

Professional Services Management Journal

*In This Issue***Combating the "Stutter Effect"**

All too often, firm owners say they are ready to pass on authority to the next generation but find themselves keeping a tight grip. Find out how you can avoid this problem for a smooth leadership transition.1

How to Improve Your Billing Process

The first step is to see how your billing stands up to your peers. Compare your "average billing days" to other architects and engineers.1

When Does Incremental Pricing Make Sense?

Lowering your price to gain additional work is rarely a good option. See if your fees stand up to our incremental pricing test.4

Media Relations Tools and Tactics

We take a look at different approaches to getting noticed in the press, and show you how to move your firm beyond press releases.5

A/E/Cs Lose Billions Through Interoperability Problems

A new study by the National Institute of Standards and Technology finds firms facing serious challenges with software interoperability.8

How to Foster Leadership Roles for Women

There are unique leadership qualities that women can offer your firm. Find out how to create top leaders of the female members in your staff.10

Get the Most From Your Incentive Compensation Plan

Find out if you have a solid plan that motivates for higher performance.11

Combating The "Stutter Effect"

How to address authority and responsibility during leadership transition.

The "stutter effect": allowing perceived mixed messages among firm leaders to disrupt leadership transition and keep potential owners from "stepping up to the plate."

The cause is easy to recognize: most owners spend their entire lives building the business and keeping tight control over their firms. Understandably, it is hard to let someone else into the highest level of decision-making after years of emotional attachment.

In turn, the potential successor becomes hesitant to take over at the helm, as the owner's protective actions cause the employee to wonder if the owner will ever let go.

(continued on page 2)

How to Improve Your Billing Process

The 2004 PSMJ A/E Financial Performance Survey indicates that clients take about 71 days to pay the typical A/E firm — that's well over two months! This cash-flow benchmark reached its most recent low in 1989 at 64 days, and has been rising ever since. A/E firms are essentially lending funds to their clients at zero interest rate, but at the same time paying either investors or lenders to finance their working capital. Most firms focus lots of attention on trying to improve their cash collection performance.

But before a client will pay an invoice, they must first receive it. During the course of each month the firm pays salaries to its staff, rent, insurance, taxes, etc. These costs are recovered ultimately when the client pays the invoice. The firm must finance these working capital investments, called work in process, which occur even before the invoice is sent to the client. The magnitude of these costs depends the firm's billing process. It is important to both benchmark your performance and implement steps that reduce the firm's investment in work in process.

(continued on page 3)

Stock Ownership and Secrecy

Many firms maintain secrecy regarding the financial details of stock ownership. This is a natural extension of the secrecy that many owners have traditionally maintained with firm finances, and it will only result in frustration and the departure of the potential new owner.

The following list paraphrases an actual stock offer made to a potential A/E firm owner. If you were this person, what would you think of this “opportunity?”

- Each year for the next ten years, you will invest \$20,000 in this company. You will not be told how much stock your \$20,000 buys, or the number of shares.
- You will not be told how many other people are investing in the company, nor the extent of ownership of other parties, nor the price paid for their stock.
- You will not be told what the gross income of the company is.
- You will not be told how much compensation the directors of the company receive in salaries, bonuses or profit sharing.
- You will not be told who is on the company payroll, or the total compensation employees of the company receive.
- At the end of each year, you will receive a financial statement showing how much profit the company made after all salaries, bonuses, profit sharing and consultant fees have been paid.
- After ten years, you will be told how much the company is worth, what its remaining assets are, what the value of your equity is and the percentage of the company you own. ■

The Stutter Effect ...

(continued from page 1)

In this situation, no one can lead as well as the owner, but no one else gets an opportunity to practice at leadership, and the owner ends up hurting the firm in the long run.

Eight tactics for a smooth transition

There is no quick fix for the stutter effect. “This problem cannot be solved in one fell swoop; it takes patience,” says Sandy Blaha, a leadership transition specialist for architects and engineers and PSMJ consultant.

Blaha offers eight key tips for battling the stutter effect and making for a smooth transition:

1. **Have patience.** This may sound simple, but owners are not patient people. Many complain that it is difficult to let go when it takes an hour just to explain one item that may have ten tangential factors. Accept that passing on responsibilities and authority takes time and energy.
2. **Start the transition at least five years out.** Not only does the successor need to learn his or her new roles, they need practice making the important decisions.
2. **Start delegating bite-sized leadership challenges,** such as monitoring profitability or other specific, companywide goals. If you take transition one step at a time, you will slowly build trust in the successor.
3. **Set goals for the transition and stick to them.** Again, some of these goals may take several years to accomplish.
4. **If you see a successor doing something you don't like, don't jump back in and take over authority.** Your are now a coach, and substituting yourself in will only confuse a successor as to his level of authority.
5. **Communicate to others the responsibilities you have passed on.** When approached by others, don't be afraid to say, “Sorry, that isn't my role anymore.”
6. **Be honest with yourself if you aren't capable of giving up authority.** Many owners say, “I have worked so hard and I don't want to give stock to anybody.” A merger may be a better option in this case.
7. **Consider more than one successor.** Many owners who have held their position for a long time wear many hats and make all of the decisions. These owners cannot always expect one person to take over the helm alone. In a growing firm, the next generation leader may take over one of the owner's roles, but not all.
8. **Don't be afraid to seek outside help.** Many owners simply need someone with experience to say “It's okay, this struggle is normal,” and guide owners and their firms through the transition process. ■

PSMJ thanks Sandy Blaha for her contribution to this article. She can be reached at 303-260-6480 or sblaha@psmj.com.

Benchmarking Your Billing

Process ... (continued from page 1)

Use "average billing days" as the benchmark

The most common benchmark used to measure how well firms manage their work in process is called "Average Billing Days." This benchmark uses the same measurement technique as collection period for accounts receivable. By definition, Average Billing Days is equal to the average of the work in process account divided by the average daily gross revenue for the respective period.

For example, in our survey we ask firms to total the work in process account values for the entire year and divide by 12. We compute the average daily gross revenue for the year by dividing the total revenue by 365 days. The latest survey results indicate that the Average Billing Days is 25 days. Therefore the typical firm is financing an additional month of working capital in work in process.

Does firm size make a difference?

Cash flow is more critical to smaller firms since they are less able to borrow large amounts of working capital funds. Therefore, we expect more focus on shortening the billing process and reducing the

firms average billing days. Unfortunately, the chart below reflecting the 2004 PSMJ *Financial Performance Survey* does not support this assumption.

