

BUSINESS PRACTICES

for successful firms

ACEC Medium Size Firm Roundtable Survey

Ron Bonar, P.E.

The American Council of Engineering Companies (ACEC) holds two conferences each year. One of the major activities occurring at each of the conferences is the CEO Roundtables. At the ACEC 2002 fall conference, held in Puerto Rico, the CEO Roundtable for medium-sized firms (31-75 employees) was facilitated by Ron Bonar. Over 35 individuals participated in this roundtable, representing consulting engineering firms of various disciplines across the United States. Topics included in the 3-hour meeting were offered in advance of the conference. Additional topics were also taken from the floor and added to the agenda at the beginning of the session. The following is a brief summary of some of the issues covered.

Human Resources

Training-Project Managers

Project managers can make or break a firm. Project managers must be trained; however, it was also noted that not everyone is qualified to be a project manager. Dual career ladders need to be available for both technical and management positions.

One firm reported that they have a progress meeting with all of their PM's every other week so that they can share experiences and problems. Another firm suggested using the Dale Carnegie program approach – to teach in stages so that the PM's can gain experience with the new techniques before they move on to new material. Management consultants specializing in the A/E field are also a good training source.

The importance of a "procedures manual" or project manager handbook was noted. 50% of the firms present have some form of written procedures manual or project manager handbook.

Team Building

Team building is critical and essential to employee satisfaction and commitment. Establishing standing employee committees to study and recommend technical, production and administrative improvements to management is very effective and productive. Team building can also be accomplished by providing employee perks. Many firms sponsor employee sports teams and outings, and picnics or parties for the families throughout the year.

In-house newsletters were felt to be an excellent vehicle for team building. Approximately 50% of the firms attending have some form of in-house newsletter. Realizing that engineers aren't always the most talkative people, some firms mail the newsletter to the employees' homes, so their families also know what is happening at the firm.

Growing Pains

Medium-sized firms are going through a transition and find it difficult to meet all the administrative support needs such as human resources, financial management, marketing, etc. One firm noted difficulty in cash flow resulting from growth. It was recommended that, to deal with growing pains, firms faithfully perform strategic planning, covering three years, in addition to preparing annual business plans.

New Employee Recruitment and Education

Many CEO's (especially the structural engineers) felt that new graduate engineers do not have an adequate education when they graduate from college. Because of this, many structural firms will only hire those with a master's degree. The structural engineers also felt that engineering schools need a more technical focus; however, this opinion was not necessarily shared by non-structural CEO's.

Although the slowdown in the economy is easing this problem, many CEO's noted a difficulty in recruiting new engineers. One structural CEO mentioned that they had participated in an engineering job fair for structural engineers with 145 other firms, but there were only 70 available engineering candidates. Some firms are recruiting more foreign structural engineers and are very satisfied with their performance.

Financial

Compensation Packages and Bonus Plans

A majority of firms offer/provide some form of bonus program. It varies widely in terms of amount and criteria from firm to firm. The majority of employees do not understand how bonuses are calculated. Employee satisfaction is increased with shorter intervals between bonuses. Many firms offer quarterly bonuses, and one firm distributed bonuses monthly. It is important that the staff know how the amount of their bonus is determined. If all they know is that the bosses go into a room and decide who gets how much, the incentive effect of the bonus is lost. (This practice is not uncommon.)

Profits

60% of the firms reported that the amount of profit decreased this year as compared to the past two years.

Ownership

Transition Plan

Several firms have used an ESOP (Employee Stock Ownership Plan) to help accomplish ownership transition. Another firm reduced stock value by 70%. The amount of the reduction was paid out in annual payments as a retirement bonus over a ten-year period to the retiring principal. The firm is in the eighth year of the payout, and is very pleased with the results.

Careful advance planning is important in ownership and management transition. Ten years is felt to be a minimum, and twenty is not unreasonable. A good management transition plan is even more important than the financial aspects of transferring ownership. The current ownership needs to adequately prepare the future owners.

Stock Price

A number of methods are used in establishing stock price. The following shows the percentage of firms using each method:

Book Value – 43% Independent Appraisal – 28%
Defined Formula – 28%

Management

A number of firms have set up a Board of Directors or Advisory Board with members from outside the firm. They report that this helps them stay focused, forces them to implement and follow a strategic plan, holds them accountable, provides a broader base of knowledge and provides ideas for the firm from outside the engineering profession.

Benchmarking

Several items were discussed for benchmarking. Results, based on a show of hands, follow:

Health Insurance

	Cost/Year			% Paid by Employer			
	Less than \$2,000	\$2,000-\$3,000	Over \$3,000	60-70%	70-80%	80-90%	100%
For Single Employee	0	42%	58%	4%	7%	4%	86%

	Cost/Year			% Paid by Employer						
	\$5-6,000	\$6-7,000	Over \$7,000	0%	50-60%	60-70%	70-80%	80-90%	90-100%	100%
For Family	16%	32%	52%	23%	15%	12%	8%	12%	8%	23%

Utilization (or Chargeable) Rate

(Hours spent working on projects divided by total hours worked - given as percent)

	Less than 50%	50% - 60%	60% - 70%	70% - 80%	80% - 90%
Principals	44% of firms	34%	6%	9%	6%
Proj. Mgr.	0	0	26%	55%	19%
Sr. Techs.	0	0	0	0	100%

CEO/Principal Compensation

	Less than \$80,000	\$80-\$100,000	\$100-\$120,000	Over \$120,000
Base	0	13% of firms	23%	63%

	Less than \$10,000	\$10-\$20,000	\$20-\$40,000	\$40-\$60,000	\$60-\$80,000	Over \$80,000
Bonus	0	0	25%	30%	13%	33%

	Less than \$10,000	\$10-\$20,000	\$20-\$30,000	Over \$30,000
Pension	16%	47%	31%	6%

Net Revenue/Employee

\$85-\$90,000	\$95-\$110,000	\$110-\$125,000	\$125-\$140,000	Over \$140,000
27%	45%	18%	9	0

Ron Bonar, P.E. is the founder of the Bonar Group, a 75 person civil, surveying and planning firm, with four offices and based in Fort Wayne, Indiana. Ron founded the firm in 1976 and now serves as CEO Emeritus.

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