

Characteristics of Higher Performing Design Firms

Higher Performing Design Firms:

- Operating Profit on Net Revenue - **25% or higher**
Pre tax, pre bonus on net revenue
 - *Dividing pre-tax, pre distribution by net revenue*
- Net Labor Multiplier - **3.0 or higher**
Actual mark up on labor costs – not target labor multiplier
 - *Dividing net revenue by the labor cost charged to projects*

Less than 10% of all A/E firms obtain these metrics

Identifying Higher Performing Characteristics:

SR Risk Profile – Risk & Practice Management Analysis Tool -

- Experience & Staffing
- Training
- Project & Client
- Project Team
- Design Documents
- Communication and Documentation
- Contracts
- Billing & Invoicing
- Project Closeout
- Risk Management Culture
- Claims

Firm Specific Risk Profile Report:

- Risk Ratings (SR-1 low, SR-2 moderate, SR-3 high)
- Performance and Risk Management Recommendations

Characteristics of Higher Performers:

Today's Leaders:

- Past – Principals, Project Managers (PM) – selected based on technical skills. Today's climate – higher demands
- Constant pressures on quality, scope, schedule and fees
- Potential for error, claim dramatically increased – focus on risk vs. reward strategy
- Decision Making – Strategy based on "Faith & Facts"

Client Relationships:

- Selecting the right clients
- Understanding expectations
- Proactive and effective communication
- Well-defined Client Communication Plan
- Obtaining feedback on performance

Staffing:

- Matching Values and Culture
 - Maintain core intelligence
 - Address Poor Performers & "Stars"
 - Recruit carefully – compensate performance
 - Use of retirees
- Salary: High Performers - **\$146,300** Other Firms - **\$118,500**

Training:

- Investment, curriculum solving business issues, ideas
- Rethinking, behavior modification, growth
- Technical and Non-technical Topics
- Business Practices & Risk Management Essential

Quality:

- Sufficient staffing with clear objectives
- Specific tasks, deliverables at each phase
- Standardized Process (QA/QC Plan)
- Coordination & review of design documents
- On-Going Peer Reviews
- Daily by team leaders and weekly team meetings
- Productivity increases as Quality improves
- Increases project success and client satisfaction

Invoices:

- Reviewed ensuring all charges are correct
- Establish a pattern of invoice excellence
- Track financial history on project types as well as clients
- Cash flow – life-blood of design firms
- Stay on top of account receivables, follow-up
- Inquire into problems, obtain commitment of payment

Project Close Out:

- Client Meeting – Scope, Schedule, Budget
- Challenges & Solutions
- Client Satisfaction Survey – 50% & Completion
- Last Impression on Project – Finish Strong
- Inquire into future project opportunities

Risk Management:

- Holistic Approach – Every Decision has Degree of Risk
- Contracts – Defined scope, schedule, roles and responsibilities
- Risk Management & Mitigation
 - Improves Performance & Profitability
 - Protects Professional Image
 - Improves Client Satisfaction
 - Creates Business Opportunities

Resulting in Reduced Insurance Costs and Claim Frequency:

Premium as a % of Annual Revenue:

- ✓ **1.72%** average for all firms*
- ✓ **.75%** average for higher performers

Number of Claims:

- ✓ **37%** A/E firms with 1 or more claims*
- ✓ **22%** higher performing firms with 1 or more claims

* ACEC Member Firm Survey Results