

# PRINCIPAL'S REPORT

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## INCREASING MARGINS

### Stepping Into the New World

Amid the recession and reduction in pipelines of work, professional service firms are beginning to see an upside: the opportunity to realign and rejuvenate marketing and business development with innovation and purpose. What do firms see that is working well? What are their clients really looking for? We are at half time in our response to the recession. We've had a chance to look at its effects, to experience a lot of reduction in the work force, and a lot of people removed from their position. We've seen a lot of clients have a serious change in their business operations, and we're trying now to reinvent and recast ourselves according to those changes in the marketplace. The chart on page 1 shows the patterns of previous recessions and the corresponding ups and downs of the housing and commercial markets plotted there. It puts

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Bet on it. If you are a professional service provider, plan on a completely new way of doing business from now on. We must change.

## EXERCISING LEADERSHIP

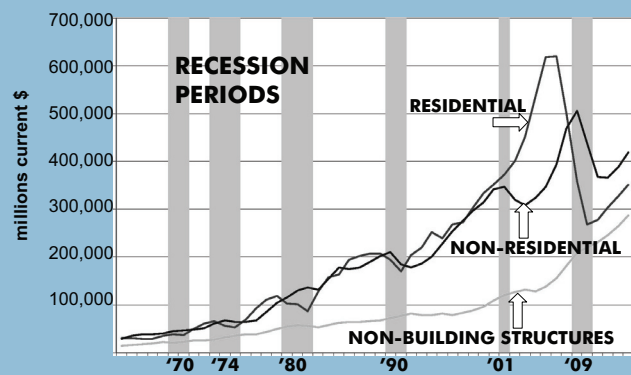
### Six Principals' Viewpoint of A/E/C's View of the Future

The recession of 2009 has had a profound impact on the way that A/E/C firms conduct business both internally and externally. A panel of six principals tells how their firms are adjusting to the new world order. They explain what they're doing differently, how they are coping with the downturn, what they have learned, and how things are different than they were just a few years ago. Did the changes they made have the expected results, and what do they think the future holds for the industry?

The principals are Eric McGovern, president and CEO, Pavarini McGovern; Gary H. Pomerantz, PE, LEED AP, executive vice president WSP Flack + Kurtz;

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CURRENT \$ PUT IN PLACE CONSTRUCTION



(Source: FMI)

## Sound Advice: From a Veteran CMO

In a series of podcasts by Capelin Communications, Joan Capelin, Hon. AIA, PRSA, talks with some very astute people about how the design and building industry can—no, will—get through today's tough times. Here she talks with Craig Park, FSMPS, vice president and chief marketing officer at Leo A. Daly, about the path firms should take during a downturn and why marketing and business development are so crucial to a firm's survival today.

**Joan Capelin:** *Tell me, Craig, what does the title chief marketing officer (CMO) entail?*

**Park:** My role is an umbrella over all business development and marketing. On a day-to-day basis, I look strategically at the markets we're in and how we position our experts in those primary markets, so that they're well-known and accepted as a firm of choice for our kinds of practice. I also look over the outbound communications, the Web site, and the graphic standards for the firm. Our group trains and teaches each of our 30 offices that have a business developer person in them on how to leverage those tools so they can take advantage of the strengths of one company.

**Capelin:** *I'll bet there were times when no one understood what a CMO does.*

**Park:** The key is to communicate a lot. We have a variety of internal communication

pieces that we use. I do lots of face-to-face outreach, traveling between our offices, looking at their local strategic plan, and what kind of expertise are they trying to position in their markets. Part of the challenge in my role as chief strategist is to get my arms around the demands of each of those markets and help those offices succeed.

**Capelin:** *Let's assume every firm is considering new ways to get work right now, is 'new' the way to go, or should they stick to their knitting?*

**Park:** It's definitely a mix. In this economy, you have to look at new ways. We spend a lot of time talking to clients well ahead of projects about potential funding methodologies that have not been used before, various P3 options, and 501C3 bond issues. There's a number of ways to bring money to projects today. Architects typically have not been in the lead in helping their clients find a way to get their projects done.

The other thing that's important to recognize is that even though the economy overall is depressed, there's still work going on, judging by the influx of projects in our firm. We're pretty close to the same level or a little above where we were a year ago. Part of that is a greater influx of federal work. We have an established federal practice, but other markets have some life in them as well.

