) and their price was competitive. All in all a great experience. Except ...

The crew manager was a nice and friendly guy. Seeing that a piece of aluminum trim was missing from the roof, he offered (unsolicited) to nail the piece back up when he returned to our neighborhood the following week. (This trim is high up on the gable, and I wasn't looking forward to doing it myself or to paying to have it done.) No problem he said, easy with their equipment, and he'd be in the area. And this is how a breakthrough customer experience looks: great service, great value, and then a little "vig" to seal the deal.

Except that he didn't. He never returned. We've reached out a half a dozen times to schedule this work– with no response. We've offered to pay to have it done. Still no call back. Frustrated, we're now resigned to the reality that this isn't going to happen as we'd hoped. And here's the rub: despite a great house-washing result, we're really no longer satisfied customers. Our relationship with this contractor is weakened. Maybe we'll hire them again, but maybe not – it depends.

We recently had a similar experience here at the office. One of our consultants delivered a great onsite experience to a client, and while there, offered to write up a short letter report of findings and outcomes. Because the report wasn't in the original scope, the consultant viewed this work as a voluntary add-on, and thus a lower priority. The client didn't see it that way, and became increasingly frustrated when the report didn't arrive for several weeks. Things are better with this customer today, but not as good as they could have been. We simply didn't meet all of their expectations.

Customers aren't so discriminating when it comes to service delivery. They (rightly) look at the complete package of promises we make: items in-scope and add-ons, strategic concepts and tactical actions, easy parts and hard. They expect it all – because that's what we said we'd do.

Stop promising stuff to your clients that you can't or won't deliver. Do what you say you'll do. Make it easy for your customer to be happy. That's a solid foundation on which you can build a great client experience. ●

John Doehring is Executive Leader of Advisory Services and Training at PSMJ Resources, Inc. He advises A/E/C firms in the areas of business strategy and planning, marketing and growth, organization development, and operations transformation. He has successfully led dozens of strategic business planning and operational improvement engagements for a wide range of client organizations.

WRITE FOR PSMJ!

Do you have some new, innovative tips to share with others about running an A/E firm? PSMJ is looking for great writers and stories for Professional Services Management Journal! Writing for PSMJ is a remarkable opportunity to enhance your authority, add to your professional resume, bring name recognition to your company, and see your name and contact info in print in a prestigious and highly regarded journal.

If you're interested, please write to Lauren Terry, PSMJ's Editor, at ***lterry@psmj.com***.

THOSE THAT LEAD, SPEAK AND WRITE *by Scott Butcher*

For the past several years, "content marketing" has been the buzzword in the business world. We've all been told about the importance of blogs, ebooks, white papers, vlogs (video blogs), and more. And we've seen how some of the leading firms in our industry—of all sizes, by the way—have embraced digital technologies and utilized content as an effective marketing strategy. At the same time, we've seen firms that have struggled to create a useful website or any meaningful presence on social media.

I'm a huge fan of content marketing. But too many people have a narrow definition of "content." To me, the industry thought leaders have been using content all along—well before the advent of the World Wide Web and Internet of Things!

Public speaking was probably the original form of content marketing. Someone had an idea, and they stood in front of a group of people and shared their idea, hoping for buy-in. Somewhere along the way, a particularly innovative Neanderthal probably stood in front of a group of family members and suggested that the wooly mammoth would taste much better if they cooked it over a fire instead of eating it raw. That was content marketing! He had an idea (the concept of using fire to cook meat) and he shared his knowledge, hoping to persuade an audience. And imagine the demand that was created when other families learned about it and came knocking on his cave, asking for his expertise and offering to pay him in berries or pelts! Sounds suspiciously like content marketing to me!

Likewise, writing has always been a form of content marketing. Just ask Thomas Jefferson. A little-known piece he wrote entitled The Declaration of Independence is a masterpiece of content marketing, and was used throughout the thirteen original colonies—which were suddenly states of a new nation—as a call to arms to fight for independence. Of course, those pesky editors are ever-present, as was the case here. But when your editors are John Adams and Benjamin Franklin, that's not necessarily a bad thing! (And everyone needs an editor!) Content marketing is not new. We just have a lot more channels at our disposal.