The chart indicates that:

- The minimum average billing days (25th percentile) appears to rise as firm size increases. Firms in the 21-50 range report the lowest minimum values and larger firms report higher values.
- The maximum average billing days (75th percentile) does not indicate much difference as the size of the firm changes. With the exception of one group (351-500), there are firms in each size category reporting average billing days near 40 days — well over a month.
- Very small firms (1-20 people) report the highest average billing days of over 40 days.

Benchmarking and trending your results

A wide variation exists with respect to how well design firms manage their internal billing process. Even within the same peer group of firms, results can range from 6 to 40 days. The reason? Different managers assign varying

levels of priority to their billing process. If you do not currently measure this important financial benchmark, here are a few simple steps to get you started.

Using 2003 financial reports, calculate the Average Billing Days for your firm last year. If you have the monthly financial reports, use the method we suggest in our survey to calculate the average work in process value. If you do not have the individual monthly reports, use your balance sheet account value at the end of 2003. Benchmark where you stand against our overall survey results and against your peer group of firm size.

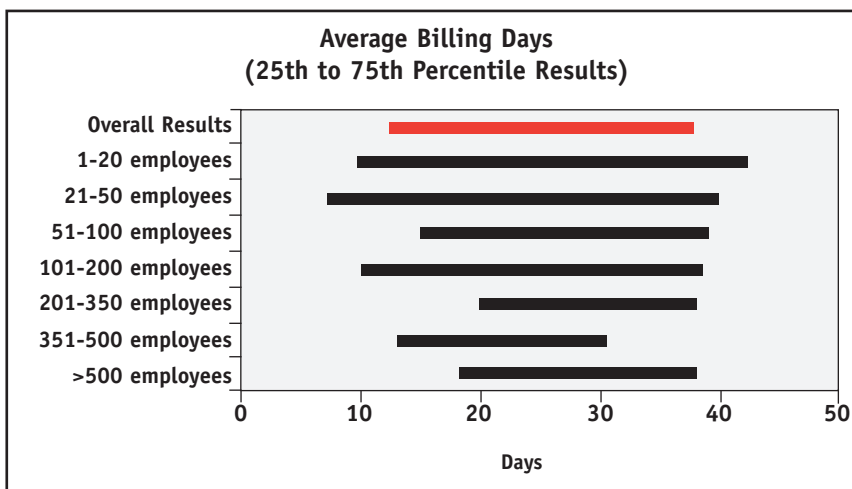
Calculate the average billing days at the end of each month and trend the results. You can perform the monthly calculation by using the average work in process account value at the end of each month, and divide this by the month's average daily gross revenue (e.g. monthly gross revenue/calendar days). Another method is to use data from the last 12 month period and perform the calculation similar to our survey instructions.

Focus on making improvements to shorten your billing process. Issue bills more than once a month, simplify your bills, create unit prices for routine activities, and don't hold bills to resolve minor issues.

There are firms in your peer groups that achieve Average Billing Days in the single digits, and there is no reason why you cannot also achieve these results. ■

PSMJ thanks Dan Daniels, PSMJ Resources, Inc. consultant and survey editor, for contributing this article. He can be reached at 508-652-8077.

For more information on the 2004 PSMJ A/E Financial Performance Survey, call 800-537-7765, or e-mail kellis@psmj.com.



Did you know that . . .

- ➔ A survey of CFOs found “flexible schedules” to be the employee benefit that workers value the most. Source: Bureau of Labor Statistics.
- ➔ The new 2004 *PSMJ A/E CEO Benchmarks Survey* shows overhead rates jumping significantly to 162.78%, reaching another new 20-year high as firms noted significant increase in insurance costs.
- ➔ Firms competing for government projects are now allowed to submit SF 330 General Qualifications (Part II) for government contracts through the Business Partner Network. Go to <http://orca.bpn.gov/>
- ➔ On July 30, President Bush signed the fifth short-term extension of the Transportation Equity Act for the 21st Century, extending federal highway and transit programs into September. The Act expired on September 30th last year.
- ➔ The U.S. has seen a surge in the turnover of CEOs, most likely due to retirement and the upswing in the economy. Source: Ceo.com.
- ➔ In A/E firms, the CEO’s median salary, bonus and total direct compensation dropped from last year in the 2004 *PSMJ A/E CEO Benchmarks Survey*.

When Does Incremental Pricing Make Sense?

Is this a familiar scenario to you? Your firm finds an opportunity to work for a client, yet for a variety of reasons, that client is unwilling to pay project fees sufficient for the firm to cover its costs, let alone make a profit. You know from the start that performing the work for this client is going to produce a loss for the firm.

Smart design firms just say “No, thank you” to loss client work and direct their efforts toward work that can be performed profitably. However, one economic theory typically invoked by those wanting to perform work under these conditions is “incremental pricing.” This theory of pricing says you can price additional work lower because you will not be adding additional fixed costs to perform the work.

Incremental pricing test

In the design industry, incremental pricing theory is often misapplied to justify making the decision to perform work at a loss. In order for incremental pricing to make sense, the loss work must have the following qualities:

- It should not add *any* overhead.
- It should not require any marketing.
- It should be short term so it does not produce a continuing stream of red ink.
- It should be work that can be performed by existing

In the design industry, incremental pricing theory is often misapplied to justify making the decision to perform work at a loss.

staff without having to shift anyone from current project assignments.

- It should be work for which you can require prepayment of the fee to avoid financing costs.
- It should be done as a simple lump sum fee to minimize invoicing costs.
- It should be done under a standard contract without negotiation to eliminate negotiating costs.

In short, work that you have to market or bill hourly or continue for a lengthy period is not work that is suitable for pricing under the incremental pricing theory.

The bottom line

Other than your rent and your basic business insurance, almost every other cost in your overhead is variable (to some extent), according to the amount of work you perform. Thus, loss projects are very hard to justify when the true tests of incremental pricing are used. Avoid the temptation to lower your fee to prove to the client you are so good that they will select you for the next project. ■

Media Relations Tools and Tactics

There are many tools that professional service firms have at their disposal to form an effective media relations program and establish relationships with the media. Rolf Fuessler, president of the PR firm The Fuessler Group, takes a deeper look at some of the main ways to get your name in the news.

News releases — As a rule of thumb, most routine project and personnel releases will eventually find their way into the local business sections — most newspapers and business press devote a column or section to this type of information. Your releases have less chance of being picked up in the trade or client-focused publications because they received many more releases than they can use. A good batting average is 33%.