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**Capelin:** *I'm sensing that everybody feels that it's very competitive out there. When costs are uppermost in client's minds, do you have to drop fees?*

**Park:** I don't believe so. I think we spend a lot of time talking about the value that we bring to clients and look for ways to improve their projects and make them more efficient, so it costs less while making projects more sustainable and energy efficient.

We look at ways to include things in the program clients might not have thought would drive additional value, such as finding more income streams into their institution or organization. So there's a way to present a value proposition that prevents the competition from being a driver. That said, there's certainly a pressure on fees. We do get into cost competition with some of our friendly competitors. We've seen lately that firms are cutting their fees in half just to get the work in the door. We won't do that. We have a business-oriented practice. We are in the business to show a profit to our stakeholders so we'll continue to look for ways to provide a value proposition that is a win-win for our clients and ourselves.

**Capelin:** *Are you doing more market research than you used to? Are there any sources out there that are particularly effective in a downturn?*

**Park:** We're doing about the same. Where we have shifted our market research today is to look at our clients' competitive environment much closer, to find out where and how they are leveraging their financial models. Again, it all comes down to how you get a project done. So we spend more time now looking at financial information, talking to financiers and P3 partners, and in the private sector, it's how can we help you get your job done.

**Capelin:** *Can you give us some examples of*

*what you called strategic client relations?*

**Park:** We do work for a number of organizations in the hospitality industry, positioning new products and trends in their industry, such as where the owners can develop new models, and they engage us with that planning. In this case, we may not be involved in every project, but we're involved at the beginning stage.

We're involved right now with a public client who is putting together a consortium of private research and higher educational academic research to develop the feasibility study for a new marine science institute on the West Coast. So we're tying private development money and private research with two of the universities that have a research component.

**Capelin:** *What has got to change in marketing professional services to get through this rocky period?*

**Park:** The key right now across the industry is that leadership needs to understand that now is the time to invest in marketing and business development, not cut it. There's a lot of pressure to cut overhead expenses, so we try and weather a reduced pipeline, but if you don't sell, sell, sell through this, you won't come out healthy on the other side. One of our collective strategies is that we're going to grow ourselves through this first six months. We just completed an acquisition of a 42-person firm with two offices in Florida and opened an office in Beijing and Abu Dhabi. We see the way to get through this is to put strong emphasis on aggressive marketing and business development.

For more Sound Advice, go to [www.capelin.com](http://www.capelin.com) and click on the Sound Advice icon on the home page. For more information, contact Joan at [jcapelin@capelin.com](mailto:jcapelin@capelin.com).

## Leveraging Client Relationships With Feedback

By Mike Phillips, AIA

All is not well in the A/E/C industry. The average profitability is half of what most business analysts specify as a minimum level to sustain our existence. Client's perception of a design firm's value suffers because of an avoidable disconnect. This disconnect is typically related to a perceived lack of time to adequately understand the client's needs and build value by following their preferences.

All firms track a project's profit or loss. If this is the sole criterion measured, the firm will likely maintain the same process if profit is healthy and hurry a project's completion if profit is poor. This only allows firms to react to profitability and offers little understanding of how a firm's process is viewed by the client. The keys to collecting and incorporating feedback on the process to build a firm's value to their clients are as follows:

### 1. Use the proper questions in asking for feedback.

Remember to ask process-oriented questions such as how well does our firm's process work to help you manage your project's budget. This creates constructive feedback that can be used to fine-tune the process. However, do not ask questions that could increase your firm's liability.

### 2. Structure the answers to track the client's expectations.

The most beneficial feedback is gathered by offering your client a range of answers

to identify its specific expectations. Clients can vary tremendously in their expectations of their designers. If their expectations are not being met, a design firm has issues to be addressed. If their expectations are being exceeded, then the process is effective and can be maintained.

### 3. Label all answers with a numeric value.

While all possible answers to your feedback questions should have written descriptors to guide the client's response, also assign each answer with a numeric value. This numeric system will allow you to blend answers, plot and average results for quick graphic recognition, and create alerts for high or low scores that require attention.

### 4. Request feedback from clients throughout the project.

Waiting until the end of a project to ask for feedback is, at best, only an autopsy. It's impossible to undo actions, and the feedback received will tend to be weighted toward the most recent events. By requesting feedback from the beginning of a project, the data will be more helpful to the designer in finding the best process to move forward. Also, clients will be more motivated to give constructive feedback to improve the design team's success, and the client will now feel more ownership in the design process and is less likely to file costly claims.