Why is this important? It seems to me that many A/E/C firms are resistant to content marketing. They think it is a waste of time. They think that no one wants to hear what they have to say, much less read what they have to write. So they avoid new marketing technologies, or even criticize their marketing professionals who want to help move their firms into the twenty-first century!

I recently had a conversation with a technical professional, who had a negative view of blogs. During the conversation, I shared an example of how a single blog on our website had outdrawn our home page over the past year! His response was that people who were finding us via that blog were not people we wanted, and that if he was researching the topic, he wouldn't go to an engineering firm's website. When I queried about the facts he used to arrive at this opinion, he had none.

And therein lies much of the problem with resistance to content marketing. Technical professionals in leadership positions too often fail to understand the audience for content, much less the value of meaningful, regularly updated information on your website. With this specific individual, I offered that because the blog was a home run, our firm was being looked at as a thought leader on the topic. And furthermore, that the traffic it was generating was exposing new, potential clients—or referrers—to our company. And finally, that the content was meant for consumption by clients and prospects looking to learn, not technical professionals that already have a far more advanced knowledge of the topic!

Firms need to reframe "content marketing." It is not just a blog or a video. It is a presentation to a client organization. Or an article in a magazine or newsletter. And often, the idea that begins with a blog or survey or social media post leads to opportunities to write articles and speak at organizations and conferences!

Clients want to work with thought leaders. They want to work with design and construction professionals that they perceive to be a "cut above" the commoditized masses they see when they look at us. Thought leadership via content marketing is an excellent way to do this. It allows small firms to look like big firms. It allows you to create a competitive edge in the marketplace, and establish yourself or your co-workers as leaders in the architecture, engineering, and construction industry.

▸ ***CONTINUED / PAGE 6***

DID YOU KNOW?

Fair Labor Standards Act (FLSA): Cost impact readiness assessment
By reclassifying some previously exempt employees to non-exempt status, this year's proposed changes to the FLSA could dramatically increase employers' overtime costs. Other potential fallout from the changes—including less scheduling flexibility and the need to redistribute work among your workforce—could seriously impact both costs and productivity. The change is going to be overtime being paid to exempt workers up to a certain income limit.

KEY PROVISIONS OF THE PROPOSED RULE

The Notice of Proposed Rulemaking (NPRM) focuses primarily on updating the salary and compensation levels needed for white collar workers to be exempt. Specifically, the Department proposes to:

1. ***Set the standard salary level at the 40th percentile of weekly earnings for full-time salaried workers ($921 per week, or $47,892 annually);***
2. ***Increase the total annual compensation requirement needed to exempt highly compensated employees (HCEs) to the annualized value of the 90th percentile of weekly earnings of full-time salaried workers ($122,148 annually); and***
3. ***Establish a mechanism for automatically updating the salary and compensation levels going forward to ensure that they will continue to provide a useful and effective test for exemption.***

The Department's proposal to set the standard salary level at the 40th percentile of weekly earnings for full-time salaried workers represents the most appropriate line of demarcation between exempt and nonexempt employees. This salary level minimizes the risk that employees legally entitled to overtime will be subject to misclassification based solely on the salaries they receive, without excluding from exemption an unacceptably high number of employees who meet the duties test. As proposed, this would raise the salary threshold from $455 a week (the equivalent of $23,660 a year) to about $970 a week ($50,440 a year) in 2016.

The Department is also proposing to automatically update the standard salary and HCE total annual compensation requirements to ensure that they remain meaningful tests for distinguishing between bona fide executive, administrative, and professional workers who are not entitled to overtime and overtime-protected white collar workers. Experience has shown that the salary level test is an effective measure of exempt status only if it is up to date.