Sometimes major events or projects — the announcement or opening of a major sports complex, for example — may have news value to local TV stations. Since TV is a visual medium, providing them with information in the form of video news release may help your project get air time. A copy of the video without sound should also be provided, so that the station can develop its own voice-over narration.

Query/pitch letters — To gain media interest for a more complicated project, to advocate for an idea, or to position your firm as an expert in an area, the most appropriate tactic to use is the query/pitch letter. This letter sets out the main points and rationale for your story idea. Most pitch letters should be limited to no more than two pages. It must “root” the idea in the context of a larger universe — how it would benefit the general public, revitalize a community, or lead to a more efficient delivery system.

Feature articles — Press releases tend to be egocentric, focusing on what's new about your firm. Feature articles should be client-centric, focusing on what will help the reader. Examples of client-centric features can include such topics as trends in student housing, or the impacts of telecommunications on smart-building design. The fact that an article appears in a publication gives it much greater credibility than an advertisement or even the same article in a company newsletter.

Backgrounders — A backgrounder is largely an educational tool — a first step in building a relationship with a new editor or publication. It contains concise information that brings an editor up to speed on key aspects of your organization. The average backgrounder includes:

- A brief history of the firm — no more than two pages
- Key management names and titles
- Service areas
- Financial information
- Recent projects
- Any honors, awards, or special recognition obtained

Project Media Kits — The primary purpose of the media kit is to interest editors enough in one or more aspects of the project that he or she wants to focus a major news or feature article on the project. A typical project-focused media kit contains a number of pieces:

- A brief press release on the project
- A fact sheet on a unique aspect of the project
- A fact sheet on the project team
- Photographs and other graphics

Media advisories — Advisories cover broad news stories and are sent to editors before an event takes place to alert them about the pending

“announcement.” Media advisories should be programmed to arrive the day before the event. Most daily newspapers editors and TV and radio news producers do not decide on what to cover until the night before or the morning of the event.

Editorial board/editor meetings — Meeting editors in person almost always furthers your relationship with that magazine and editor. Each year, target two or three magazines that are important to your strategic media relations efforts. Schedule meetings with an editor from each publication to review a couple of select projects or topics.

Op Ed Piece — The editorial pages of newspapers and magazines are among the most read. Much of the material on these pages are staff written -- editorials, syndicated columns, and guest columns on topical issues and views. Most publications make some provisions for opinion pieces from experts or prominent locals. In addition, professional and trade publications often have special columns for readers to express opinions similar to *ENR's* “Viewpoint” or *Architectural Record's* “Speak Out.”

Letters to the Editor — Letters to the editor are the most read part of publications. Writers of letters react to articles, grouse about topical issues, or rectify erroneous information. Publications receive many more than they can publish and prefer short, insightful, and to-the-point letters. It is a tool that should be used wisely and rarely.

Using the Internet — Don't overlook online media, as news is often “published” on the Web before it is released in other forms of media. ■

Check out *PSMJ's Public Relations Survival Guide*, by Rolf Fuessler, at www.psmj.com/manuals_pr_survival.asp.

Thirteen Reasons Why Firms Lose Potential Work

Last month we brought you five reasons why proposals fail. This month, we enlisted the Florida firm Sage Sales Consulting, Inc. to discuss the top reasons your firm loses out on potential work.

1. Failure to market into your prospect's individual "trauma."

Much of the marketing that consultants do is intellectual and high minded. The best marketers know that people buy to alleviate their personal "pain." Remember, *people* buy your services, not companies. Know the personal urgency of your client.

2. Assuming prospects care about your expertise. Consultants love to promote their credentials and firm in their marketing materials. Your clients and prospects don't care about you, they care about themselves. Research proves that the consultants who get the business are the ones who get to the point and find the pain quickly. The less you say about your qualifications the better. Keep the spotlight on the client the individual decision-makers.

3. Not getting introduced to your prospects by someone they trust and respect. You always want to be an invited guest, not a salesperson. The best leads are introductions; not referrals. Get someone that the prospect respects to "vouch" for you... and attach their reputation to you. Always get introduced — either directly or by a client or ally — or indirectly through case studies and testimonials.

4. Having too few quality leads. Was this potential sale just one of many good leads? Or was it an only child? Because many consultants don't market when they are busy, they sometimes over-focus on a few

opportunities without regard to the quality of those opportunities. Always be marketing, especially when you are busy. Marketing is a process not an event.

5. Begging to propose. Consultants and technical professionals think getting a chance to propose is a "win" — even if the client isn't ready or able to pay. Or you know that another competition is locked in, but maybe a brilliant proposal will win the day. Hold yourself back and don't look to propose, look to *diagnose*. Be a doctor: ask questions, listen, and find out the nature of the client's trauma.

6. Failure to have strict qualification standards and systematic qualifying methods. Consultants and technical professionals thrive on work plans, checklists and procedures to deliver their work. Yet they wing it when marketing, selling, and managing relationships. Have a qualification scoring system for all opportunities. Know why the client must hire you and how they will choose to do so.

7. Playing by the rules when pursuing RFP's and beauty pageants. Sometimes you can't avoid pursuing RFP's or bake-offs with other firms. Make sure you get access and qualifying time with the decisionmakers. Ask for interviewing time to customize the proposal.

8. Assuming that a proposal can sell for you. A proposal should really be the documentation of a personalized selling process. Yet many consultants expect a proposal to do the selling for them and invest the bulk of their time writing or creating. Ask for ways to stay connected to the client in the proposal creation process.

9. Forcing your proposal on the client. Most firms have a standard proposal template that they reuse time and time again. They often create a proposal that appeals to themselves rather than the client. Remember, the client tells you what they want to see, hear, and read. Are you listening?

10. Looking, acting, and sounding like your competition. If you are just like your competition, how might the client make a decision? The cheapest alternative? The firm that the client knows the best? The safest choice? Don't be a "me-too" generic professional when you are selling; stand out and create chemistry by your selling behavior.

11. Not selling the client on what you have already sold them. Many consultants finish a job and never talk to the client again unless the client calls them. You have to keep the romance alive, and continue to sell your value after the work is done. Make post engagement sales calls part of your job.

12. No action plan, continuity or management system to grow the relationship. Left to their own devices, relationships naturally decay. It takes a plan, hard work, and constant attention. Develop an entrepreneurial game plan to expand your relationships.

13. Not asking your current client to help you to expand your relationships throughout the organization. Who knows the client organization best? Who knows all the hot issues? It's your current client! Turn you current clients into your sales coaches. ■

PSMJ thanks Sage Sales Consulting Inc. for contributing this article (1-800-411-8078). The information in this article was extracted from "The Anatomy of a Lost Consulting Engagement."