### 5. Use e-mail to comfortably collect objective feedback.

If a design firm currently collects feedback by talking directly to clients, then using e-

Clients can vary tremendously in their expectations of their designers.

mail can save time and trouble and offer better data. Live feedback can be subjective, emotional, and fear-inducing for both designer and client alike. Designers can dramatically improve results by using e-mail as a collection method.

### **The holistic and sustainable benefits of client feedback:**

#### **1. PROFITABILITY**

**Problem:** Design firms often underestimate their value to clients and price themselves accordingly.

**Solution:** Use client feedback to more accurately determine value and pricing.

**Benefit:** Setting fees by feedback increases firm income by increasing client value.

#### **2. LIABILITY**

**Problem:** Design firms are vulnerable to claims when errors are discovered to have cost money or posed a safety risk.

**Solution:** Use client feedback to catch problems earlier before they become major issues.

**Benefit:** Firm saves money on liability insurance premiums and claims.

#### **3. MARKETING**

**Problem:** Design firms don't have a clear view of their clients' perception of their value.

**Solution:** Client feedback offers testimonials directly from clients.

**Benefit:** Firms can use client testimonials to directly market to new clients and confirm their value for existing clients.

#### **4. MANAGEMENT**

**Problem:** Design firm managers cannot know every detail of every project and may not always be alerted to client issues

by their staff.

**Solution:** Use client feedback to make problems known so that designers are held accountable for finding solutions.

**Benefit:** Firm managers can empower their staff to solve problems when they arise without letting them go unaddressed.

#### **5. STAFF PERFORMANCE**

**Problem:** Design firms have no objective way to measure staff performance.

**Solution:** Use client feedback to measure and track the health of client relationships.

**Benefit:** Firms can encourage growth and improve staff performance and client focus.

#### **6. STAFF RETENTION**

**Problem:** Each time a staff member departs from a design firm it can cost that firm over \$100,000.

**Solution:** Use client feedback so that staff members will know their talents and contributions are both recognized and appreciated.

**Benefit:** Firms can reduce the number of staff they lose, thus reducing lost profit and productivity and increasing staff satisfaction.

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*Mike Phillips, AIA IIDA is the president of Phillips Architecture PA in Raleigh, N.C. Phillips is also the founder of DesignFaciliator, a software firm that created the only client feedback tool customized for A/E firms. Contact [mike@designfaciliator.com](mailto:mike@designfaciliator.com) or by phone at 919-878-1660.*

Adapted from the forthcoming 120-page special report from IOMA (by editor Ernest Burden), *Integrating the Client Relations Process: Strategies for Client Interactions From Image Surveys to Satisfaction Feedback Surveys*, available mid-January.

## Social Media Strategies: New Tools for New Business

By Tami Hausman, Ph.D.

Most of us consider “social media” to be a different way of doing business. But the concept behind social media is not really new. The conduct of business has always had a social component and, because it necessitates some form of outreach, has always relied upon various media of communication to work.

The introduction of digital networks has dramatically changed the way we communicate. Millions of people

**We have had to loosen our control and accept a plurality of voices from within the firm.**

have adopted these networks to exchange ideas, interests, and breaking news. Although these methods are increasingly popular—there are now 300 million users of Facebook, for example—it’s unclear whether social media is actually helping companies broadcast their messages more effectively and win more work. The New York chapter of the American Institute of Architects recently held a panel discussion to explore this question.

The ability to communicate faster is not the only reason why social media is advantageous; these networks represent a paradigm shift in relationship-building, because they act like matrices that open up multiple and simultaneous conversations with one, a hundred, or even several thousand people. According to panelist Jessica Sheridan, editor-in-chief of *e-Oculus*,

the biweekly newsletter of the AIA’s New York chapter, “the best thing about social media is that it provides access to so much information about firms and what they are doing.”

In a way, the use of social media has democratized business by breaking down traditional barriers. Social media expert Dorian Benkoil, founder of Teeming Media, explained that “social media can cut through company hierarchies.” Mike Plotnick, media relations manager at HOK, added, “Social media is not just a tool for external outreach. We initially created HOK Life [a part of the firm’s Web site] for recruiting and marketing, and the site gets 600 hits per week. Most surprisingly to us, it has brought our staff closer together.”

Social media can be overwhelming, especially to uninitiated or reluctant users. Benkoil said that it’s not a one-size-fits-all policy. “Don’t be wedded to only one technology,” Benkoil recommended. “Each firm should choose the medium or media appropriate to its audiences.”