In addition, the Department discusses the current duties test and solicits suggestions for additional occupation examples and requests comments on the current requirements. Similarly, the Department seeks comment on the possibility of including nondiscretionary bonuses to satisfy a portion of the standard salary requirement. The Department is not proposing specific regulatory changes on either of these issues.

DON'T PLAY THE DESIGN-BUILD GAME IF THERE ARE MORE THAN 4 OTHER TEAMS

by Dave Burstein, P.E.

Participating in a design-build competition can be very expensive – even if you can get the contractor to pay some of your proposal costs. If you win, your profit on the project must cover the costs of all the losers as well as the costs of that one winner. So it doesn't pay to play if the field is too large. The Federal Acquisition Regulatory (FAR) Council recently issued a final rule on design-build that limits Design-Build two-phase finalists to five teams on federally funded projects. Even if the project you're considering doesn't fall under this jurisdiction, the 5-bidder limit should be your guideline.. ●

David Burstein, P.E., is a Principal with PSMJ Resources, Inc., where he provides consulting and training services on the subjects of strategic planning, marketing, project management, human resources, quality, finance and 120-person planning subsidiary.

Those That Lead... ***(continued from page 5)***

You don't have to be the Neanderthal who invented grilling, nor the author of a document that created a new nation. Write or speak about what you know. Figure out how this information could be of value to a client or prospective client. And then look at the myriad content marketing channels available to you, online or off, and focus on one or two. Your firm and your career will thank you! ●

Scott Butcher leads the marketing and business development programs for JDB Engineering and affiliate companies. He also serves on the company's board of directors and chairs the inter-company professional development committee. Scott is a prolific author, having published 13 books and currently completing his 14th and 15th titles.

THREE MORE WAYS TO INCREASE YOUR PROFITS

by Charles Nelson AIA, LFRAIA

In a companion article I described research-based two ways to increase your firm's profitability: Stamp out rework, and Create a more challenging, more interesting work environment. Here are the other three.

3. CHANGE THE WAY YOU COMMUNICATE WITH CLIENTS

The way most design firms communicate with their clients wastes massive amounts of time, without really improving communication effectiveness.

There is a PSMJ methodology, that if followed, will cut total project communication time in half, while actually improving the quality of the communication.

HERE'S THE METHOD:
(which must be proposed as part of your proposal)

1. Agree to a weekly telephone meeting with the client.

2. 24 hours before that meeting, get your team together for a 5-minute standup meeting, to be able to answer the following points – in one, or at most, two short sentences:

a. What did we do last week?
b. What will we do this week?
c. What scope changes / valued added items are there?
d. What's the budget status?
e. What's the schedule status?
f. What input is needed from client or others?
g. Any other issues?

3. Have the weekly phone call 24 hours later, covering any discussion needed on those 6/7 points.

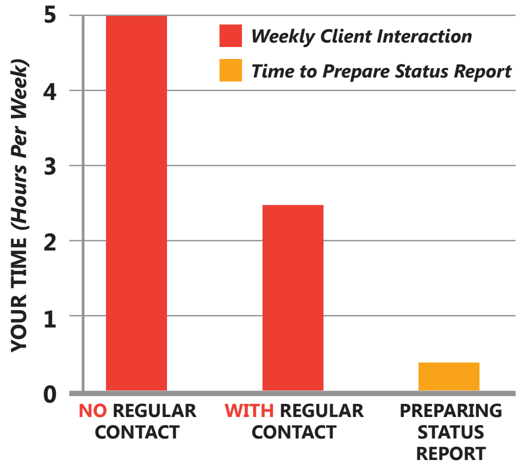
4. On a monthly basis, put the month's weekly reports together; your monthly report is done.

The outcome is shown in the slide above: Instead of spending an average of 5 hours per week on client communication, you'll spend half that. And all feedback we receive indicates that clients like it and generally are willing to regularize communication.