Survey of Construction Industry Reveals Unethical Business Practices

The management consulting firm FMI, in conjunction with the Construction Management Association of America, released the *Survey of Construction Industry Ethical Practices*. The survey involved more than 270 contractors, architects, engineers, construction managers, and owners. The survey revealed:

- ❑ While 85% believed that there should be an industry-wide code of ethics, only 30% supported additional regulations on ethical behavior.
- ❑ More than 80% said they had come across acts that they consider unethical in the past year, and 34% said they encountered unethical acts many times.
- ❑ Respondents selected bid shopping, change order games, payment games, unreliable contractors, and claims games as the most critical ethical issues they face at work.

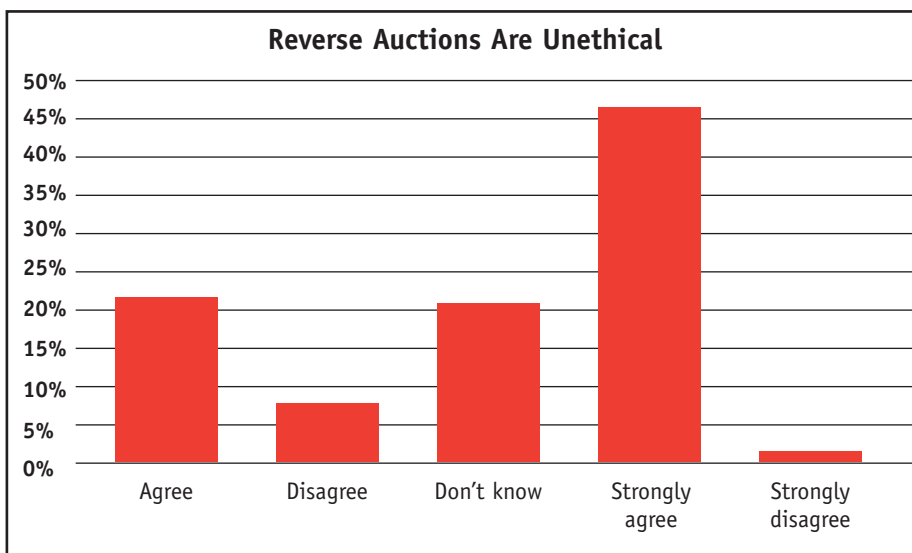
Reverse auctions

Another highlight of the survey revealed that the majority of

respondents said reverse auctions are unethical. More interesting, however, was that 20% of respondents said they did not know if reverse auctions were unethical.

According to Dennis Doran, FMI market manager, the result poses an interesting question for the industry. "What is the ethical issue in reverse auctions? Is it really just a business issue that is measured by profit and loss, market share, and growth? If the owners that are using reverse auctions as a method of securing contracts make the bidding rules clear up front for all parties, where is the ethical issue?"

While many of the comments provided by respondents were aimed at contractors, some addressed design firms. One respondent said, "Many architects don't operate with an ethical approach. They will do whatever is necessary to make the client (owner) like them, many times at the expense of the contractor. Architects need to understand and honor their obligation to be equitable in their decisions, and fairly represent both the contractor and the owner." ■



Ethics Resources

The following guides and videos cover business and professional ethics for architects and engineers. Most of these books can be purchased through online booksellers like Amazon.com or Wiley.com.

- **“Business Ethics Mistakes and Successes”**
by Robert F. Hartley. September 2004. Wiley
- **“Engineering Ethics: Balancing Cost, Schedule, and Risk”**
by Rosa Lynn B. Pinkus. May 1997. Cambridge University Press.
- **“Ethics and the Practice of Architecture”**
by Barry Wasserman, Patrick Sullivan, Gregory Palermo. February, 2000. Wiley.
- **“Incident at Morales, an Engineering Ethics Story” (DVD)**
Presented by the National Society for Professional Engineers (www.nspe.org).
- **“Social, Ethical, and Policy Implications of Engineering: Selected Readings”**
Joseph R. Herkert, Editor. September, 1999. Wiley-IEEE Press.
- **“What Every Engineer Should Know About Ethics”**
by Kenneth King, Kenneth K. Humphreys. July, 1999. Marcel Dekker.

A/E/Cs Lose Billions Through Interoperability Problems

Inadequate software interoperability cost the U.S. capital facilities industry at least \$15.8 billion in 2002, according to a study released in August by the National Institute of Standards and Technology. This study, called the Cost Analysis of Inadequate Interoperability in the U.S. Capital Facilities Industry (NIST CGR 04-8676), can be accessed at: <http://www.bfrl.nist.gov/oae/publications/gcrs/04867.pdf>.

This a serious study — no software marketing ploy. Conducted by RTI International and the Logistics Management Institute, the \$15.8 billion estimate was painstakingly constructed through input gathered from 70 organizations and mountains of economic data.

The approach

The methodology by which costs were calculated was to construct a “hypothetical counterfactual scenario.” In this scenario, data exchange and access for all work processes related to design, construction and facility management are unencumbered. The difference between the hypothetical scenario and the real world scenario, defined through focus groups, interviews and surveys, is the cost of inadequate interoperability.

Clearly quantifiable costs were categorized as:

- **Avoidance** — Costs incurred to prevent or minimize the impact of technical interoperability problems.
- **Mitigation** — Costs of activities responding to interoperability problems, including scrapped materials costs.

- **Delay** — Costs incurred when interoperability problems delay completion of a project or the length of time a facility is not in normal operation.

The authors did not include other costs they considered too speculative, such as opportunity costs or costs to tenants, so the \$15.8 billion estimate is very conservative.

Highlights of the study

Costs are reported by stakeholder, facility life cycle phase and cost category.

Stakeholder Group	\$Thousands	%Total
Architect/Engineer	1,169,762	7.3
General Contractors	1,801,620	11.3
Specialty Fabricators and Suppliers	2,204,588	14.0
Owners/Operators	10,648,023	67.4

The highest costs are incurred by owners and operators, and 85% of these cost are incurred during operations and maintenance. The major cost component is time spent locating and verifying specific facility and project information. Operations and maintenance personnel are estimated to have spent \$4.8 billion during 2002 verifying that documentation accurately represented existing conditions and an additional \$613 million transferring that information into a useful format.

Inadequate interoperability is estimated to have cost A/Es \$1.2 billion in 2002, 80% of which was incurred in the design phase.