One of the major strengths of social media is their speed: They are dynamic and immediate. Whereas a traditional news story might focus on typical project milestones, such as a groundbreaking or project completion, social media allow firms to broadcast up-to-the-minute information. Sheridan said that a firm can post images of a site visit, interesting aspects of the design process for a certain project, or links to relevant articles.

“Communication is just a means of sending messages,” said moderator Judy Schriener, former managing editor of the McGraw-Hill Construction Web site, and

cautioned that “using social media tools does not substitute for good content.”

Because it is immediate, however, information also has to be timely. Blogging can be a good way for individuals and firms to share their vision with potential clients but, for best effect, it has to be consistent and topical. Most of all, it has to be personal, explained Adam Lutz, facilities manager at Google Inc. He said, “Figure out what makes your firm different, and proclaim it.”

Along with greater visibility, the platform requires greater flexibility. Because it is so nimble, Lutz embraced the use of social media as a “personal way to connect people with brands.” While brand recognition is important, Plotnick also pointed out that “brands are an evolving concept.” Since many different people at HOK contribute to blogs and use other social media, he said, “We have had to loosen our control and accept a plurality of voices from within the firm.”

Still, it takes time to craft and disseminate the right messages, as well as create the right strategy. Since social media platforms can be used for marketing, business development, and public relations, they are causing the distinctions between these activities to become blurred—a fact that may be exciting or scary, depending on one’s personal opinion. Digital transmission of knowledge also brings up questions of policy, legal issues, IT, and security. In other words, firms have a lot to consider before they dive in.

At the end of the day, do social media live up to their promise? It may be fun to exchange ideas and information, but what is the yield on investment?

With regard to those questions, the jury may still be out, at least for now. The

panelists were not convinced that blogging or tweeting provided a direct line to decisionmakers. Plotnick could not say with certainty that HOK’s social media efforts had enabled a project win. However, since social media allow companies to express their culture, ideas, and opinions—not just their experience—it will be interesting to see whether these factors begin to influence the selection process.

In the absence of benchmarking information, the four panelists did agree that using social media was shifting from an optional activity to a necessary pursuit for firms that want to move ahead. Business practices are shifting rapidly. “Because younger staff members are already using social media,” said Sheridan, who is a young architect herself, “firms can give them a sense of ownership by getting them involved in business development and marketing.” Plotnick agreed that “even reluctant clients will eventually adopt social media strategies, so firms should get prepared.”

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## It Will Never Be the Way It Was

By Dennis Schrag, Ph.D.

Bet on it. If you are a nonmedical professional service business, plan on a completely new way of doing business from now on. This recession is different from the others, and it means we must change.

A recent report found business leaders from hundreds of companies surveyed said the way they carried out business had been altered by the recession—and 43 percent said there would be permanent changes to the business model. According to the new report, most business executives report greater price sensitivity, lower profitability, competitive sensitivity, and less economic stability.

Here are two factors that will change our professional services businesses:

**People.** Baby boomers that are now at or near retirement age have lost 35 percent or more of their retirement savings. They are likely to delay retirement for a number of years. These boomers tend to be senior-level managers who secure services. Their trust was breached. Their government, their investment organizations, and in some cases, their employers let them down. They are retrenching personally and professionally. Boomers know how to save money at home and at work. They did it in the mid-1980s and again in 2000. It's simple: stop buying.

Because boomers are not retiring, Gen Xers, famous for their professional impatience, will have to wait even longer for those executive-level positions. This is the crowd that a few years ago was willing to job jump for minor economic benefits. Now they are staying put and being miserable. They are not happy.

Grumpy clients are difficult ones. You had better figure out what their professional value proposition is or shutter your business.

**Government spending.** For the immediate future, government spending will continue to stimulate the economy. But soon—very soon—governments at all levels will cut spending and increase taxes and fees. Increased personal and business taxes are certain. We will see fewer services for more taxes. If a government unit is your primary customer, study its strategic direction. It will not be business as usual.

**What to do?** Toss out the strategic plan you completed two years ago. Start over on your marketing plan. The old ones are no good! Think survival. During a recession, we experience erratic and unpredictable change. Consumers will adjust their behaviors again and again, as fear, perceived and real, affects them. Markets are very fluid and unpredictable during a major recession. The only safe prediction is change.

Brian Meredith authored a short article in *NZ (New Zealand) Business* in May 2009. The article's title is "Smart Questions for Smart Marketing." Here are his questions—good for any economic situation, but critical for a recession:

1. *What am I selling?* Charles Revson, the cosmetics guru, once said, "In the factory, we make cosmetics. In the drugstore, we sell hope." What are you selling?