ACTIONS YOU CAN TAKE

Implement this plan, practice-wide. It works. But don't think that you can do it fortnightly, or monthly—that won't work. Your busy PMs will find it difficult to discipline themselves to do this every week, but the results will be well worth it. The time it will save? Massive. Your PMs will have a lot more time to devote to design and production. And your clients will be happier.

DOES PROACTIVE COMMUNICATION TAKE TOO LONG?



4. DEVELOP SHARPER FOCUS

Recent research shows that multi-tasking is a myth. We think we're doing more because our brain feels busy, but that's all that's happening. In an article in the *New York Times*, "Brain, Interrupted," Bob Sullivan and Hugh Thompson explore research on the topic, and point to research by Gloria Mark, who found: "a typical office worker gets only 11 minutes between each interruption, while it takes an average of 25 minutes to return to the original task after an interruption." They also quote research at Carnegie Mellon, that interrupted groups gave wrong answers 20% more often than did a control group. A further part of this experiment showed that people who expected interruptions that never came, out-performed the control group by 43%.

An interesting website by Atlassian provides a list of time-wasting activities, without sources:

1. Average weekly business emails: 304

2. Number of times per hour average employees check email: 36

3. Minutes spent refocusing after handling incoming email: 16

4. IQ points lost when fielding constant email: 10

5. Annual productivity costs per employee:

- *Spam: $1,250*
- *Unnecessary email: $1,800*
- *Poorly written communication: $2,100 to $4,100*

6. Average number of meetings, per month, 62

7. Meetings considered a waste of time: 50%

8. Hours spent per month in unproductive meetings: 31

▸ ***CONTINUED / PAGE 8***

Three More Ways to Increase Your Profits *(continued from page 7)*

Here's more: In a series of papers called "Taming the Email Tiger," the author quotes from a report: "*A Basex report shows that 'most knowledge workers lose about 2.1 hours a day to constant interruptions and recovery time...'A 30-second interruption can take a worker 10 minutes to get back into the flow of work,' notes Jonathan B. Spira, CEO and chief analyst at Basex.*"

There is a lot more, but you get the idea. Finally, firms are starting to understand the cost of our present communication systems. Look, and you will find ample evidence that we are seriously unproductive. Never forget that every hour wasted is an hour you can't sell to a client at full charge-out rates, so it means an equal amount of profit lost.

ACTIONS YOU CAN TAKE

1. ***Take every reasonable precaution you can to reduce or eliminate interruptions for both you and your staff:***
   - *Set times for return of phone calls and emails.*
   - *Turn off all email notifiers.*
   - *Institute an internal email policy: no email to other staff in the same office unless it is a copy of an email going outside the office.*
   - *Have the receptionist field calls, putting through only calls that staff need to take at once.*
2. ***Start and finish meetings on time, and cut off unnecessary discussion.***
3. ***Practice what you preach: Don't interrupt staff unless absolutely necessary. Schedule needed meetings.***

5. STOP THINKING "UTILIZATION"

Keeping an eye on utilization rates is not a bad thing, but as a strategy for making money, it has little going for it. Sometimes, pushing utilization rates, especially for principals and senior staff, is actually counter-productive.

What happens—all too often—is that people who should be focused on the bigger picture, and on coaching and mentoring, feel pressure to put in more chargeable hours. They go around, looking for projects that are running under budget, get involved where they may not even be needed, and put hours on projects. Net result: The project managers running those projects see their efforts to work efficiently undercut by principals chewing into their project profits—and it's pretty demoralizing. A great way to kill efficiency!

Most design firms run at around 65%-70% utilization—that is, total charged hours divided by total office hours. Perhaps another 5% or so can be gained by keeping the focus on utilization, but not much more.

The big problem with utilization is that it has a "goal" of 100%, which is of course unattainable. A far more intelligent way to think about making money is to ask yourself how your people could produce 4 or 5 hours of billable work in 3 hours. That is a totally different concept, and would be a utilization factor of 133% or 165%.

Keeping an eye on utilization rates is not a bad thing, but as a strategy for making money, it has little going for it. Sometimes, pushing utilization rates, especially for principals and senior staff, is actually counter-productive.