Remarkably, inadequate CAD interoperability was relatively low-cost for A/Es (\$48 million), while the

cost of managing inefficient business processes was high (\$356 million). Inefficiencies stemmed from lack of integration of business process management systems, within firms and across organizations. Specific business processes where opportunities exist to reduce these costs are: project management, document management, information request processing, accounting and cost estimation.

Looking ahead

The 70 businesses participating in the study identified interoperability of procurement, project management, construction and financial systems as a high priority. They also wanted to see CAD interoperability extended so that the same data and software could serve both design and construction.

The businesses also identified two of the same challenges in moving beyond the status quo that this column has discussed over the past several months:

1. Delivery models must motivate participants to optimize value of the end result, realizing that motivation derives from financial gain. There is a need to articulate project goals, define metrics, and experiment with contract alternatives that link participants' financial rewards with the project's goals.
2. The industry must develop tools to integrate across multiple disciplines, and information must be shared on a real-time basis. ■

PSMJ thanks Kristine Fallon, FAIA, for contributing this article. She is President of Kristine Fallon Associates, Inc., in Chicago, which provides technology services to A/E/C firms nationwide. She can be reached at 312-641-9339 or www.kfa-inc.com.

Axium's "Ajera" Removes Roadblocks for Small Firms

This article is the first in a series of reviews of several A/E specific software packages. PSMJ consultant Brad Wilson will put several packages through set-up and normal monthly work flow and then report his experience. As an independent consultant, Wilson will not compare products or recommend one product over the other.

Ajera is a brand new product offered by Axium, the provider of the popular Protrax software. As opposed to making improvements to Protrax and giving it a new name, Axium has created Ajera from scratch. The software is targeted directly at small A/E firms, but is more than capable of handling mid-sized firms of 70 to 80 people. Since Axium has priced the basic 5-user version of Ajera under \$2,000, a small A/E firm can now get itself up and running on industry specific software and position itself for growth very inexpensively.

Installation and setup

The instructions for installing Ajera were very straight forward and it was easy to install. Since Axium has based this product on Microsoft technology, a desktop version of SQL server and .NET 1.1 were also installed as part of the setup routine. The benefits of this are discussed later.

You are required to setup one employee with administrator privileges during installation. This first user is given the security rights to setup all of the projects, accounts, clients, vendors and other employees in the system. This isn't difficult though because Axium has done its homework and included very complete templates for an architecture practice, an engineering firm, and a category called "other." If you choose "other" there are additional items you must setup yourself.

I chose to be an architecture practice, and within an hour I had setup five employees, four vendors

and three projects for three different clients. In that same time I also entered two weeks of timesheets and several invoices from vendors, billed the clients using three different billing formats, and produced an easy to understand financial statement. This was all possible because Axium designed the software to first take care of the most important functions A/E firms need from their software — the collection of costs and the billing of clients.

Using the software

Ajera's intuitive graphical user interface is a big step forward for A/E software. Upon logging into the system, each user is presented with their own customized dashboard and report screen (based on security first and personal preference second). The dashboard shows icons that represent all the tasks a user can perform in the system. An employee with "administrator" rights can have up to 18 options while a regular employee can be limited to 1 (entering timesheets). There are levels of security built into Ajera, but you can create your own as well.

The reports included on the entry screen are also customized to each user. As the CEO of this architecture firm, I got reports on company chargeability and receivables aging. If I logged on as a project manager, my reports were limited to just the projects on which I worked. Ajera not only limits access to sensitive data, it keeps the average employee from digging to find the data he or she needs. This is very unique for such inexpensive software.

Billing and project reporting

With one minor shortcoming, Ajera has everything a firm needs to manage its projects and bill its clients. Project reporting follows the PSMJ supported method of earned value tracking, except that schedule tracking is not possible inside the software. You can, however, pull all the information you need into Excel to track project schedules, or a custom report could fix the issue.

Axium has included every contract type and billing option prevalent in the industry as part of its standard setup, but Ajera also excels at customizing invoice formats. There is almost nothing you can't rearrange on a standard Ajera invoice. You can also export the invoice into Microsoft Word in one simple step and make the modifications there.

Conclusions

Before Axium created Ajera, A/E firms had to reach a critical mass in size and revenue before they could afford industry specific software. Usually, this milestone was reached long after the software used began to fall short of their needs. So, many firms faced a catch-22. Their software had become a limitation to growth, but without growth firms could not afford new software. The A/E industry can thank Axium for removing this roadblock. ■

If you'd like to get more information about Ajera, Cathy Mills, Axium's marketing director, can be reached at (503) 350-2117.

PSMJ thanks Brad Wilson, a PSMJ Resources consultant, for contributing this article. Wilson can be reached at 614-358-7444.

How to Foster Leadership Roles For Women

There may be an under-utilized resource already present in your firm. You have hired key players and placed them in positions of responsibility, but you have not developed the leadership potential of many of the female members of your staff.

It's not about stereotyping to identify the fact that many characteristics of women can cause them to become an unseen entity and overlooked for opportunity, while brimming with talents that can make them among the most vital parts of your organization.

Nurturers by nature, women assert a distinctive style conducive to positive management techniques. Often more collaborative than directive, women offer new management arrangements. If you allow your employees to further develop these qualities, you will create more potential for growth in your firm.

The key methods for fostering this leadership potential include:

1. Mentoring programs
2. Team building opportunities
3. Project sponsors
4. Partnerships
5. Developing communication skills
6. Creating collaboration situations
7. Networking occasions

The means to putting these methods into practice revolves around an approach to enabling, encouraging and empowering women through these programs; harnessing the steadfast, nurturing qualities while phasing

in reflective and directive management procedures.

Mentoring and sponsorships

The first step requires matching individuals effectively through mentoring and project sponsorships:

- Carefully analyze teams for a blend of complimentary and parallel strengths when pairing a mentor with an employee.
- Use cross-gender pairing as an effective method for drawing out skills in the mentoring program. Pay attention to personal backgrounds and previous experiences that can help create tight, long-lasting bonds and mutual trust.
- Alternately, consider pairing those with opposing backgrounds. This may engender cultural interest and build bridges that profit the organization as a whole.
- Give your “up and comers” the chance to take over challenging projects that demand an extension of their skill base.
- Use project sponsors to assure that the projects are handled correctly while empowering these women to broaden their reach.

Collaboration opportunities

Expand this approach to team building and collaboration opportunities to help connect an even larger team within the firm.

- Encourage project leaders, whether male or female, to engage team members in

design critiques and analysis. This collaboration brings about more unified designs.

- Diversity in gender, race and culture within your organization should be put to work as a strength. Members learn from each other by example, leading to more impressive results and solutions to design challenges.
- Create a more open working environment by rewarding female initiatives for regular team meetings, client-user groups and design team participation.

