

# marketer

Volume 28, Issue 1, February 2009

The Journal of the Society for Marketing Professional Services

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of the A/E/C Industry*

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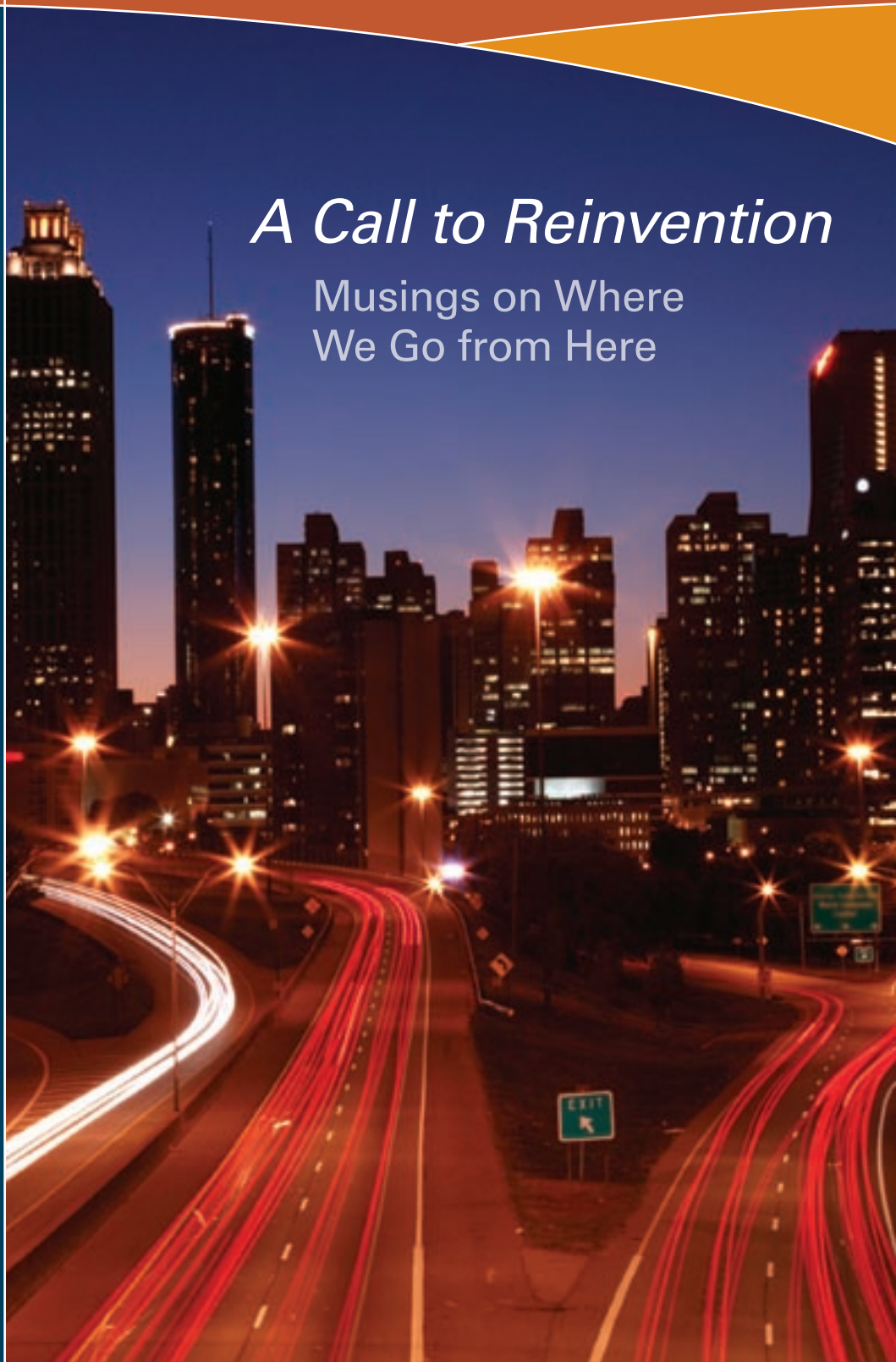
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SMPS

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SMPS members and their firms contributed photos used throughout this issue.

# from the editor

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The Society for Marketing Professional Services represents a dynamic network of 7,000 marketing and business development professionals from architectural, engineering, planning, interior design, construction, and related specialty consulting firms located throughout the United States and Canada. The Society and its 50+ chapters benefit from the support of 3,250 design and building firms. SMPS's mission is to advocate for, educate, and connect leaders in the building industry.

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## The Way We Market Now

“When the wind changes direction, there are those who build walls and those who build windmills.”

—Chinese proverb

**As the Age of Obama begins, amid so much economic turbulence and uncertainty, what will it mean to the A/E/C industry?**

To find out, we posed several probing questions to a wide range of firm leaders, futurists, and industry experts from around the nation, such as: What will be the paramount issues for the next three to five years? What does the Obama agenda for change portend, both for America and the global economy? What new areas of practice are being pursued—and which ones will be reinvented? And what is happening in the A/E/C world that will have the most profound effect, especially on marketing those professional services?

As you will read in our cover story, the responses are incisive, hopeful, and even surprising. But not all of them will give great comfort, if that's what you expect. Following this story is a think piece by contributing editors Nancy Egan and Marjanne Pearson that establishes a bold course for reinvention, not just reaction, in this perilous period ahead.

This issue's theme, urgent and timely as it may be, is about navigating where we are going and what we can do about it. Only here will you find this compendium of sharp ideas from some of the best minds in our field, just as we enter a new age branded by one whose successful, “post-partisan” presidential campaign exemplified keen marketing savvy and innovative marketing techniques. Is there any doubt why Barack Obama earned the distinction of “marketer of the year” for 2008 by *Advertising Age*?