2. *Who am I selling it to?* Change is everywhere in a recession. Do you know the key decisionmakers within your client organization? Are you sure? What consolidations have your clients experienced?

3. *Why the heck should they want to buy it, especially from me?* How can your

If a government unit is your primary customer, study its strategic direction.

clients save money and be more effective and efficient with your services?

4. *What is your value proposition? Why should they trust you?*

Make the responses to these questions your marketing plan. Revisit your marketing plan quarterly.

Good luck. Keep changing.

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*Dr. Dennis Schrag is the president of the Longview Group, a management consulting organization. Dennis is a fellow of the Society of Marketing Professional Services and a trustee of the SMPS Foundation. He can be reached at [dennis@longview-group.com](mailto:dennis@longview-group.com)*

## 50 Percent Increase in Green Building Programs Since 2007

No more than one in five U.S. cities with populations greater than 50,000 surveyed by the American Institute of Architects (AIA) report having a policy to promote green buildings despite this economic downturn. A new report, *Green Building Policy in a Changing Economic Environment*, is an inventory of policies and best practices intended to help policymakers advance a more sustainable legislative agenda for growth and development.

AIA Executive Vice President and CEO Christine McEntee says that "our ultimate goal is to achieve carbon neutrality in buildings by 2030 and that all design projects will be sustainable as a matter of course."

### Highlights from the report:

- 138 cities have green building programs, compared with 92 cities in 2007, an increase of 50 percent;
- 24 of the 25 most-populated metropolitan regions in the United States are built around cities with a green building policy;
- The Western region has the most green building programs, with 56 cities in just six states;
- The Mountain region is second in the percentage of cities with green building

programs, with 24 percent of residents living in those cities;

- The Eastern region has seen a 75 percent rise in green building programs since 2007; and
- The Central region has 21 cities with green building programs.

### Recommendations:

- Hire a director of sustainability;
- Train and accredit municipal employees;
- Pursue green economic development;
- Implement additional sustainability initiatives;
- Remove legal barriers;
- Make program regional;
- Take communitywide approach to green building and planning; and
- Utilize training and experience of architects.

McEntee added, "Programs such as the Energy Efficient and Conservation Block Grant are providing an opportunity for the advancement of green building efforts nationwide. Also, green building provisions

in energy and climate legislation before Congress show that our message is getting through."

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## New World

CONTINUED FROM PAGE 1

the current recession into perspective and shows how dramatic the climb was and how drastic the following plunge has been.

The good news is that now we are leveling off, by all accounts, and will see a much better landscape ahead. But it will be a much changed volume of construction, which was down about 13 percent in 2008 and down about 7 percent in 2009. Looking ahead, non-residential construction will be about the same in 2010.

We can begin to do things differently to improve our business development and marketing efforts, which are so vital to recovery today.

Michael J. Reilly, FSMPS, principal of Reilly Communications, and Connie Mugno, president of Mugno Consulting, outlined the steps needed to be taken to restart the process at THE Marketing Event 2009, "Marketing in a Recession: Lessons Learned and the Impact on the Future of the A/E/C Industry," presented by the Society for Marketing Professional Services and AIA, New York chapters.

Mugno outlined the steps needed to restart the process. "There's a new world coming out right now, so how do we step into that new world?" she asked. "Everybody has to be a change leader in this effort whether you're a principal or marketer," she added.

A second point she mentioned is that firms need to have a deliberate, purposeful focus right now or they will miss the upside of the current economy. Mugno outlined five specific steps for making this change,

Source: AIA architects walk the walk on sustainable design. Visit [www.aia.org/walk-the-walk](http://www.aia.org/walk-the-walk).

which are true in any economy:

**1. Stop going after everything that comes in front of you.** You need to have the time to focus on the things to get you into this new world.

**2. Look at your vision.** Is it appropriate for the future, or has the marketplace changed your focus? What is the profile of your clients? Do you have the right people on your staff, and are you treating them the right way? If not, refocus that vision for the new future.

**3. Identify your core strengths.** As a leader, sit down and identify the real core strengths and how you are going to capitalize on them. Be honest and challenge each other because that's where real positive change comes about.

**4. Do not go into a long-term strategic planning process.** Instead, put a brief action-oriented plan together that can be put into motion right away, without requiring months of discussion. Move quickly on what you want accomplished. Keep it brief and communicate it to everybody in the firm. Be very visual about it, put it on screensavers of laptops, or post it in the lunch room. Have all business decisions going forward fit within this plan.

