

The Hinge

Talent and Leadership in the Business Cycle

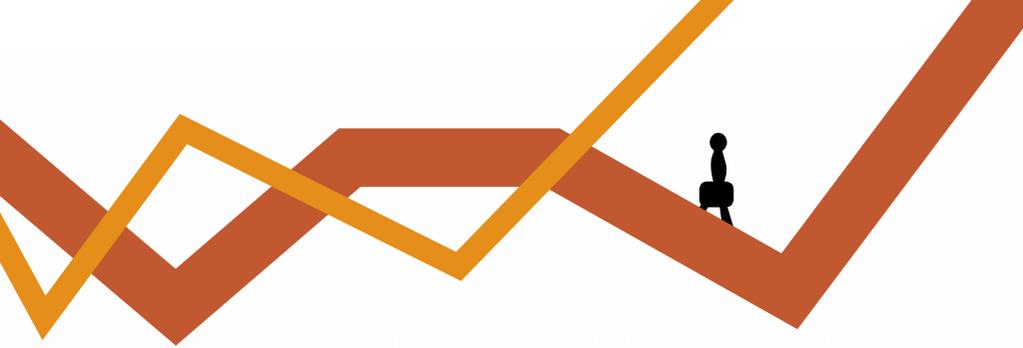
BY MARJANNE PEARSON AND NANCY EGAN, FSMPS+123.67%

SMPS is celebrating its 40th anniversary. Although we're hesitant to admit it, we remember the early days. Between the two of us, in each decade we've seen turbulence caused by the economic cycles that forced those of us in the A/E/C industry to deploy different strategies and talents to stay competitive.

Society for Marketing Professional Services

LEARNING FROM THE PAST

The 1973 oil crisis and stock market crash initiated a rolling wave of economic change, starting on the East Coast and then moving across the country. By 1975, the East Coast was recovering, and the West Coast was back in business by 1976. But in the late '70s, many architects were still relocating from the Northeast to booming Texas, while others turned to the new interior architecture



market that had been carved out by Gensler and a handful of other architectural firms. With SMPS on the rise, smart firm leaders put marketing and business development on the agenda (and called it that), creating an opportunity for a new category of employee—**marketing talent**—to support the professions.

The 1980–82 recession, marked by rising unemployment and inflation, was also a rolling wave, but some pockets suffered less than others. As an example, the new leadership at Minneapolis-based Ellerbe (before it was Ellerbe Becket or AECOM) wanted to be perceived as a stronger design firm and commissioned a search for 14 **design directors** for their offices across the country. As one of the largest A/E firms in the USA, Ellerbe held a preeminent position for clients in a number of markets including corporate, education, and healthcare and wanted to secure its place with **best-of-class design talent**. Design had always been a differentiator but not necessarily for the large corporate firms. Today, we recognize Ellerbe's initiative as a repositioning strategy to maintain competitive advantage in its primary customer segments.

The nearly worldwide recession of the early 1990s began with the Black Monday stock market collapse in October 1987 and continued as the savings and loan industry followed, gravely damaging an overbuilt real estate market. Firms that specialized in the corporate/commercial markets were hit hard, and even the most recognized commercial practices like SOM and KPF understood the need for “public-or-perish” diversification. Most of the larger A/E/C firms adopted a matrix form of organization in order to manage their increasingly diverse, market-focused practices. With elevated focus on performance and accountability, **management talent** was in demand, as were **market-sector leaders** who could “ride and shoot”—market and deliver projects. Marketing departments were reorganized, too, with growing emphasis on **marketing management**.

The early 1990s also brought us access to the Internet and emergent new businesses started up by technology entrepreneurs. The dot-com crash in 1999 hurt firms in the tech centers like Silicon Valley and Boston; however, the diversification firms had pursued early in the decade paid off. And the Internet and new digital tools proved a boon to marketers, bringing access to both sophisticated **research** and first-rate **graphics** to every desktop.

Although some firms that had expanded internationally during the '90s were hit by the 1997 Asian financial crisis or the European

Union slowdown in 2000, most firms were able to adjust their **practice strategies** and were soon back on track.

As the long boom continued through the 2000s, A/E/C organizations became more effective at strategy, marketing, and business development. **Top talent** in all areas of marketing and practice was in high demand. By 2007, recruiting had reached a fever pitch, but firms couldn't find enough qualified staff to produce the work that they had won. And then in October 2008, we woke up to a very changed economy.