ACTIONS YOU CAN TAKE

1. ***As part of the Project Management Plan, plan work in discrete units, by the kind of task it is (not by project phase), and assign hours as appropriate.***
2. ***As the work moves along, mini-brainstorm these tasks with the project team, looking for ways to do them in less hours than planned. If there are ways to do that, follow them.***
3. ***Sometimes the above process will show that not enough hours were allowed. Then, you'll need to re-adjust task hours so at least they can be accomplished within the newly set time.***
4. ***Keep a close eye on design iterations, and on getting to workable solutions quickly – but don't dictate or micro-manage.***

SUMMARY

In none of these 5 ways to raise profits have I suggested seeking change orders, charging "extras" or any other method of negotiating greater fees for the same scope. There are at least another 5 ways in that space. Another article, a future issue.

Bottom line: Using the 5 methods above—really implementing them—easily has the potential to double or triple your profitability, without changing your pricing or your opportunities to "grow" your projects. ●

Charles Nelson, AIA, LFRAIA, is the Director of PSMJ's Australasia practice. He is also known for writing and speaking extensively on project and practice management. Charles can be reached at cnelson@psmj.com.

STRATEGY LESSONS FROM MONEYBALL *by Jared Jamison, P.E.*

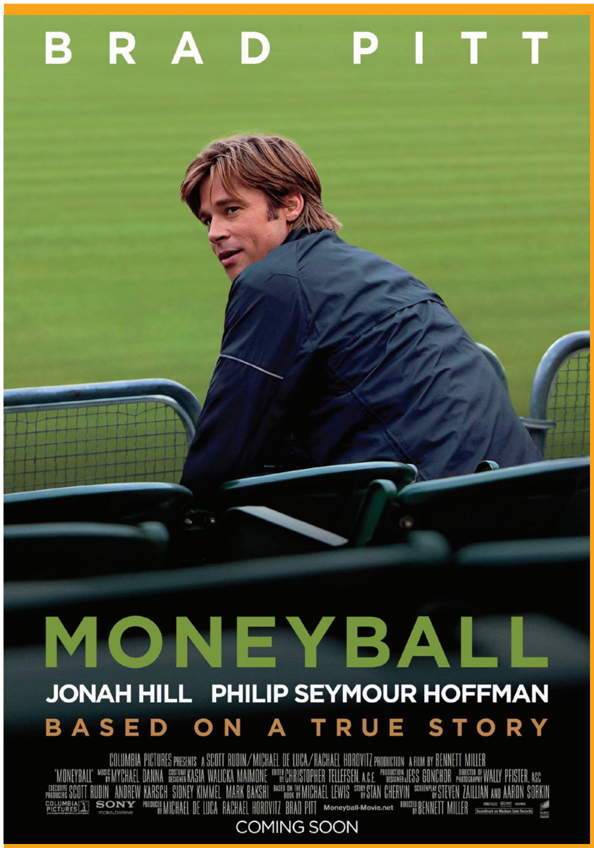
I had been told by several people that I had to watch the movie "Moneyball." They told me that it was a great movie that had great lessons about business, management, and the power of data. This sounded right up my alley so I recently watched it. This is a great movie with some great business lessons. There are numerous articles on the management lessons of "Moneyball" but I thought the movie also had some great lessons related to corporate strategy.

Brad Pitt plays Billy Beane, the general manager of the Oakland A's. Beane is faced with the challenge of managing a team with one of the lowest team salaries in Major League Baseball. He does this by approaching the game differently than any of his competitors by utilizing statistics and concentrating on the single metric of on-base percentage (which was highly correlated with runs). This is the first strategy lesson in "Moneyball." In order to win, you have to differentiate and compete in a different way. This is particularly true when you are dealing with large competitors that have more scale and resources than you do.