The benefits

Finally, recognizing these inherent qualities and utilizing them in the design process can add to your firm's design capabilities while bolstering leadership skills. Clients — many of whom may be women as well — are better served by aligning these qualities with the project needs.

Healthcare, various retail situations, community and educational buildings and other projects, which require intuition, interaction and nurturing, can be improved by women in your firm, who in turn grow as leaders, supported as vital contributors and knowledgeable participants. ■

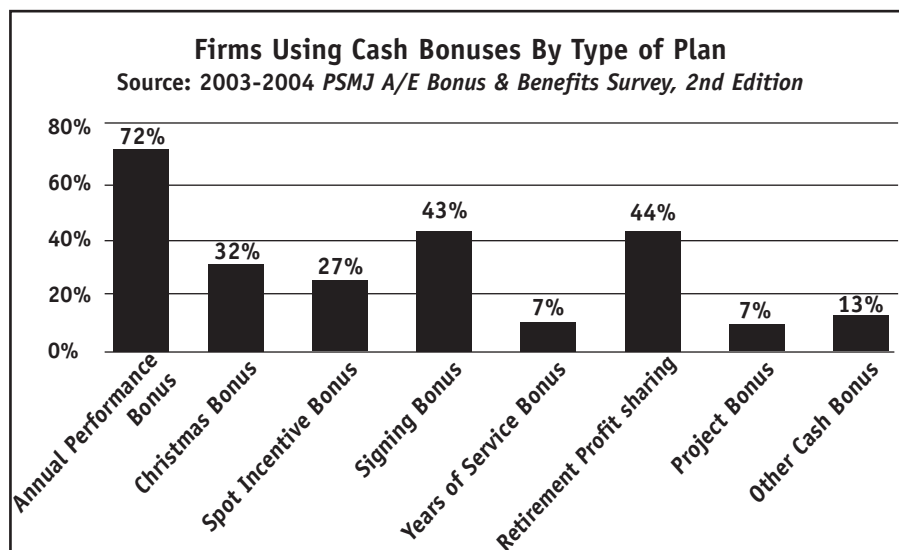
PSMJ thanks Nicole Goldman for contributing is a business developer and designer specializing in project management techniques that promote productivity and innovative design. She works as an independent consultant in Concord, Mass. and can be reached at nicole@goldmanarts.com.

Get the Most From Your Incentive Compensation Plan

PSMJ surveys show that around 90 percent of firms offer some sort of cash bonus. Unfortunately, many plans do not always translate into higher performing staff.

For a truly successful plan, you should be able to answer "Yes" to the following questions:

- 1. Do your cash incentive payments reflect the present levels in the marketplace?**
Benchmarking on a regular basis and updating your plan will ensure you are truly motivating your staff.
- 2. Is your firm's current (or near-term) financial performance adequate to fund compensation plans at the desired level?** A plan that promises too much and cannot deliver is worse than no plan at all. Not all plans will have positive results, but they should not provoke negative reactions.
- 3. Does your incentive plan directly support the strategic and operational goals of your firm?** The only way to achieve satisfaction with your plan is for both the individual and firm goals to be in complete accord with each other.
- 4. Is compensation fixed before performance is completed?** Compensation cannot be a motivating force unless its future impact is known prior to the action. This prior knowledge, which the participant keeps in mind while accomplishing the action, is the key to motivating for better performance.
- 5. Have you set a limit on the number of employees who can earn an incentive bonus?** Force yourself to reward only those who have truly performed well. Don't reward everyone with a bonus just because you had a good year.
- 6. Are you also creating opportunities for advancement to greater responsibilities?** Any motivation through compensation can be killed by lack of new opportunities. Your reward systems should encourage self-development and greater responsibility. ■



Coming Soon!

PSMJ's 2nd Annual Collaborative Project Management Symposium

October 14-15
Las Vegas Hilton
Las Vegas, Nevada

At PSMJ's Project Management Symposium, you will have the opportunity to enhance your knowledge and obtain valuable information that will make a difference on your current and future projects. You will:

- Connect with your peers and industry professionals.
- Receive a dynamic mix of formal project management training and informal networking.
- Learn the best practices available today in project management collaboration.
- Discover the latest techniques, tools, and technology available for owners, designers and constructors.
- Hear actual users tell their experiences with the latest Web-based PM software.

To register or for more information, call 1-800-537-7765, or go to www.psmj.com/pm_symposium.asp.

PSMJ Subscribers!

Check out our multiple subscription and site license offers

You can now share PSMJ with the rest of your firm with one of these special packages. Take advantage of our multiple subscription deals, or post the newsletter over your firm's intranet with a unique site license subscription.

For information on benefits and prices, call 800-537-7765.

UPCOMING EVENTS: SEPTEMBER 1 - OCTOBER 9

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16 Business Development for Principals and Project Managers September 16-17 Seattle, Wash. psmj.com/education.asp	17 Financial Management for A/E Professionals September 16-17 Orlando, Fla. psmj.com/education.asp	18
19	20	21 National Symposium on Healthcare Design September 21-23 Las Vegas, Nev. hcaresdesign.com	22 PSMJ's Benchmarking Webcast September 22 1:30 p.m. EST psmj.com	23 Business Development for Principals and Project Managers September 23-24 Chicago, Ill. psmj.com/education.asp	24 Financial Management for A/E Professionals September 23-24 Newport Beach, Fla. psmj.com/education.asp	25
26	27	28	29 ACEC Fall Conference September 29-1 Portland, Maine acec.org/events	30 Business Development for Principals and Project Managers September 30-1 Denver, Colo. psmj.com/education.asp	1 OCTOBER Financial Management for A/E Professionals September 30-1 Chicago, Ill. psmj.com/education.asp	2 International Practice Issues: Cross Cultural Partnerships October 2 New York, New York aia.org
3	4	5	6	7 Business Development for Principals and Project Managers October 7-8 Boston, Mass. psmj.com/education.asp	8 Financial Management for A/E Professionals October 7-8 San Francisco, Calif. psmj.com/education.asp	9

PSMJ

CEO—Frank A. Stasiowski, FAIA
PUBLISHING DIRECTOR—Bruce Lynch
EDITOR—Nathan Hull

HEADQUARTERS/BOSTON
10 Midland Avenue
Newton, MA 02458 USA
T: 617-965-0055
F: 617-965-5152
E: customerservice@psmj.com