MOVING FORWARD

The correlation between business cycles and the demand for talent and leadership in professional services firms seems obvious. We all know that, when times are good, firms are hiring; when the pipeline slows, so does demand. **As we reach the other side of our latest recession, the question is: How can we leverage talent strategies in order to offset the business cycle?**

Smaller firms and those with limited market diversification or geographic reach are more likely to experience a (single) traditional business cycle. Firms with diversified practices operating over multiple platforms (market sectors or geographic locations) are better able to manage multiple cycles, layered upon layers.

We have observed that, over the last five years, firms involved with **healthcare** work found that sector was affected by the economic cycle later than commercial sectors. This was due, in part, to a significant number of major projects, which allowed firms to leverage the work in order to retain not only their core healthcare leaders and staff but leaders and key staff in other sectors as well. During that period, they began reframing their marketing strategies to accelerate recovery and expansion.

Similarly, although the recession affected clients in the USA and Europe, there was still expansion opportunity in Asia and the Middle East, and many firms made investments in alliances and geographic expansion to supplement and balance their overall practice portfolios, even as their domestic portfolios were reduced. This led to new opportunities for **management, design, and marketing talent**, as well as fresh approaches to overall firm management and practice strategy.

10 TALENT AND LEADERSHIP IN THE BUSINESS CYCLE

According to *The New York Times*, “Business cycles have four parts: an expansion, a slowdown, a downturn, and a recovery. An entire cycle generally lasts 2 to 10 years.” This diagram outlines the sequence of marketing, management, and talent focus related to a traditional business cycle.

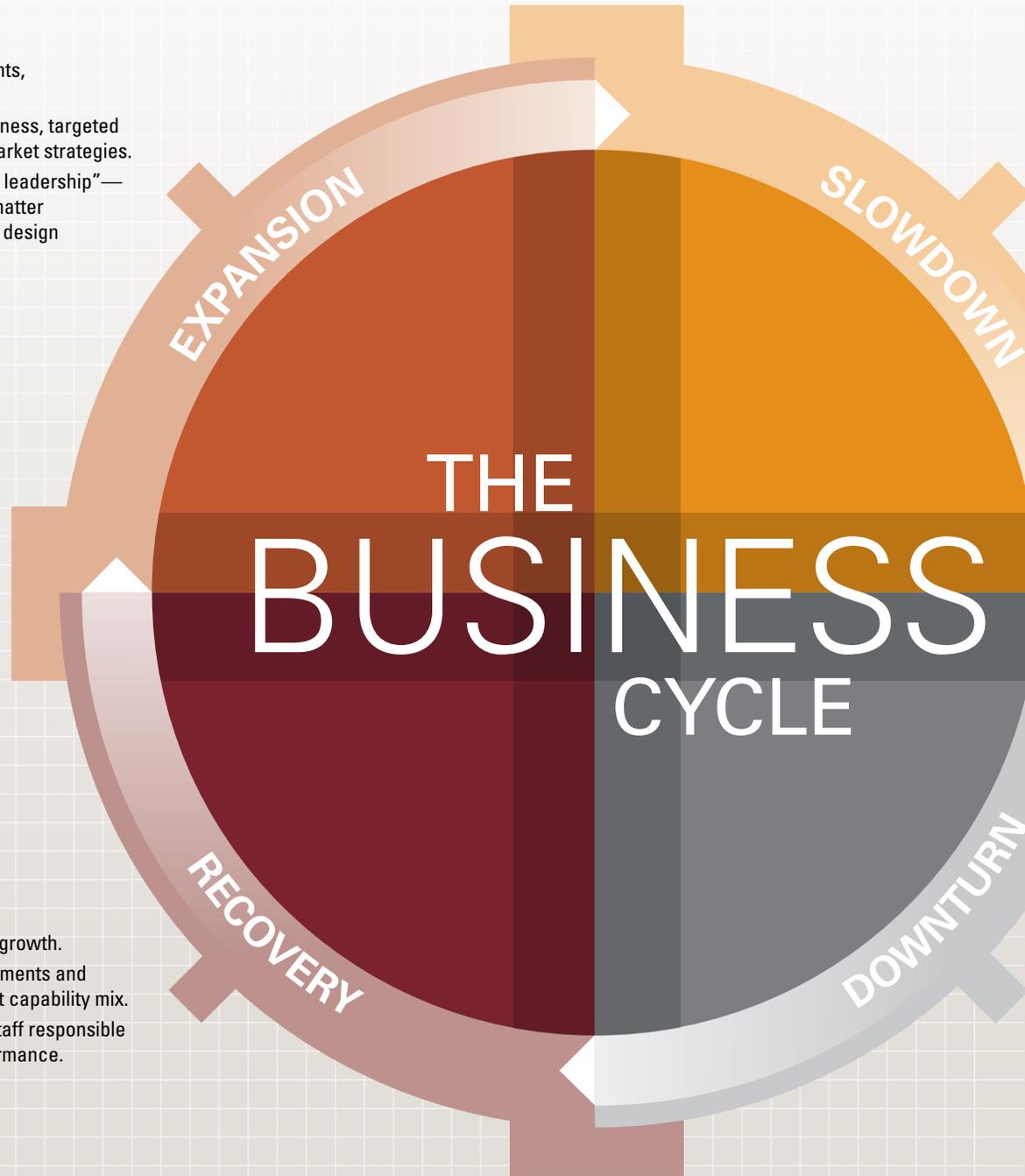
- Building business and capacity.
- Management focus on managing clients, managing commissions, and managing talent resources to earn fees and achieve targeted profits.
- Talent focus on “core operations leadership”—project managers and directors, discipline directors, and others who will have a significant impact on project organization and process.