All was not smooth sailing for Billy Beane though. Many of his staff, the media, and the public did not believe in his strategy. The A's started the season off terribly which only helped empower these critics. Despite the criticism and doubt, Beane stuck with his strategy. The next lesson is that strategy takes time and, despite how difficult it seems, you must stay the course and give it time to work.

Things start to fall into place for the A's once Beane begins to structure the team around his on-base strategy. He fires the head recruiter who would not get on board with the strategy. He trades a star first baseman to force the manager to use a player that better fits the strategy. The lesson here is that you must structure your team to deliver on and strengthen your differentiation.

Even though Beane got the proper structure in place, the A's still had a problem with execution. It is important to recognize whether strategy or execution is hurting results. Beane figures out that the lack of execution is rooted in the team not understanding his strategy. He had to explain to his staff and players how they played into the strategy and did it by creating a mantra of "get on base." This is the next lesson in strategy. In order to deliver the best results, your people need to understand your strategy and tools like a mantra can help you do this.



SPOILER ALERT! The A's go on to break the record for most consecutive wins in the history of the American League but eventually lose in the playoffs. Considering where they started, this was a huge achievement. The Red Sox offer Beane a job to bring his system to Boston but he declines.

Two years later, the Red Sox win the World Series using his system. The final lesson here is that in order to win over the long run, your competitive advantage needs to be sustainable and not easily copied. One way to do this is to create a strategy that will wreck your competitors' business models if they try to copy you. Beane's strategy was easily copied by the Red Sox without damaging their "business model," so the A's were quickly gobbled up by a competitor with more resources.

How is your strategy unique and sustainable and what will you do differently than your competitors to support it? Once you figure that out, how will you get your team on board and ensure execution? ●

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A NONTECHNICAL APPROACH COULD BE YOUR BIGGEST TECHNICAL RESOURCE *by Kathy Nanowski*

Most of our clients are neither engineers nor architects, which is why they need us (BD staff). And your marketing staff is not comprised of engineers or architects, which is why you need marketing. It's a match made in proposal heaven. I recently attended a client panel program on proposals, and it struck me that the panelists were saying something I've been thinking about a lot lately: when putting together a proposal we need to stick to what is important to the client's needs.

Those needs aren't the size of pipe used on their projects (although important), those needs are personal: a beautiful park or a road designed in a way that won't flood during storm surges. Unfortunately, here's what tends to happen instead–we fill in as much space as possible, often using the jargon of our discipline, to prove how qualified we are to do their project. It's only natural for us to feel we have to demonstrate our ability to do an amazing job, especially when other people on the selection panel don't know us from Adam or Eve. But, the truth is they really want to hear more about how you will help them, rather than how wonderful you are.

To keep their attention, it's much more important to keep a laser-like focus on the client's distinct needs and speak their language. So, how do you let them know how great you are if you can't give them all of the technical details?

• ***Start off your proposal with your key message.*** What will this client lose by not hiring you? What unique value proposition do you bring to the table that no one else can? Keep in mind, this unique proposition better be something the client will care about. If you tell them you will save them time by using a creative approach, but time isn't their priority, you've immediately lost your edge over your competitor. Of course you won't know what's important to them unless you ask. Bad news though, you won't find out what's important to them in the RFP—that's usually only unveiled in a Q/A session, your Q and their A, and hopefully, through your discussions with them before the RFP came out.

• ***Weave your firm's ideas and unique differentiators into the proposal, without seeming to be focusing on yourself. How do you do that?*** Use them as side-bars or call-outs. Incorporate them into a text box, or create a mini-case study; highlight a past project demonstrating a similar experience with another client. Try to spread these differentiators through the proposal like sprinkles on a cupcake. Remember, though, no one likes too many sprinkles, so only include enough to add some uniqueness. Not only does it show that you understand their project, but it makes your proposal stand out. And, it shows the client you didn't just take something off the shelf, dust it off and change the name on the cover letter.

The truth is they really want to hear more about how you will help them, rather than how wonderful you are. To keep their attention, it's much more important to keep a laser-like focus on the client's distinct needs and speak their language.