ATLANTA
2746 Rangewood Drive
Atlanta, GA 30345 USA
T: 770-723-9651
F: 815-461-7478
E: dburstein@psmj.com

SAN DIEGO
7440 Girard Avenue, Suite 9
La Jolla, CA 92037 USA
T: 858-459-4475
F: 419-828-5619
E: jclausen@psmj.com

SYDNEY
PO Box 773
Artarmon, NSW 2064 AUSTRALIA
T: (011) 61-2-9411-4819
F: (011) 61-2-9419-6044
E: egoullet@psmj.com

PSMJ Resources, Inc. Consultants

Sandy Blaha, Denver, CO
303-260-6480
Alan Bollinger, West Palm Beach, FL
561-515-6558
Richard Burns, San Francisco, CA
415-459-1380
David Burstein, Atlanta, GA
770-723-9651
Michael D'Alessandro, Atlanta, GA
770-481-0915
Harold (Dan) Daniels, Boston, MA
508-652-8077
Michael Ellegood, Phoenix, AZ
602-506-1501
William F. Fanning, Atlanta, GA
770-971-7586
Curry Kirkpatrick, Overland Park, KS
913-385-5585

Phil O'Dell, Issaquah, WA
425-391-3979
Tom Sargent, Atlanta, GA
404-705-8760
William Sorrentino, Virginia Beach, VA
757-441-7649
Frank Stasiowski, FAIA, Boston, MA
617-965-0055
Don Thomas, Marietta, GA
678-728-7183
Brad Wilson, Columbus, OH
614-358-7444
Barry Yoakum, Memphis, TN
901-684-1135

SUBSCRIPTION INFORMATION

One year (12 issues): *Print* \$247 (U.S.), \$287 (foreign); *Electronic* \$300 (U.S.); *Print & Electronic* \$350 (U.S.), \$390 (foreign). For single copies, address changes, or multiple subscription requests, please call PSMJ Resources at 800-537-PSMJ. Allow four to six weeks for change of address.

Copyright © 2004 by PSMJ Resources, Inc. All rights reserved. Partial quotation with attribution is encouraged. Reproduction without permission is prohibited.



Are Change Orders As Uncontrollable As the Weather?

Almost every project has change orders. That is why it is surprising that design profession makes little effort to measure or control the value of these change orders.

- While over 70 percent of participants can identify change order value for their design services, only 57 percent can identify the change order value for construction costs, and less than 30 percent can identify construction change order cost by project.
- The number of firms who track the causes for change orders is even less. For example, less than 15 percent of participants can identify change orders caused by either regulatory changes or contractor error relative to their own design fees.
- All participating firms indicate they cannot identify contractor change orders caused by choices of materials.
- No participating firms use change order values in evaluating staff performance.

Change orders have long been a problem in the construction process. The first step in preventing or controlling a problem is to measure it, yet many firms chose not to do so. As long as you do not have the tools to measure an issue, you can not control it.

The Complete Survey Results

	% Yes
1. We have records for:	
• Design change order value for firm	73%
• Design change order value for individual projects	55%
• Construction change order value for firm	57%
• Construction change order value for individual projects	24%
2. We trace internal firm costs for:	27%
• Costs design change orders from firm or Subs	29%
• Cost of change orders paid to contractors	54%
• Cost of change orders paid to owners (clients)	56%
• We have a system to identify the cause of change orders	52%
3. We can identify design change order values for:	
• Changes in owner project requirements	51%
• Regulatory changes	12%
• Contractor errors	16%
4. We can identify construction change order values for:	
• Changes in owner project requirements	25%
• Regulatory changes	11%
• Design errors	12%
• Contractor choice of materials	0%
• Unforeseen site conditions	0%
• Owner delays	0%
5. We measure change order value and control in:	
• Firm marketing materials	25%
• Staff training materials	0%
• Staff performance evaluations	0%

Number of firms participating in this survey: 47

Compensation Changes

Medical insurance rates continue their rapid increase. Are these causing you to change (or consider changing) your firm practices? What other changes are you considering in your compensation plans?

1. Are you changing other fringe benefits due to increases in group insurance costs, such as

- | | | |
|---|-----|----|
| • Reducing paid time off allowances? | Yes | No |
| • Reducing employee welfare programs? (parties, events) | Yes | No |
| • Reducing company contributions to retirement plans? | Yes | No |

2. Are rising group insurance costs affecting your compensation policies?

- | | | |
|---|-----|----|
| • We are reducing salary increases due to increases in group insurance costs. | Yes | No |
| • We are reducing bonuses due to increases in group insurance costs. | Yes | No |

3. As a result of rising group insurance costs, have you (or are you considering) making changes to your employee group insurance program? Are you:

- | | | |
|---|-----|----|
| • Increasing the cost of the plan to employees? | Yes | No |
| • Reducing the benefits (or increasing employee out-of-pocket costs) for coverage? | Yes | No |
| • Reducing (or eliminating) other insurance benefits? (such as A/V or Dental coverage) | Yes | No |
| • Reducing other employee fringe benefits to compensate for the increases in insurance costs? | Yes | No |
| • Reducing planned salary increases to staff to compensate for insurance cost increases? | Yes | No |
| • Changed medical plans to offer lower cost plan types to employees? | Yes | No |
| • Adding MSA type plans for employees? | Yes | No |
| • Changing insurance carriers for lower cost plan? | Yes | No |
| • Dropping medical insurance coverage for employees? | Yes | No |
| • Absorbing all increased costs? | Yes | No |

Please tell us a little bit about yourself and your firm to help us interpret the results.

Size of firm (number of staff members):

- 1 to 25 26 to 50 51 to 100 101 to 500 Over 500

Type(s) of services you perform in-house:

- | | | |
|--|--------------------------------------|--|
| <input type="checkbox"/> Architecture | <input type="checkbox"/> Engineering | <input type="checkbox"/> Surveying |
| <input type="checkbox"/> Interior Design | <input type="checkbox"/> Planning | <input type="checkbox"/> Landscape Architecture |
| <input type="checkbox"/> Environmental | <input type="checkbox"/> Testing | <input type="checkbox"/> Construction Management |

Name _____		Firm Name _____
City _____	State _____	Zip _____
Phone _____		E-mail _____

PSMJ | A/E Pulse

A/E Pulse is a monthly survey questionnaire designed to take the "pulse" of senior A/E managers everywhere. Information is compiled and the results are published in subsequent issues of A/E Pulse.

