

BUSINESS PRACTICES

for successful firms

Staying in Business a Long Time

By Chris D. Poland

Staying in business for multiple generations takes developing a specialty niche, a very generous ownership transfer program, and persistent planning that includes defining a core ideology, setting long-term goals, defining operational responsibilities and establishing viable financial plans. Unfortunately, while these activities are necessary, they are not sufficient to assure longevity. Changes in ownership style, the practice, the people, the economy and the size of the firm... all demand continuous changes in the practice, the plan and the planning process.

Degenkolb Engineers has been in continuous practice for over 60 years. It began in 1940 with John Gould as a sole proprietor, **“...vision to transform the partnership into a corporate practice ...”** grew to a partnership within 12 years, and transitioned to a corporation with multiple shareholders. Henry Degenkolb was the partner who had the vision to transform the partnership into a corporate practice that would share ownership, responsibility, experience and profits. Henry believed that his firm’s longevity depended on adding owners early in their careers so that they would be well-positioned to take over when his term at the helm ended. The trick was figuring out how to add owners, and get them to stay.

Degenkolb’s vision, patterned after Gould’s leadership, was for a practice that would inspire creative thinking, demand excellence in design and problem solving, contribute to the community and, along the way, achieve longevity. Henry knew instinctively what Jim Collins discovered 40 years later. A firm can go from “Good to Great” when a group of people with common values and vision work together on something they are passionate about, that they can be the best at, and that they can do in a financially sound manner. Degenkolb is passionate about earthquake engineering, promoting earthquake-safe buildings worldwide, providing the services clients need, and being profitable enough to secure our future.

Henry Degenkolb could have chosen to keep the firm small, focused, and under his direct control; the way he liked to do things. He knew, however, that he would not have been able to hold his key employees, and the firm would have eventually disappeared after his death. Growth was one of his concessions to stimulate the longevity and financial stability he desired for **“...to stimulate the longevity and financial stability he desired for his firm.”** his firm. He was a master at encouraging his employees to develop their talents, their leadership skills, and their practices. He was a generous man, virtually giving the next generation their ownership share in the firm, beginning very early in their careers. He shared his profits and sold the stock at a fair price under generous terms.

Degenkolb Engineers realized that the strategic planning concepts of Value, Purpose, Vision and Mission were important, whether written or not, and provided the basis for common, long-term direction for the company. It was important to not only develop the goals, but to revisit them regularly... reinforcing the planning process and implementing needed changes. Equally important was

the transmittal of the plan to staff. Every employee must have access to a clear statement about how the firm operates, and understand how their positions fit into the plan’s implementation.

Degenkolb began formal business planning in 1980 when Tom Wosser took over as President and CEO. He recognized that the intuitive nature of engineers **“...the intuitive nature of engineers was a natural deterrent to planning...”** was a natural deterrent to planning, so he chose a transitional path. Over the course of nearly twenty years, planning efforts moved from casual and intermittent to formal, rigorous and regular. What began as an occasional offsite discussion became an annual tradition that begins in the summer and concludes with a board approved business plan by year-end. The process was successful, as it kept pace with the size and dispersion of the firm.

The first ten years of planning did not yield any specific planning documents; rather it created infrastructure that would under-gird a developing business culture. During those early years, a recognizable marketing program was initiated, the process for bringing in the new owners was refined and responsible charge was given to all Associates. In addition, broad-based financial and project accounting systems were installed, leadership transition to the next generation conceptualized and the Board of Directors took on a regular and meaningful set of activities. The process transitioned a loosely organized professional practice into a Consulting Engineering Firm. Although “unwritten, the process allowed us to share common values, define how to work together, and understood what our mission. This was effective at the time, because we were a small group working side-by side.

The day-to-day leadership of the firm transferred to Chris Poland in 1990. Since then, the firm has grown to about 140 employees with over thirty engineering and corporate managers operating out of 6 offices located along the West Coast. The style of planning has transitioned several times to meet the needs of the growing firm. It began with a style that focused on mission and process because the firm was evolving to be organized and departmentalized around managers. In order to assure consistency, detailed functional plans were developed and compared to assure that all tasks were being done. This task-oriented style of planning quickly grew cumbersome and eventually yielded to broader definitions of what needed to be done by each of the 5 engineering groups, and one corporate group, that the firm is currently organized around.

Success yielded growth; more people stayed. No longer small and “side-by-side”, the time came to write down the plans. Values were set collectively, and included behavioral norms that defined how we worked together. Our purpose was daring, something we could strive for at least over the course of 100 years. Our mission stated how we would conduct our practice in terms of relationships with employees, clients, communities and investors. Our vision recorded what we intend to do better than anyone else. These

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statements represented the Degenkolb “big picture”, important because we had become a diverse community of professionals of virtually all ages and interests, practicing in several separate locations. Each one is a continuation of the “good-to-great” intentions instituted by Henry Degenkolb.

The plans have grown into a full fledged annual business plan. Included is a Board-developed strategic plan that defines who we are and wher we are going. The group developed Implementation Plans that define how we intend to improve our business, develop the capabilities of the staff, facilitate ownership transition, and create a productive and efficient work environment. The Financial Plan assures us that the firm remains financially stable and viable. The business plan serves as the “guiding star” for the firm’s employees, one that allows them to make choices on how to fulfill their responsibilities in a consistent manner. People remain with the firm because they share the vision, are allowed to add their dreams to the practice, and use current profits to fund ownership transition.

Time and growth continues to bring more new faces, new thoughts and new priorities. These are welcome and encouraged. Thus, significant changes to the business plan are necessary. While values are generally ingrained, vision, purpose and mission must evolve to meet the aspirations of the expanding group of leaders. Our five-year goals are often adjusted before they are accomplished because of rapid economic and

social change. Operational plans must be revised to keep pace with the rapid changes that are driven by the mobile work force we now employ. The complexity of the plan is constantly being reduced as the leadership teams mature. Longevity demands that the detailed, first generation plans need to yield to result-oriented plans. These plans must adapt annually to tap the creative ability of emerging leaders. Ownership transition has taken on a new look, as the next generation is more focused on a return on investment than on “pride of ownership”.

Staying in business for a long time rarely, if ever, happens by chance. It requires a desire for longevity and a thoughtful and dynamic plan for working together, in a manner that adapts to the individual interests of those who decide to stay. At all times, the practice must remain financially viable and able to underwrite an orderly transition of ownership. While it is easier and perhaps more profitable to operate a firm for only one generation, this Consulting Engineering Firm has learned that it is much more rewarding to create a specialty practice that has a purpose, contributes to the community, and fosters the development of the next generation of engineers.

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