• ***Use your interview to build on your project approach.*** Undoubtedly, the client panel provided insight into the interview stage. One panelist told me once we should view the interview as a brand new race. The first race was a tie; you and the other consultants are all qualified. This second race is intended to break the tie, so don't waste your time rehashing what you already said in the proposal. Spend a short amount of time explaining what you see as key issues and then spend the rest telling them how you are going to solve those issues. Helping them look like a superhero to their board or community by suggesting your approach to the projectwill be the best feat of all. ●

Kathy Nanowski is the Senior Marketing & Business Development Manager at Fuss & O'Neill, Inc. in Manchester, CT.

MIDDLE MARKET: MAJOR GROWTH OPPORTUNITY

by Pete Kienle

I recently attended a presentation by Dr. Anil Makhija, Dean of the Ohio State University Fisher College of Business, on the "middle market." I had never heard anyone talk about a "middle market." So what is the middle market—by definition it is the 200,000+ US businesses with revenues of $10 million to $1 billion. Historically, most business research and information has been on small or large businesses, with the SBA collecting information and assisting small businesses and the SEC requiring large businesses to annually file 10k reports on their operations. The SEC requires very detailed and specific information in the 10k reports and the reports are available to the public via the internet.

GE Capital some years ago set out to find a university they would support that could conduct extensive research and provide information on middle market businesses, businesses that comprised the bulk of their customers. The Ohio State University was selected and with additional funding coming from other interested businesses started the National Center for the Middle Market ***(www.middlemarketcenter.org).***

After hearing Dr. Makhija's remarks and looking at the Center's web site and reports, I found the information very useful for benchmarking A/E/C firms as well as useful for market planning for A/E/C prospects in the middle market.

Their recent 2016 report, *The Force is With You: Building a Highly Effective Sales Organization*, outlines 5 key takeaways for Middle Market (MM) firms. Three of the takeaways apply to AEC services firms. They are:

• ***Fastest growing MM firms have highly skilled sales forces.*** With principals not able to reel in enough work for growing A/E/C firms, the seller-doer movement involves bringing the technical professionals much more heavily into the business development and sales efforts. Many technical professionals are expected to devote 10% or more of their time to business development (BD) efforts. But many are not taking on the BD challenge, saying they do not have the time (who has available time in a firm), but in reality they do not do it because most just simply do not have the training to effectively conduct BD. And in my experience if you train a technical professional through a process, they will implement the process—they have a plan.

• ***Most successful MM sales organizations invest in formal mentoring and coaching for sales staff.*** Most A/E/C firms have informal and many also have formal mentoring programs for project management and A/E/C operations. Business development has been largely not part of mentoring, some say because the mentor does not have those skills or understand the best practices and their application. Young technical professionals are still coming out of college with little or no training in verbal or written communication and need those skills to conduct effective BD. The good news about millennials is that many are interested and willing to learn those skills. I am often asked to speak to "young" engineering organizations about marketing and BD—my guess is that the millennials see this need and want to learn the skills to progress in their careers. Mentoring and coaching is closely related, with coaching being done when a senior person sees the need or a junior person coming forward and asking for help.

• ***Strong interdepartmental relationships fuel success in the fastest growing MM companies.*** When I joined one middle market multi-office A/E firm as marketing director, I decided to start by interviewing all the marketing staff and key firm managers. I asked one marketing coordinator about what she thought of the business development program and she said she did not know anything about it or how it was done. Alarms went off! No relationships!

Part of the problem is that the biggest responsibilities of most marketing organizations is to write proposals, get leads and conduct promotional efforts. Those conducting BD are to develop close prospect relationships and win work. One often hears from marketers—we give them good leads and write great proposals and still they do not have the relationships or conduct great interviews to bring home the work. The BD people say the marketers do not provide the needed research, leads are poor and the promotional efforts a waste of money. From my view, most marketing groups are turning out too many proposals, many of which are the shotgun variety, and do not have time to service the needs of BD. One recent publication said that the marketing and BD (sales) departments that work well together have 20% more revenue than those that do not.