- Growth in markets, client segments, geographic reach.
- Marketing focus on brand awareness, targeted client mix, relationships, go-to market strategies.
- Talent focus on “market-focused leadership”—market-sector leaders, subject-matter experts, management principals, design principals, seller/doers.

- Recalibrating value propositions.
- Management focus on strategic targets (markets, clients, opportunities).
- Talent focus on calibration of resources inside and outside the firm.

- Strategic focus on recovery and growth.
- Management focus on client segments and service offerings, including talent capability mix.
- Talent focus on leadership and staff responsible for marketing strategy and performance.

- Rebuilding business and capacity.
- Management focus on reframing practice strategy, service offerings, and marketing approach.
- Talent focus on capabilities (inside and outside the firm) to support new marketing initiatives.



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- Growth in revenue predictability.
- Marketing focus on getting more work, especially higher volume of repeat business with existing clients.
- Management focus on doing the work—delivering projects on time and on budget.
- Renewed focus on infrastructure, especially technology to support design and delivery, as well as operational and financial management.
- Talent focus on “core resource management”— CFOs and financial managers, operations directors, design managers, etc.

- Managing clients and resources.
- Management focus on operational objectives to achieve desired outcomes within predictable ranges.
- Talent focus on overall staffing allocation and utilization.

- Managing overall practice volatility.
- Marketing focus on outreach and proposals, with higher volume and effective results.
- Management focus on delivering projects profitably.
- Talent focus on “project-focused professional staff” for high utilization—project architects and engineers, job captains, project designers, etc.



Recruiting and the Business Cycle

BY MARJANNE PEARSON

For those of us involved in recruiting, it's important to gauge the effect of the economic cycle on availability of talent. In past recessions, we have seen the corporate interiors market begin to recover sooner than many other markets. (It's one of the reasons that many firms expanded into interiors in the 1980s and 1990s.) In the last recession, firms doing corporate interiors reduced staff through 2010, but then started building again in 2011, while firms in other sectors were still readjusting staff levels. From that point on, we have seen senior people with experience in corporate interiors receive promotions and accept positions with design firms or related businesses. As a result, we believe that the general availability of experienced people declined in 2013, even while demand continues to increase.

A recent article in *Interior Design* magazine on Hospitality Giants noted, “Fees for hospitality projects hit \$615 million, a 12 percent rise from the previous year and a sweet 52 percent jump from three years ago. These Giants forecast another 12 percent gain in the coming year.” Needless to say, there's a battle for talent in the hospitality design market sector, even though there's availability of talent with other types of experience.

Similarly, we know that demand for project-focused staff had a sharp decrease in 2008–09, and in some sectors, reductions continued into 2011–12 as large projects were completed. Demand began to pick up in 2012, and firms have been adding recent graduates and other mid-level professional staff. Now, demand has increased for design professionals with 7 to 10 or more years of experience, without an abundance of available talent. (We have seen this pattern in several of the last recessions, as we moved into the second year of recovery.)

At the senior level, we're seeing a range of architects and engineers—especially project managers and principals—who continue to seek opportunities for themselves, including some who have been in their own practices for more than 10 years and are now interested in joining a larger firm with more substantial projects. However, at this point in the economic cycle, potential employers are building “bench strength” in specific markets and customer segments, and they are seeking specific types of experience which is not necessarily matched by the experience of potential candidates. This should improve as the economy continues to expand across markets and firms begin to focus on “core operations leadership” that is not tied directly to specific markets.