**5. Have the courage to stick to that strategy.** Say "no" to all those opportunities that come your way that do not fit into this plan. Do you really have the technology and the people skills within the firm that will be necessary going forward? Are your people and your systems ready? It's now time to spend money on developing the

people who remain at your firm. Invest in their development by training them.

**Are your people ready?** The days of having a few principals and a couple of business development people involved in getting the work is over. "You will have to involve everyone in the organization, which has always been the best case to follow, but it's more critical now," Mugno warned.

"For the first time in history, there are currently four generations in the workplace. Baby boomers are moving toward retirement, so you have to take the knowledge and the client contact base from those boomers and transfer that information and contacts to the younger generation. Develop a formal mentoring program and have them share their knowledge and their contacts. The marketing department must also think in strategic ways and help firm leaders by thinking of the bigger picture," Mugno pointed out.

**Are your systems ready?** Clients are going to be more demanding on ways to increase productivity on their projects, because they want to get more for less. How can you help your clients save money or get financing? "A couple of systems that can help are Six Sigma, a business improvement process that analyzes data and is used regularly in manufacturing. Customer relationship management is still used only on a very basic level. Some firms track statistics about their clients, but information is rarely integrated across-the-board with all the other systems in a firm," says Mugno.

Also needed is a mechanism to have real-time information. It's no longer acceptable to be able to track the progress of a project and not see how it's doing until the end of the month. Clients want to know what's happening daily.

"We really need sophisticated systems, such as BIM [building information modeling]

and others for data collection to be ready for a turnaround. Why is this important? The profile of clients in the near future will be more financially oriented than they currently are. There will be totally different groups on selection committees so that we will have to give specific true cost-cutting options, not just lip service in proposals," Mugno pointed out.

BIM has been around for a long time and has not been used as much as it has been talked about. But BIM does save between 3 percent and 10 percent over the long term, so it's a true cost saver. "If you're not ready to bring a BIM option to the client, you'll be behind. Sustainability is no longer a competitive advantage; it's a necessity. Even in a shrinking market over the next several years, there's still a lot of money going to be spent on green options," Mugno concluded.

Michael Reilly recommended that firms take their core strengths and use them in different ways that really separate them from their competition. "Clients now have the luxury of picking the best of the best. They can now hire the best expert, the best talent, and those they like to work with. Your only option is to take your core strengths and use them in new ways," Reilly said.

Reilly gave these examples of firms who have taken this advice.

"There's a small arts and entertainment firm that does renovation work and performance spaces. That market is as depressed as any that you could find. They were doing a small project at an eastern university, and the client mentioned that nearly all the students show up at the school with instruments, either a guitar, piano, or vocal student, and need a place to rehearse. The

**Clients now have the luxury of picking the best of the best.**

firm did research and came up with a service program built around helping universities around the country accommodate these students with world-class, parent-ready recital and rehearsal spaces. They took that out to the marketplace, and now they're doing studios and getting their foot in the door in campuses around the country."

"A geotechnical firm began tracking the stimulus bill when it was first announced. Their marketing team began researching the provisions intensely and decided that it was going to be their leadership that would help clients. They would go out to clients at every step of the stimulus bill with key information that they uncovered, which has in turn brought a lot of opportunities to their clients."

"An architectural firm in Indianapolis has built a core capability and a core expertise around high-end university facilities. A lot of their projects from traditional clients were being put on hold or cancelled, and they decided it was time to do something about it. They looked at population numbers around the country and decided to target specific high-population centers that have a combination of academic and high-technology companies and suggested they build facilities together. They went out and found partners and got a foothold in those markets. The first projects will be small and not very profitable, but they realize that three or four years from now, they will be well-established in those markets."

"One of the most powerful things working today is keeping up the firm's visibility. Keeping the firm's name in the press and getting involved in things firms have never done before. I've seen retreat on the part of some firms because of budget reasons obviously, but I've seen acceleration on the part of other firms. The accelerators are doing much better," Reilly concluded. □

## View of the Future

CONTINUED FROM PAGE 1

Nancy Ruddy, principal and director interior design Getra Ruddy; Yeng-Tse Wu, principal and director interior design ZGF Architects LLP; Peter Marchetto, president, construction operations, Tishman Construction Corp.; and Stephen DeSimone, PE LEED AP, president and CEO, DeSimone Consulting Engineers. The panel was moderated by David Koren, CPSM, Assoc. AIA, director of marketing, associate principal, Perkins Eastman. They presented their views at THE Marketing Event presented by the Society for Marketing Professional Services and AIA, New York chapters.