We offer quite a number of other perspectives about what these times may mean, and also on the various ways we market now from some of our other great editors. Joining them are first-time contributors Janet Sager and Christina Monti, who address the questions on all our minds: Where is the opportunity in this current crisis and what is the most constructive action that can we take?

As the wind changes direction, we think the most constructive thing to do now is build windmills, not walls. If design and construction is one of the world's most important industries, and marketing one of its most creative professions, we should be leading the way out of this.

Will we?





# What's Next?

## A Guide to the Future of the A/E/C Industry

BY NANCY EGAN, FSMPS; MARJANNE PEARSON;  
AND RANDLE POLLOCK, FSMPS

For the first issue of 2009, we reached out to leaders in A/E/C professional services firms, to gather their expert opinions about the future and what it may mean for the A/E/C industry. Note that as we write this article, it is late December 2008, in a time of cold and darkness when we look forward to the festivities that traditionally signify new beginnings and rebirth.

Similarly, Americans are in the interregnum between the experience of the Bush–Cheney administration nearing its end and the promise of the Obama–Biden administration yet to begin. We are living through a time of uncertainty and volatility, when companies deemed “too big to fail” have done just that. Anxiety colors our actions.

It's time to ask ourselves, what's next?

“Senior executives confront a more profoundly uncertain business environment than most of them have ever faced,” observe Lowell Bryan and Diana Farrell in their recent article “Leading Through Uncertainty” (*McKinsey Quarterly*, December 2008).

In the face of the unknown, many firms are already preparing for significant transition. “The Flat Earth phenomenon of the last 5 to 10 years is increasingly affecting how we practice, who practices, and where they practice,” notes **Ray Landy, AECOM Design**. Add the new delivery methods and technologies [integrated project delivery (IPD), building information modeling (BIM)] and the recent activity in consolidation through merger and acquisition, and we find ourselves traversing a changing landscape.

As a guide to the new territory, we thought it would be useful to provide a familiar framework for the insights and observations of some of the professions' best minds and senior leaders. While there is little dispute that the biggest threat to the A/E/C profession is the economy, our respondents offer an interesting range of perspectives. As we prepare ourselves for the leadership responsibilities that lie ahead, let's consider our opportunities and strengths, as well as the challenges to come.

### The Survey Participants



**Janet Goodman Aubry, FSMPS**, Principal, Aubry Architects, Anna Maria, FL

**Kirk Bobo, FAIA**, Co-Founding Principal, Hnedak Bobo Group, Memphis, TN

**Scott Butler, P.E.**, LEED AP, Senior Vice President/Science & Technology Program Director, HDR CUH2A, Princeton, NJ

**James P. Cramer, Hon. AIA, Hon. IIDA**, Principal and Chairman, Greenway Group; President, Design Futures Council; and Publisher and Founding Editor, *DesignIntelligence*, Atlanta, GA

**Phil Crompton**, Principal and Co-Founder, Vantage Technology Consulting Group, El Segundo, CA

**Charles D. Dalluge**, Executive Vice President, Leo A Daly, Omaha, NE

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## Assessment: Opportunities

“There is an emerging worldwide consensus that in current circumstances, a solid recovery requires that money be re-infused into the economy, and that infusion must be driven by governments.”

—**Mark Mendell, Cannon Design**

At this time, President-Elect Obama is planning to propose a major economic recovery program that could grow to include \$850 billion in new spending and tax cuts over the next two years. “Obama plans big jolt for economy,” read the AP headline about the plan that the *Los Angeles Times* said could shape the course of his presidency. It will certainly shape the future of the A/E/C professions.

We asked our contributors what the Obama agenda for change portends for the A/E/C industry, especially in light of issues related to the global economy. **Paul Hoffman, Hoffman LLC**, candidly commented, “I have no idea, and anyone who says they know is blowing smoke.” Others offered their predictions. **Ray Messer, Walter P Moore**: “On one hand, the Obama agenda for change will be more focused on funding infrastructure spending to create jobs and to begin to catch up on the billions of deferred maintenance that plagues our infrastructure. On the other hand, I am concerned that there will be more unnecessary regulation.”

Elements of the recovery program will undoubtedly include spending on roads and other infrastructure projects, energy-efficient government buildings, new and renovated schools, and environmentally friendly technologies. Obama also is expected to seek more funding for social programs, which could lead to other building projects.

According to **Paul Westlake, Westlake Reed Leskosky**, “Obama’s impact on U.S. A/E/C firms will be his emphasis on the urban environment—American cities.” And for possibly the first time since Thomas Jefferson was in government, we are likely to have an architect in a cabinet-level position in the Obama administration, with Shaun Donovan selected as the Secretary of Housing and Urban Development.

But as **Scott Butler, HDR CUH2A**, said, “It’s not just about sewers and transit.” He is particularly optimistic, “Once a recovery begins to unfold and the economy picks up, there is going to be a tremendous surge of opportunity.”

Our contributors identified five significant areas that are likely to be addressed as part of the economic recovery program.

### 1. Transportation

We’ve heard about the improvement needed in roads and bridges, but there undoubtedly will be other opportunities in public transportation and transit, and not just for engineering and construction services. According to the *Cleveland Plain Dealer*, “The Greater Cleveland Regional Transit Authority has a new example of what smart infrastructure planning might look like in a plan for a \$10 million bus-and-rail transfer station in University Circle,” designed by Mehrdad Yazdani of the Yazdani Studio of Cannon Design, who “specializes in mass transit.”