The situation for senior marketing and business development professionals is similar. As firms have ratcheted up their marketing and business development, they have added marketing coordinators, marketing managers, and proposal writers; yet some of the most senior (and accomplished) professional marketers continue to seek permanent employment. This, too, should shift as we move further into expansion and more firm leaders recognize that growth in markets and client segments requires market-focused leaders who can develop and improve strategies for brand awareness, positioning, and client outreach.

“Long-range planning does not deal with future decisions. It deals with the futurity of present decisions... The best way to predict the future is to create it.”

—Peter F. Drucker

THE CHALLENGE OF TOMORROW

Within the A/E/C environment, there's a **metabolic force** that drives us to go after projects and then see them built. There's also an **evolutionary force** that encourages the push-pull of growth and change. We love growth, but we resist change. After major disruption, most of us want to return to normality, which often means a return to what has worked in the past. But is that still possible after significant upheaval as well as the certainty of continuing change?

In addition to changes in markets and client segments, we also are facing significant **changes in technology and human behavior**. As Randy Deutsch has said, “It's no longer about how quickly you can learn; it's about how quickly you unlearn.”¹ That's clearly a talent issue.

Our **workforce** is changing dramatically. Early Baby Boomers grew up in a professional services environment, where advertising and promotion were considered unethical.² Today, Gen-Ys are champing at the bit to make their own pitches and create their own futures, and this is as true in design and construction as in technology. In less than two decades, 20 percent of the U.S. population will be over 65 years old.³ By 2020, nearly 50 percent of all workers in the U.S. will be Millennials (born between 1980 and 2000).⁴

How will we adapt? Not only to the generational shifts, which will impact our values and cultures, but to the continuation of turbulence caused by economic cycles. We understand all of the components necessary for expansion: growth in markets, renewed focus, and rainmakers. As marketers, our role is to be proactive.

The Great Recession created opportunities as well as problems. It was tough on smaller firms and traditional practices but allowed forward-thinking firm leaders to take advantage of the disruptive energy in the overall business environment to explore new ideas and ventures that they are developing now, readying their firms to be **ahead of the next curve**.

If we rely on information and ideas constructed from past experiences of the current generation of leaders, then we're likely to relive the past—*déjà vu* all over again. However, if we understand the analytics of the business cycle, we should be able to capitalize on new thinking to influence change and create new futures for ourselves and our firms.

“Those who don't remember the past are condemned to repeat it.”
—George Santayana

WHAT'S NEXT?

We are once again at a **binge**: “a point or circumstance on which subsequent events depend.”⁵

Over the past decade, we have seen an explosion of change—not only in the design and delivery of our services but also in what matters most to our clients in their own markets and segments. Disruption has become the norm, creative confidence is the new competitive advantage, and agility is our platform.

Luckily, the A/E/C world specializes in solving challenges in unique, creative ways. But are we really changing the way we work?

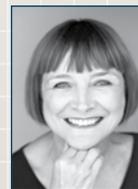
- How has disruption affected your firm and your clients?
- What performance outcomes are you rewarding?
- What are your strategies for creating the future for your firm and yourself?
- Who will lead change in your firm?
- Do you have the talent and leadership that you need now and into the future?

Join us at the binge. We know you have something to say. Please send us your ideas and stories to be shared in a curated article on this topic that we are developing to kick off the New Year. [m](#)

About the Authors



Contributing editor **Marjanne Pearson** is recognized as an industry pioneer in talent and business strategies for architecture and design. She helps A/E/C firms envision what they want to become and then find and develop the talent and leadership they need to make that evolutionary step. She can be contacted at mp@nextmoon.com or on Twitter @nextmoon.



Contributing editor **Nancy Egan, FSMPS**, focuses on image and content development for firms in the design community. A regular contributor to several professional publications, she writes on workplace issues, urban design and architecture, and professional services marketing. A past president of SMPS, she can be contacted at egan@newvoodou.com.

Their most recent articles for *Marketer* (June and August 2012) have focused on proactive strategy to create new market space and achieve unconventional outcomes.

Footnotes:

1 Author of *BIM and Integrated Design* (<http://architects2zebras.com/about>)

2 “A Tribute to Weld Coxe,” *Marketer* (August 2011)

3 Buck Institute for Research on Aging (www.theBuck.org)

4 “Attract Employees and Clients with a Digital Workplace,” by Brennan Gamwell, *Marketer* (August 2013)

5 *American Heritage Dictionary of the English Language, 4th Edition*