**McGovern:** We've been through a few of these. Any time there is a feast, you know that the famine is coming. About one-and-a-half years ago, we started to change direction. We were known to do hotels, apartments, and office buildings. Then we realized that schools and hospitals were where we needed to get ourselves credited by all the agencies.

**Pomerantz:** This is the first time I've ever seen that we've been looking elsewhere for work. There is work in the Middle East but be careful, India and Pakistan are not the most thrilling or safe places to go, but the action now is in the developing world. Fortunately for us, we have affiliations, and if you are going to work globally, you need affiliations.

**Ruddy:** New York City is our only office. We have consistently grown over the last 22 years, and unfortunately our major market was high-rise housing and hospitality, and luckily we are diversified and do institutional work and corporate interiors. What are we doing differently? We are working 10 times as hard as before. More architects show up for walkthroughs, such as one last week for a 5,000-square-foot space. One hundred

and ten architects showed up to look at it (from two-person firms to Skidmore, Owings and Merrill—SOM). We're working much harder to get the jobs and keep our clients happy. We work internationally with a strategic alliance. We have been mining our current clients and repeat clients and expanding services.

**Wu:** We have five offices, serving academic and institutional clients. The competition has really ratcheted up. On one small project, 30 submissions were expected and 150 were received. Although our firm had not previously had an appetite for international work, we've found ourselves in Bulgaria, Syria, China, Singapore, and India. We're trying to find strategic partnerships so we can leverage what we're good at around the world. We are also looking at the public sector.

**DeSimone:** These are the times that try men and women's souls. We are headquartered in New York City and have four other offices and some overseas. Traditionally our experience has been in the private sector. We gorged ourselves in the trough that was high-end residential, resorts, and gaming. With nearly 300 people, we needed a lot of work. Looking forward, we have to work harder to keep our people busy. It's almost too late if you're not already working overseas, because it will not bear fruit until two to three years from now. The last year has been a cash-flow, balance-sheet exercise. Be smart about where you are spending your dollars. We have had to let people go, furlough individuals, but we've nearly doubled the size of our marketing department. That's the area that will bear fruit for us, because if you're not planning for the next six to 18 months, it's going to be tough out there.

**Marchetto:** I've been on both sides—corporate and private ownership—and it's all

about getting work, building work, satisfying the client, and turning a profit. That never changes. We find ourselves today in about the worst time in 29 years that I've been in the business. There will easily be two more years that will be very, very competitive. Read the book *Who Moved My Cheese?* by Spencer Johnson, M.D. The cheese has moved on all of us. The challenge is to find that cheese.

**Koren asked the panel:**

*Two years ago, when times were busy, what did you do to prepare for this and did it bear fruit?*

**Marchetto:** We diversified our portfolio. Some firms were myopic in terms of their vision. They did one building type very well. When that market stopped, the business left them. We set up individual markets and have market champions. We got into all the different markets that we could. This is our model at Tishman now.

**Ruddy:** Diversifying at this point is difficult. What we did two years out was to look for a diversification that related to what our core strengths are. We did a lot of housing so we diversified into dormitory work. We segued that into hotel work, which is now down, so we're now doing projects for the hospitality industry. So look at your core strengths and then go into alternate project types.

**McGovern:** We were busy over the last two years, but we started to change. As you leave the private sector toward the public sector, it's a different world. We're evolving right now, because when the market does come back, we want to be able to wear a couple of different hats.

**DeSimone:** The international work made a big difference for us, but it took some

**'We have had to let people go, but nearly doubled the size of our marketing department.'**

time. Since we are a family-owned firm, we were already lean and in a strong financial position. You really have to look beyond the next six to 12 months and look at how to smooth out the ups and downs of cash flow. Recessions are usually a seven-to-eight-year cycle and everyone has a five-to-six-year memory. Put cash aside, have a reserve fund, a line of credit—things to help get over the rough patches.

**Wu:** Diversity was always an important thing, and something I learned at SOM when the firm was working all around the

world. At ZGF, every day I'm talking about diversity and trying to be creative about getting into markets that we're not in and being able to leverage what our core strengths really are and make them applicable to clients who might not ordinarily think of us. We are spending a lot of time getting close to the clients

we already have. We had about 500 people last year, and we're not much smaller now because we've been agile in moving people around our offices, in terms of their different skill sets and project requirements. Projects are slow to start these days, and we have furloughed people and told them when the project starts, we'll bring them back.