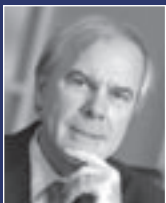
### 2. Energy

Most of our contributors mentioned energy independence and global warming as key issues, including development of alternative fuel technologies and energy efficiency in buildings.

**Jim Cramer, The Greenway Group**, said: “Energy, its use, efficiency, and sources are increasingly dominant issues in design and in business. The growing interest by clients in zero-energy buildings is evidence of this.”

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## The Survey Participants



**Charles Greco**, President and CEO, Linbeck, Houston, TX (*not pictured*)

**Bill Heitz, CCM**, President, Heery International, Atlanta, GA

**Paul J. Hoffman**, CEO, Hoffman LLC, Appleton, WI

**Ray A. Landy, AIA**, President, Architecture, AECOM Design, Los Angeles, CA

**Mitch Levitt, FSMPS**, CEO and President, Karlsberger, Columbus, OH

**Mark R. Mendell**, Co-Chair, Cannon Design, and President, Cannon Design International, Grand Island, NY

**Raymond F. Messer, P.E.**, President and Chairman, Walter P Moore, Houston, TX

**Paul Nakazawa, AIA**, Nakazawa Consultants, Wellesley, MA (*not pictured*)

**Bill Scott**, Division President, Linbeck, Houston, TX (*not pictured*)

**Paul E. Westlake Jr., FAIA**, Managing Principal, Westlake Reed Leskosky Architects, Cleveland, OH

# A Call to Reinvention

BY NANCY EGAN, FSMPS, AND MARJANNE PEARSON

Behind many of the comments of our thoughtful respondents for “What’s Next? A Guide to the Future of the A/E/C Industry” was the implicit understanding that the A/E/C industry, and the professionals engaged in it, must change to survive the next few years and to emerge stronger and more competitive on the other side of what appears to be a long trough. Because this crisis is global—and not just geographical—stretching across all sectors of the economy, we have lots of company in our concerns. Punditry and prognostication abound in the Op-ed pages, the business press, and on hundreds of blogs.

There is a nearly universal sense that we are at a critical juncture where the fundamentals of business are changing, and nothing we can do is going to stop the forces reshaping our world. Yet with so much chaos in the markets, all of it being hyped over and over in the 24-hour-a-day news cycle, how do we set the course for reinvention, not simply reaction?

**Paul Nakazawa**, our colleague, the wise counselor, teacher, and keen observer of the professions and their dilemmas, has suggested that there are three currents of change pulsing through the culture simultaneously.

- 1. News:** Information and disinformation about events. News is characterized by its immediacy and emotional impact as well as our shared experience of it. Once something is news, our mode of action can only be reactive.
- 2. Trends:** Trajectories of developments where a certain level of anticipation is possible. Trends have an established direction, extensible in and over time. They can be intellectually captured as forecast and predictions. Trends, however, can be disrupted in a major way on a short-term basis without invalidating the trend. Trends also are subject to disruptive change; for instance, at the beginning of the 21st century, airlines were expediting passenger access at airside terminals, but 9/11 put an end to that trend.
- 3. Long-waves of change:** The difference between trends and long-waves, sometimes called *mega-trends*, is their scale, persistence, and relative immunity from disruptive events. The long-wave describes inexorable processes of societal transformation. However, these deep currents are also open-ended, their outcomes uncertain even though they will inevitably impact a significant number of people.

Examples of long-waves and responses in the architectural profession: urbanization on a global scale met notably by SOM in American cities with the development of high-rise towers after WWII, and by Gensler with its understanding of transformation of the American corporation and the nature of the workplace; the consequences of global population growth and industrialization with their impact on resources and environment, which led to the emergence of sustainable practice championed by architects like William McDonough and the U.S. Green Building Council.

Faced with what we see as a strategic inflection point, at what level do we begin to address the inevitable? After the first round of optimization and belt-tightening, where do we go? Here’s a brief roundup of what some of our favorite seers are saying.

- “As of October 2008, your job has changed. You need to readjust your mind-set for a future that looks very different than it did just a few months ago.

“These are extraordinary times to be in business. It is human nature to wait and hope that your company will emerge relatively unscathed from the downturn. But waiting is not an option. Nor is hoping. Instead, you must look objectively at your business and decide: Can you survive? Then swiftly and decisively pursue the course of action determined by the answer.

“The weaker players should be scared. If your company is positioned poorly right now, it is time to face the facts. You are probably going to the wall—or, at best, your business will be much reduced. The most precious thing you have is time—and you may not have much. Figure out how to best position your assets and your people to give every piece of your company its best chance to succeed, even if under different ownership. But for everyone else—all those whose companies aren’t up against the wall—the meltdown could prove to be a blessing in disguise. Your first objective is to become as strong as possible, as fast as possible....”

—Paul Branstad, Bill Jackson, and Shumeet Banerji, “Rethink Your Strategy: An Urgent Memo to the CEO,” *strategy + business*, December 15, 2008

- “As I think about our bailing out Detroit, I can’t help but reflect on what, in my view, is the most important rule of business in today’s integrated and digitized global market, where knowledge and innovation tools are so widely distributed. It’s this: Whatever can be done, will be done. The only question is will it be done by you or to you. Just don’t think it won’t be done. If you have an idea in Detroit or Tennessee, promise me that you’ll pursue it, because someone in Denmark or Tel Aviv will do so a second later.