CEO
Frank A. Stasiowski, FAIA

DIRECTOR OF RESEARCH
William F. Fanning
T: 770-971-7586
E: wfanning@psmj.com

DIRECTOR OF PUBLISHING
Bruce Lynch
T: 617-965-0055
E: blynch@psmj.com

EDITOR
Nathan Hull
T: 206-325-0749
E: nhull@psmj.com

PSMJ Resources, Inc., invites your questions and comments.

Copyright © 2004 by PSMJ Resources, Inc. All rights reserved. Partial quotation with attribution is encouraged. Reproduction without written permission is strictly prohibited.



Please fax
completed surveys
to: **770-977-3679**



or mail to:

A/E Pulse
271 Cross Gate Drive
Marietta, GA 30068

We need to hear from you
by **October 8.**

Thanks for your help! Look
for the results in the
November issue of *PSMJ*.

A/E/C Business Development for Principals and Project Managers

There is a significant difference between day-to-day marketing and sales and effective business development. Successful design firms know that it takes a lot more than just a creative marketing plan to develop new clients and boost their competitive edge.

At this seminar you'll learn innovative new ways to approach business development as an integral part of your firm's strategy, proven to drive profits, retain clients, and secure more projects.

During the two days of intense learning, brainstorming and analysis of actual case studies, you will work together with your peers to identify, develop and perfect your firm's strong points to capitalize on your target markets.

You're guaranteed to learn to:

- ✓ Develop and implement a successful client management program
- ✓ Revolutionize your business development with 6 proven steps
- ✓ Implement metrics to measure the success of your business development practice
- ✓ Multiply business using "shadow warriors"
- ✓ Differentiate between marketing and sales and use these
- ✓ Identify successful business development practices and apply them to your firm
- ✓ Spot pitfalls and install steps to avoid them in the future

Here's what PSMJ clients had to say:

"I am a whole lot more prepared to develop business for my company."
—Desmond Duke, Director of Business Development, Native Technologies, Inc.

"Good course, very worth while. Wish I would have attended years ago."
—Les Linsemier, Principal, Fitzgerald Henne & Associates, Inc.

YES! I want to reserve my place at PSMJ's **Business Development** seminar below.

- September 16-17, 2004, Seattle, WA**
- September 23-24, 2004, Chicago, IL**
- September 30-October 1, 2004, Denver, CO**
- October 7-8, 2004, Boston, MA**
- October 21-22, 2004, Las Vegas, NV**

5 Easy Ways to Register:

T: 800.537.PSMJ • 617.965.0055 F: 617.965.5152
W: www.psmj.com E: education@psmj.com
M: 10 Midland Avenue, Newton, MA 02458

Who should attend?

This seminar will invigorate and challenge you to re-orient your business development plan and programs with new approaches and proven strategies that work!

- ✓ Business Development Managers
- ✓ Principals, VPs & Partners
- ✓ Project Managers & Associates
- ✓ Marketing Professionals



This course earns you 12 AIA LUs and/or 12 PDHs. You also earn 12 CPE credits.

Please Complete Attendee Information:

Name _____ Title _____

Are you a member of any of the following associations:

ACEC AIA ASLA CMAA FLPE

Membership # _____

Firm Name _____

Firm Type _____ Firm Size _____

Address _____

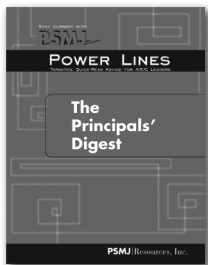
City _____

State _____ Zip _____ Country _____

Phone _____ Fax _____

E-Mail _____ Brochure Code 270200

Kick off your **fall reading** with PSMJ's expert A/E manuals! When you buy any three books now, get the fourth book free! Offer good until September 30, 2004

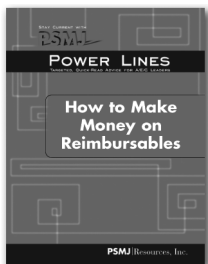
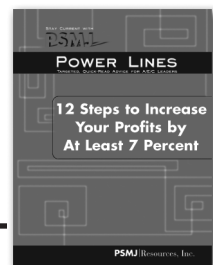


The Principals' Digest

Put this book on your "must-read" list! This manual delves into key business areas affecting the profitability of your firm. Get top-notch preparation for negotiations, proven tips for gaining publicity and a complete "project management survival kit." Plus, learn how to create a viable ownership transition plan and budget for success.

12 Steps to Increase Your Profits by At Least 7 Percent

Design firms have historically under priced their services, but it's time to end that practice once and for all! Determine your pricing strategy, and learn how to increase fees even when clients use price as the main selection criteria. Learn how to get all of your staff using PSMJ's "smart pricing" plan. Included with your book is PSMJ's Optimum Price Calculator, which mathematically computes prices for your services.

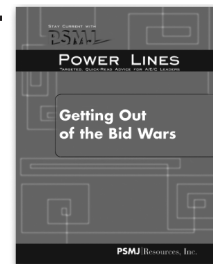


How to Make Money on Reimbursables

This book includes advice for dealing with several types of typical reimbursable expenses. Should you tell your client about the reimbursables? If so, how do you present the information to them? Plus, you get worksheets and checklists to analyze your costs, and make a profit off them!

Getting out of the Bid Wars

With this invaluable manual, you'll understand the product life cycle and learn a variety of ways to combat bidding. You'll also discover how to deliver service beyond client expectations and gain strategies for high impact proposals. Find out how to create new market opportunities for maximum revenue growth!



- Yes!** Rush me copies of the following books. If I buy 3, the fourth book is mine, FREE!
- The Principals' Digest \$79.95 12 Steps to Increase Your Profits by At Least 7 Percent \$49
- How to Make Money on Reimbursables \$59.95 Getting Out of the Bid Wars \$79.95

Name: _____ Title: _____

Firm Name: _____ Firm Type: _____ Firm Size: _____

Address: _____

City: _____ State: _____ Zip: _____ Country: _____

Phone: _____ Fax: _____ Email: _____

Select Your Payment Method:

- Check enclosed for \$ _____ made payable to PSMJ Resources, Inc.
- Bill me/my firm Charge my: MasterCard Visa AMEX
- Credit Card #: _____ Exp. date: _____
- Cardholder Name: _____ Signature: _____

Brochure code: 352446

MA residents add 5% sales tax \$ _____

Shipping, add \$8 U.S./ \$12 Canada/ \$30 Foreign/ \$2 each add'l item \$ _____ TOTAL \$ _____

5 Easy Ways to Order!

T: 800.537.PSMJ / 617.965.0055 **F:** 617.965.5152

W: www.psmj.com **E:** customerservice@psmj.com

M: 10 Midland Ave., Newton, MA 02458