**Pomerantz:** We picked some markets to diversify into, but they don't develop in three months. Pick the right fields and develop the right people for that work.

**Koren asked:** *Concerning internal staff management, are there things you've done differently?*

**Wu:** Everyone on our staff has responsibility for marketing, and we want to leverage everybody's relationships.

**Ruddy:** In my firm, the two principals were the key marketers. I spent 15 percent of my time marketing, and my partner about 5 percent. Now I'm 50 percent, and my partner is up to 15 percent. Engage your staff members as ambassadors. They need to understand the mission of who we are and represent the firm out in the field. Everybody knows what's going on out there and is afraid of losing their job, but we want our staff to feel comfortable. Look at your entire staff as business development resources. People like to help, especially in an environment like this.

**DeSimone:** Every opportunity you have to interface with clients, either at the principal level or project-management level, is an important interaction. The client-service aspect is absolutely important, more so now than ever.

**Ruddy:** Just ask your clients, "What can I help you with?" We have found unbelievable response from our clients that have multiple buildings that admit they never thought of us for this particular type of work.

**Marchetto:** To get the staff excited about new work, we've assigned a champion in each market sector. That champion has a team of 10 people that meet every other week and report to the management team. We listen to all the different market sectors, they're out networking in the industry, and what comes back is a lot of information. The good part is that it's not overhead. People now put on two hats. We have formalized into a little army of people who are out there networking in the industry. Without this approach, we won't get the business.

**McGovern:** I stopped going to presentations. I wanted the next level to become the face of the company. So it empowered the next level down to grow and stretch and step up, and we've already seen positive results of that.

Look at your entire staff as business development resources.

**Koren asked the panel:** *How does 100 firms showing up for a project make you think differently?*

**Wu:** We don't go after everything. We stick to the core values of our firm, so everything we pursue has to have some real design opportunity. We want to feed our staff of course but in a way that's meaningful.

**DeSimone:** You will get into trouble if you wander away from your expertise. Everyone is throwing the big net out, and at the end of the day, the net may be empty. Be more selective and go after the projects you feel sure you can get.

**Wu:** Not just get, but deliver very well. We want that first-time client to be a client for a very long time.

**Marchetto:** You're hoping that your reputation in the industry has created a situation that is an advantage in the marketplace so that at least you're on the short list and that the good work you've done over time will come back to be an ally. You don't start that today, you have had to start it 15 to 20 years ago, but you can start it today for the next 10 years. Before we sign a contract for a guaranteed fee, we look for proof of funding for the project from a bank or other source. The worst thing we can do is chase a bad deal.

**DeSimone:** Were you paying close attention to your clients three years ago? Because if you didn't then, it will come home to roost now.

**Pomerantz:** Go for the things you do well and stand a good chance to get.

**Koren asked:** *How has the role and responsibility of marketing personnel in your firm changed? What are they doing differently?*

**DeSimone:** Marketing is a support group for the partners, who do the majority of

business development. We're now expecting a lot more from our marketing department. We've doubled the size of the people working there. We're focusing now on intelligence gathering. Knowing things ahead of time is important in trying to get your message out. The marketing team is spending more time with the engineering teams to get a better understanding of what they're trying to pitch. We also have the engineers spending time with the marketers to figure out and understand the marketing basics. They are taking down barriers.

**Marchetto:** What I see very clearly is stress. Marketing people are being asked to do more, better, with less. Resources are being cut, overhead is being cut, and quality is suffering. There is tremendous pressure on the marketing group right now.

**Wu:** Each of our offices is run by design management and marketing, and all sit at the table with every major decision. We are spending more time engaging the rest of the architecture staff in marketing activities, and they learn something in the process, so they can turn it into an opportunity.

**McGovern:** The marketing and business development people are all very creative. There is no boilerplate. Every request for proposal that comes in starts from ground zero and is built by the project team.

**Ruddy:** The reality is the principals in your firm need smart marketing help more than pretty pictures and getting the proposals out. It is about big broad thinking, because the principals are out there trying to make happy clients, to find work, keep things running, keep the HR department happy, and figure out what the next insurance premium is going to be. Marketing folks have to bring it to the table and not be afraid to throw in new ideas. Help your principals grow and I guarantee it will be received really well. □

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