“Why do I bring this up? Because someone in the mobility business in Denmark and Tel Aviv is already developing a real-world alternative to Detroit’s business model. I don’t know if this alternative to gasoline-powered cars will work, but I do know that it can be done—and Detroit isn’t doing it. And therefore it will be done, and eventually, I bet, it will be done profitably.

“And when it is, our bailout of Detroit will be remembered as the equivalent of pouring billions of dollars of taxpayer money into the mail-order-catalogue business on the eve of the birth of eBay. It will be remembered as pouring billions of dollars into the CD music business on the eve of the birth of the iPod and iTunes. It will be remembered as pouring billions of dollars into a bookstore chain on the eve of the birth of Amazon.com and the Kindle. It will be remembered as pouring billions of dollars into improving typewriters on the eve of the birth of the PC and the Internet.”

—Thomas L. Friedman, “While Detroit Slept,” *The New York Times*, December 10, 2008

- “For years, we in traditional media have consoled ourselves about the increasing irrelevance of our work....
- “We have to develop content that metamorphoses in sync with new ways of experiencing it, disseminating it, and monetizing it. This argument concedes that it’s not possible to translate or extend traditional analog content like news reports and soap operas into pixels without fundamentally changing them. So we have to invent new forms. All of the fascinating, particular, sometimes beautiful, and already quaint ways of organizing words and images that evolved in the previous centuries—music reviews, fashion spreads, page-one news reports, action movies, late-night talk shows—are designed for a world that no longer exists. They fail to address existing desires, while conscientiously responding to desires people no longer have.”
- Virginia Heffernan, “Content and Its Discontents,” *The New York Times Magazine*, December 7, 2008

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Offered Scott Butler: “Obama has a very aggressive investment program of \$15 billion a year to develop alternative fuel technology and to address energy efficiency in buildings (especially in the government sector). That will affect the A/E/C industry by putting money back into buildings to support the new research, development, and manufacturing of these alternative fuels. If you’re going to attack the problem [of energy independence], you have to attack it with buildings, since they account for 50% of the total energy and 60% of the electricity consumed in the U.S.”

### 3. Sustainability

Jim Cramer observed: “Infrastructure and sustainable design are trends with a lot of momentum, and they’re going to move fast. In addition, even the poor economy will not trump green design. No longer considered optional, sustainability is increasingly seen by clients as a core aspect of design and construction. Architects, engineers, and designers have a tremendous opportunity to be leaders in this area if they choose to do so.”

### 4. Healthcare and Education

**Mitch Levitt, Karlsberger**, said, “I think we will see continued growth in healthcare as the Obama administration promotes care for everyone, and for higher education as he puts heat on that market to provide educational opportunities to more people.”

The Associated Press forecast includes renewed interest in building programs for public schools and community colleges. However, **Paul Nakazawa, Nakazawa Consultants**, pointed out that while “education and life sciences clients are still active, many educational institutions have seen significant endowment fund losses, which may prevent them from making further investment in buildings.”

### 5. Research

Scott Butler remarked, “Obama has talked very directly about the need to inject money into basic research programs. As part of the stimulus package, he will support research programs out of the National Institutes of Health, which would directly involve funding for research at academic institutions.”

Jim Cramer referred us to the *DesignIntelligence* 2009 trends forecast ([http://www.di.net/articles/archive/2009\\_unfolds\\_stand\\_your\\_ground/](http://www.di.net/articles/archive/2009_unfolds_stand_your_ground/)) that “identifies more than 20 additional trends of various importance and speed that are affecting the A/E/C community now and through the next three years. They all represent opportunities for firms that are willing to embrace flexibility, innovation, and non-traditional services.”

## Assessment: Strengths

Although other professions make significant contributions to our society, including public policy and social justice, health and well-being, it is the A/E/C professions that see opportunities and then deliver value in physical form, translating ideas into three-dimensional reality.

Mark Mendell, Cannon Design, said, “The construction industry represents 10% of the U.S. economy, even though it is without a doubt the most fragmented major sector. Going forward, public policy will almost certainly focus on public investment, which means that the construction industry should be the recipient of much of the economic infusion money. It will almost certainly be heavily biased toward things like transportation (e.g., roads and bridges), education, healthcare, and other ‘bricks-and-mortar’ projects related to rapid job-creation programs. It is most likely that institutional and government-backed construction work will be the most active, and of course design firms will be the first in on these programs. Therefore, I anticipate that as difficult as this period of contraction may be, our industry will be among the first to recover, with manufacturing likely to be lagging well behind the construction industry as a whole.”

### 1. Public Procurement

Ray Landy observed, “Clearly the forthcoming infrastructure stimulus packages generated in the initial years of the Obama administration are going to favor those A/E/C firms with strong public-sector experience in transportation, water, energy, and hopefully sustainability. These tend to be larger A/E/C firms with global experience and a strong understanding of public procurements, Federal Acquisition Regulations, and state/local bidding environments.”

### 2. Project Process + Collaboration

- **Chuck Greco, Linbeck**: “Traditionally, construction has not adopted technology as readily as other industries, but BIM can model outcomes as well as design. BIM’s benefits are maximized in an integrated project delivery approach. IPD helps people, systems, business structures, and practices integrate to collaboratively harness the talents and insights of all participants, optimize project outcomes, increase value to the owner, and reduce waste throughout design and delivery.”
- Paul Hoffman: “There is a trend towards integrated project delivery and greater collaboration and partnering—companies coming together to maximize their combined strengths and mitigate risk.”
- **Bill Heitz, Heery International**: “The current trends in the A/E/C world are bringing designers and constructors closer together and making them true partners in ways that facilitated partnering sessions can’t. The increasing awareness by owners of their ability to manage risks, the delivery methods that they are trying as a result (design/build, integrated project delivery, public/private partnerships), the use of BIM by designers and builders, the welcome emphasis on job-site safety, and even the sustainability movement are all forcing A/E firms and builders to work together like never before.”