In today's A/E/C world, the opportunities are harder to find and there is significantly more competition. BD (sales) is no longer a necessary evil but an expertise that must be learned and practiced well for the growth of the firm.

So, train the technical professionals in the BD skills needed, set up formal marketing and BD mentoring and coaching programs and integrate marketing and BD into one. And watch your revenues grow!!! ●

TIME TO CHECK SUPPLIES? *by William Fanning*

In an activity that occurs every few years, several Congressional people have remembered all of the Buy American Act (BAA) provisions they included in their federal contracts, and they have written to agency officials trying to gain assurances that the BAA rules are being followed.

For the next few months, agency officials (primarily auditors) will check contractors for compliance with BAA provisions.

Basically the requirements are:

• *All supplies must be made in the USE, and the suppliers are required to provide you with certifications of this fact. If the supplies are provided by a lower tier provider, the actual contractor should provide the required certifications on up the contractor hierarchy.*

• *If the supplies are not made in the USA, then you (or the lower tier supplier) will have to follow agency procedures and forms to obtain a waiver of the BAA provisions. Note this process can be lengthy as you will need to prove there are no made-in-the-USA alternatives or that a foreign source is better able to meet needs and schedules.*

Fortunately, for design contracts there is little in the way of supplies used on most all contracts.

However,if you are part of a design/build contract the use of materials and supplies can be a major part of the contract, and with the typical number of suppliers, quite a chore to have all of the necessary documentation in place. Waiting for your agency owner to start looking at you documentation is not a realistic alternative. You have signed contracts that you will adhere to the BAA requirements, so it is your responsibility to see the terms of your contracts are followed.

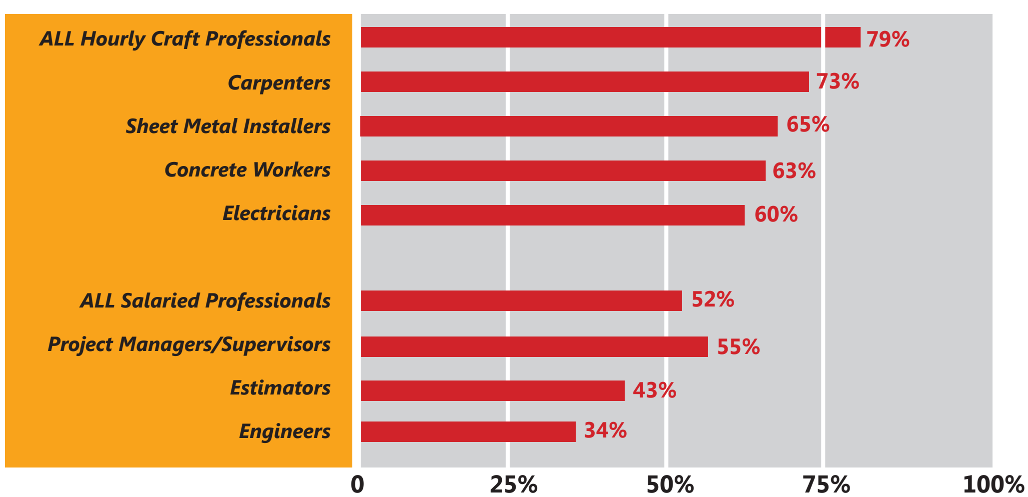
After a few months of this activity, Congress will stop asking, agencies will stop looking , and normalcy will return to most contracts. However, Congress will again generate inquiries at some point in the future, and this activity will be repeated. ●

DID YOU KNOW?

According to Business Week companies in Silicon Valley are hiring engineering interns at the summer wages of $6,800 per month. That would be an annual salary level of $81,600. It will also explain why our industry is not attracting the best and brightest young engineering talent to our industry.

HARDEST POSITIONS TO FILL

% of respondents who are having trouble filling



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