### 3. Sustainable Design

Paul Hoffman said: “We’re all about bringing value to owners. We can already clearly show our clients the value proposition of sustainable design and construction and demonstrate how their project can be green, a sound business solution, and still be below the average cost for a comparable building with traditional construction.”



## Assessment: Challenges

**Phil Crompton, Vantage Technology Consulting** observed, “Cost cutting isn’t going to ensure survival, let alone growth. We believe that you can’t cost-cut your way to a successful future for your firm. Time and time again, firms that give in to the urge to reduce their growth strategies have had a far more difficult time recovering when conditions improve. We will respond proactively to changing conditions by innovating our way through them.”

Jim Cramer suggested, “Certainly the all-encompassing issue now and into the next 24 to 36 months is the dramatic economic shifts that are destabilizing the design professions. Firms will continue to look for cost reductions as well as productivity increases. Sadly, this means layoffs, among other things. But while we can’t afford to be in denial about the recession, none of us wants to fully participate in it, either. In the short term, it’s important to stay strong with cash management, to work diligently at building your firm’s reputation, and to compete strategically for a piece of the smaller economic pie in whatever sectors your firm serves. Of greatest importance is the recognition that this economic period will pass, and there will be a future, so do what it takes to stay in the game until the uptick begins.”

### 1. Talent and Leadership

- **Mark Mendell:** “The best and brightest will find work, but good people may not be good enough. There will be an increased demand in capabilities for those who do join the profession. In addition, this will likely affect issues related to ownership continuation and leadership succession beyond today’s founders and other firm leaders.”
- **Ray Messer:** “Obviously, the economy is an issue, but the longer-term issue of major importance is leadership development and succession.”
- **Chuck Greco:** “Previous recessions have created a ‘generational gap’ in key management and field positions and made planning for progressive career development difficult. We need to focus on growing leadership, professionalism, and the business and technical skills that enable staff to invent and implement innovative ideas and solutions that create value for clients throughout the project development and delivery cycle.”
- **Kirk Bobo, Hnedak Bobo Group:** “We’ll be facing a very serious shortage of talent. Engineers in select disciplines have long known the impact of a shrinking talent pool, and architects are soon to follow. Post-recovery, competition for key professionals will be greater than ever, and we’ll need to be ready to reach out to the world market for professionals to join our ranks, especially to countries who are training much larger numbers of architecture professionals than we are here in the U.S.”
- **Mark Mendell:** “The longer-range threat will be a flood of extremely talented and creative architects from outside the U.S., competing for work in the U.S. The best will be every bit the equal or better than current top-class designers, and will probably work for much lower fees.”

■ “If you had the chance to tear up the traditional school design with its classrooms, corridors, and whiteboards and create a space that would stimulate pupils to learn, what would you do? That was the choice faced by Kent County Council six years ago. Confronted with dwindling pupil numbers and poor exam results, they took a deep breath, went back to the drawing board, and created the kind of big splashy spaces that advertising agencies use to get people brainstorming....”

“Kent has been working with leading educationalists, technology specialists, and architects to ensure that its new wave of schools delivers a truly 21st-century education. Microsoft has been advising them on technology, and Gensler is the design adviser.”  
—*Veronica Simpson, “Lessons without walls: Inside the school of the future,” The Independent (U.K.), December 4, 2008*

■ “During hard times, a structural break in the economy is an opportunity in disguise. To survive—and, eventually, to flourish—companies must learn to exploit it.

“There is nothing like a crisis to clarify the mind. In suddenly volatile and different times, you must have a strategy. I don’t mean most of the things people call strategy—mission statements, audacious goals, three- to five-year budget plans. I mean a real strategy....”

“By strategy, I mean a cohesive response to a challenge. A real strategy is neither a document nor a forecast but rather an overall approach based on a diagnosis of a challenge. *The most important element of a strategy is a coherent viewpoint about the forces at work, not a plan.*”

—*Richard P. Rumelt, “Strategy in a ‘structural break,’” McKinsey Quarterly, December 2008*

■ “Because water is cheap (at least for now) and seemingly in infinite supply, efforts to improve its use—or deter its overuse—have been inadequate. And it’s not just water itself that’s being wasted: There’s the energy required to transport and deliver it (particularly in such cases as Atlanta’s bizarre arrangement to get its water from Alabama and Florida, or any of us buying bottled water from Fiji). But there are innovations, large and small, now available that would provide for systematic management and optimization of our nation’s water....”

“‘We use huge infrastructure to move and deliver water,’ says landscape architect Josiah Cain of Design Ecology, who worked on the design for the California Academy of Sciences’ distinctive living roof. ‘We wash our face with or take a shower with it, then we use that water, treat it with chemicals, and dump it into our waterways. It doesn’t make any sense. There’s no such thing as waste water. We need to take advantage of water multiple times.’”

—*Allison Arieff, “Blue is the New Green, By Design Blog,” The New York Times, November 20, 2008*

■ “As Barack Obama ponders whom to pick as agriculture secretary, he should reframe the question. What he needs is actually a bold reformer in a position renamed ‘secretary of food.’”

“A Department of Agriculture made sense 100 years ago when 35 percent of Americans engaged in farming. But today, fewer than 2 percent are farmers. In contrast, 100 percent of Americans eat....”

“As [Michael] Pollan told me: ‘Even if you don’t think agriculture is a high priority, given all the other problems we face, we’re not going to make progress on the issues Obama campaigned on—healthcare, climate change and energy independence—unless we reform agriculture.’”

—*Nicholas D. Kristof, “Obama’s ‘Secretary of Food?’” The New York Times, December 10, 2008*

## 2. Values + Culture + Content = Brand

There's no question that brand is important, but there must be a link between who you are, what you profess, and what you do.

- Jim Cramer: "Creative professionals need a strong brand that conveys their essence and value. Firms with strong brands will be able to capture market share that is left behind by those firms that aren't able to weather this economic storm."
- Paul Nakazawa: "Architects must take a clear-sighted look at themselves and realistically articulate the value they bring to a client. How can you be of service? What does society ask of you? Be honest. Articulate what your special value is to clients and market your practice accordingly."
- Paul Hoffman: "Glitz and show are not going to be nearly as effective as value and substance. Years from now, we'll be a better version of ourselves, and our value and brand will be stronger. We'll have a strong culture, be more profitable, and even more valuable to our partners and clients."

## 3. Competitive Environment

- Mitch Levitt: "One of the paramount issues will be the need to stay aggressive in the marketing effort during an economic downturn. The credit crunch will have the most profound effect on the industry. No money means no buildings."
- Paul Hoffman: "Owners will be looking, more than ever, at the financial strength of companies when they are choosing which firm to work with. It used to be that bigger was better. Today better is better. A company has to be financially strong and lean, while demonstrating that the firm is recession-proof and can stand the test of time."
- Mark Mendell: "Firms with capacity and staying power will come out of the recession even stronger. There will be more, larger firms. Small firms, especially those with personal connections to their clients, may find it easier to navigate through the downturn. Mid-sized firms will probably be hurt the most, without the ability to compete against the larger firms while finding that smaller firms are driving lower fees."
- Scott Butler: "There will be companies that don't make it. Surviving firms will be able to take advantage of less competition and more work once the economy improves. Two challenges we are facing are global competition and commoditization of our services. Our clients, especially on the corporate side, are being squeezed, and as they are being squeezed, we tend to be squeezed as well. A major challenge is how to react to that."

## 4. Focus on Clients

- **Charles Dalluge, Leo A Daly:** "It is really about our clients and the key challenges facing them today, which shape our firm and strategy now more than ever."
- Phil Crompton: "Firms that can align their services to maximize, not just complement, their clients' operations should find themselves better positioned in the recovering economy."
- Paul Nakazawa: "Nurture relationships with clients, even when the work has dried up."

## 5. Globalization

- Paul Westlake: "The globalization of document production, in competition with American labor, will have a profound effect."
- Ray Landy: "The world's talent in architecture and engineering is rapidly normalizing across many geographies globally: India, China, Middle East, Australia, Latin America."
- Scott Butler: "We are seeing competition from places we never saw even two years ago. Now we might be competing against companies in Korea, China, or even the Middle East. These foreign companies can transfer their expertise around the world, so we are forced to compete against qualified professionals who tend to be less expensive."

## 6. Practice Models

- Ray Messer: "Consolidation will have the most profound effect on the practice of professional services. Will the large public firms be successful providing personalized service on a project-by-project basis, sometimes at the sacrifice of profitability? If they are, then we will see more and accelerated consolidation. If not, there will be plenty of room for the mid-sized firms. Small boutique firms will always have a place."
- Ray Landy: "Hopefully, the stimulus packages will have provisions for small as well as disadvantaged businesses. Small firms, which in many cases train the talent and incubate the design innovations and thought leadership critical to future growth, could decrease rapidly if the recession is deep. This could negatively change our industry in the future and points to a key policy initiative which A/E/C management, technical, and marketing professionals need to address with the decision-makers who are formulating these stimulus packages in all levels of government."

## 7. Sustainability

- Paul Westlake: "We need to focus on optimization of efficient energy and resource utilization."
- **Janet Goodman Aubry, Aubry Architects:** "Anything related to energy independence in a real, workable sense is important. Lip service won't get it anymore."
- Paul Hoffman: "There's even more demand for demonstrating that what you say and what you do match up. We were hired recently because the owner saw that we honestly practice sustainable principles beyond the building project."
- Ray Landy: "It is interesting to note that increasing sustainability initiatives in the construction industry actually operate opposite to the rapid globalization and mobility of talent in the A/E industries due to the strong focus on using construction materials which are manufactured and assembled as close as possible to the actual site of construction."

## 8. Technology

- Phil Crompton: "I think the promise of technology, after many false dawns, may finally be coming true. The use of technology to leverage and improve operations, production, and efficiency—mobile working, collaborative applications, use

of BIM techniques, etc.—will have a significant impact on our practices. Increased standardization and convergence on IP-based platforms are reducing the cost and complexity of deploying these systems and, perhaps for the first time, bringing them within the reach of even the smallest of firms. Challenging economic times have a way of accelerating the development of these techniques, and that’s a good thing.”

## New Areas of Practice

### 1. Transformation of Markets

A/E/C firms are not the only types of businesses adjusting to the new reality. Markets are transforming (or being transformed) to adjust to economic changes, and our clients are developing new marketing strategies and business plans.

- Paul Westlake: “There will be a shift in the parity of urban construction (increase) and suburban construction (decrease), along with an increase in renovation and decrease in new construction.”
- Scott Butler: “We are trying to improve in the relatively new field of translational medicine that brings healthcare and sciences together. We are looking to find how healthcare facilities will attach themselves to science facilities. We see a lot of potential for growth in this field, especially as drug therapies become more and more individualized.”

### 2. Migration to New Market Sectors

- Ray Landy: “A/E/C professionals operating primarily in the private sector will be doing some shifting and migrating over the next several years as that market continues to suffer from financing constraints and volatility in retail, residential, corporate, and leisure sectors.”
- Mark Mendell: “The slump in commercial work will drive firms that can’t find work in their traditional commercial environments to pursue institutional and public work. To enhance their ability to compete in the institutional arena, firms that have been primarily active in the corporate/commercial sector may seek out alliances with firms that have established track records in public and institutional work.”

### 3. Design for Fabrication

- Scott Butler: “HDR CUH2A has a very ambitious program in the development of 3D visualization and building information modeling. Executing our designs is a major service that we don’t want to lose to the construction trade. Therefore, trying to find new ways of executing design for fabrication and construction is a cutting-edge concept we are currently developing. HDR CUH2A is not the first company to do this, but we are at the leading end of our industry.”

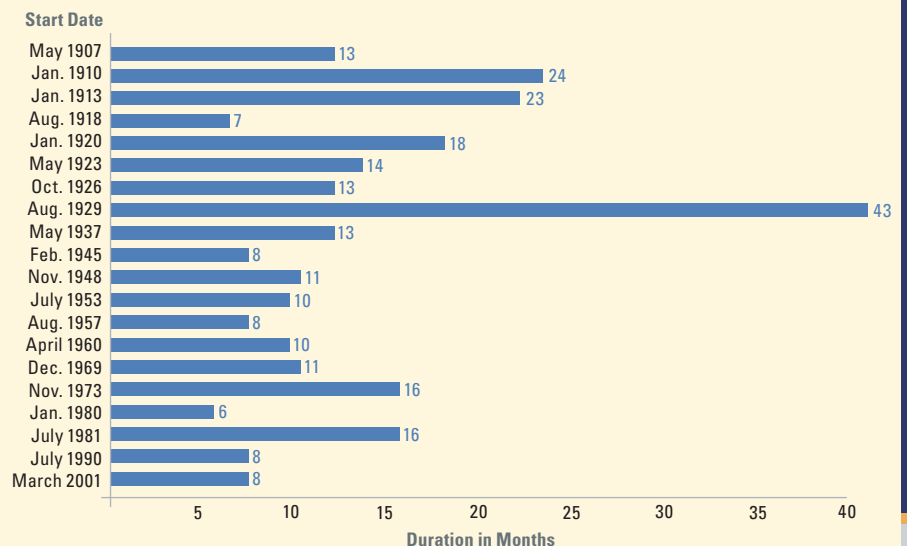
### 4. Reinvention

- Phil Crompton: “We need to reinvent how we do business at every level. This includes exploring ways to work faster and operate more efficiently, developing new service offerings and teaming arrangements, and focusing on innovation and creativity versus cutbacks and reductions. After all, these are things we should all be doing routinely to improve service to our clients and to the bottom line.”
- Ray Landy: “Scalability of technology (including face-to-face communications, BIM, virtual space, etc.), coupled with talent mobility, will undoubtedly change the face of the conventional practice of architecture and engineering. Perhaps the big firms become bigger, perhaps the boutique firms become more virtual, but there is no question that A/E knowledge will be distributed in different ways and more evenly distributed across the world than in its current geographic nodes. There are clear trends that some of the new locations of rapidly increasing A and E talent, such as India and China, will be practicing as firms in the U.S., U.K., and Europe in greater numbers in the future, thus driving even more changes and consolidations in the future.”
- Janet Goodman Aubry: “We are evolving as a nation as we did from industry to service, but to what next, I don’t know. My own personal vision is that, in the ashes of what we have left, a phoenix will rise. And it will bring a renaissance of well-thought-out and practical ideas for change, far less bureaucracy, true entrepreneurial opportunities, and zero-tolerance for corruption that has taken us so far down.”

## A Century of Recessions

A hundred years ago next month, the United States emerged from a recession that had begun 13 months earlier. Since then, there have been 19 recessions as documented by the National Bureau of Economic Research (NBER), a private organization whose calculations of the beginnings and ends of recessions are widely accepted by economists. Recessions, according to the NBER, “start at the peak of a business cycle and end at the trough.” The longest recession, from August 1929 to March 1933, ushered in the Great Depression. The latest documented recession lasted from March 2001 to November 2001. The 10 recessions since World War II lasted an average of 10 months.

The NBER’s Business Cycle Dating Committee will determine whether the current economic slowdown will prove to be a recession. If this is a recession, it won’t be official until it’s over.





- Paul Nakazawa: “The profession must embrace change. Don’t try to hang on to the past. Be willing to respond to market changes.”

## Marketing A/E/C Services

**Bill Scott, Linbeck**, said, “In light of layoffs and hiring freezes, marketing professional services is critical to the long-term success of a company. Many of Houston’s A/E/C companies have already increased their business development efforts to secure revenues and market share for 2009 and beyond. There are still revenue goals to meet, and now we need to meet them with fewer 2009 opportunities.”

### 1. Marketing Strategy

- Ray Messer: “Deep relationships based on quality service will become more important to one group of clients. On the other hand, in this world of Internet buying, more pressure will be put on fees by another group of clients. This will be a challenge for many firms. Can a firm serve both types of clients? Interesting dilemma.”
- Mitch Levitt: “Good marketers will make every effort to get in front of their existing clients to ‘show them the love’ and also get face-time with new potential clients that might be dissatisfied with mediocre service. Firms trying to save money will also try to reduce expenses associated with marketing. Now is the time to view marketing as an investment into the future, versus a short-term expense.”
- Ray Landy: “My sense is that the nature of what, where, when, and how marketing professionals provide services will be changing as rapidly as the industry itself. The ongoing consolidation of A/E/C firms globally, the current recession, increasing globalization, and changing delivery platforms will undoubtedly change who marketing professionals work for and when they work for them.”
- Chuck Greco: “The growing popularity of alternative project delivery methods, moving away from an initial low-cost selection to a more value-based decision process, is pushing the industry to do the same—to improve marketing and sales skills and be more sophisticated about client pursuit methods.”

### 2. Market Research

Even with an economic recovery program, there’s still a question about how the funding will flow from the Treasury into the economy. In a recent interview with Paul Nakazawa, published by *Building Design* online, he said that A/E/C firms may need to build relationships with private-sector infrastructure groups likely to be responsible for disseminating Treasury funding. “This is hard enough for large practices with research departments and very hard for small practices.” He sees a role for industry associations such as the American Institute of Architects to step in and disseminate market intelligence, or to organize grassroots forums to support its members.

- Janet Goodman Aubry: “This is a very good time to be an information junkie because you will need lots of it to figure out what the tea leaves are saying you should/could do. Look at recession-proof companies and focus your marketing effort on them.”

- Paul Westlake: “Marketers will use the Internet for information development, rather than ground-based communications.”

### 3. Business Development

- Bill Scott: “In a contracting market, marketing efforts must ramp up in support of business development efforts. The need to expand or redefine a new market segmentation strategy requires companies that traditionally rely only on a marketing department for sales support to grow their strategic teams to include well-qualified business development professionals. It also requires some out-of-the-box thinking to keep existing clients, assuming that doing the same old thing no longer works. We cannot take for granted our best clients—we must build new business and take more risks to secure that business. The demands on both marketing and business development professionals are greater than ever, and with this we will see more stress.”
- Janet Goodman Aubry: “It’s not about brochures, proposals, direct mail, or the standard promotional tools any longer. We need to find ways to keep in personal touch with our network. An advantage we have as SMPS members is that most of us are devoted to the notion of personal contact, service, and relationship-based sales. That is a step in the right direction for stepping up marketing to be more experientially based. The Internet social networking opportunities remain one of the best ways to meet CEOs and CMOs of top companies all over the world, but you have to be able to use your marketing and sales skills well in the medium, or you won’t get anywhere.”

Fundamentally optimistic and forward-thinking, our professions are respected for integrity. Perhaps now is the time to leverage that perception and apply it across a broader landscape of opportunities. **m**

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## News You Can Use

BY THE EDITORS

### Around the Globe

1. China's \$586 billion economic stimulus package includes the construction of new railways, roads, and airports along with improvements to the power grid and rebuilding quake-devastated areas. China will use the stimulus funds through 2010.
2. The value of the Tokyo Nikkei market fell by almost half in 2008. Japan escaped the housing, credit, and commodities woes, but the yen has soared against the dollar. The stronger yen threatens the profits of Japan's big exporters, contributing to a stock market rout, which in turn is winnowing Japanese banks' capital.
3. Interest rates soared in Mexico as credit tightens. The average bank card rate is 41% in Mexico, more than triple the rate in the United States. A Wal-Mart credit card has a 69% interest rate. A Costco credit card carries interest of 53%. Mexicans tend to use non-bank loans, including store credit cards, far more than bank-issued credit cards.

### In the United States

1. The chief economists from Standard & Poor's and Global Insights reported at the November 2008 CURT conference they believe the U.S. is in a recession that is somewhere between what we experienced in the recessions of 1982 and 1991 (not as bad as 1982, but worse than 1991). They believe the recovery will not start until late 2009 or early 2010, with the economy being fairly robust by 2011.
2. The depth of the recession largely hinges on how long it takes for banks and private lenders to recover their appetite for risk. This, in turn, depends on the course of home prices, loan losses, and the ability of financial firms to raise capital.
3. American consumers have long been living beyond their means. In the mid-1980s, Americans saved about 10% of their income. Lately, the savings rate has been below 2%. Sometimes it has been negative and consumer debt has risen to 98% of G.D.P., twice its level a quarter-century ago.

### In the A/E/C Industry

1. The American Institute of Architects reported the November 2008 Architecture Billings Index (ABI) rating was 34.7, down from the 36.2 mark in October (any score above

50 indicates an increase in billings). The inquiries-for-new-projects score was 38.3, also a historic low point. As a leading economic indicator of construction activity, the ABI shows an approximate 9- to 12-month lag time between architecture billings and construction spending.

2. Reed Construction Data projects a 2.1% drop in current dollar construction spending in 2009 after a 5.8% decline in 2008. A 7.9% rise is projected in 2010 with all construction markets improving.
3. Now that the job market for dotcoms, Wall Street, and hedge funds has plummeted, it may spur more college students into engineering.
4. The ongoing economic crisis is taking a toll on nonresidential construction. Slowing demand and credit problems are delaying the start of many projects. Economic data show manufacturing and hotel sites were the hardest hit last September, dropping 56% and 41%, respectively.
5. Healthcare construction and seismic retrofitting of existing buildings continue to remain strong in parts of the country, despite the slowdown in other areas of the sector. Healthcare construction rose 4% in September from the same month a year ago. Future spending increases are in jeopardy due to the cost of money and institutional financial challenges.
6. The American Concrete Institute's Committee 318 has prepared new specs for concrete buildings. The changes, which take effect in 2009, call for stronger rebar, clearer seismic regulations, and more leeway for mixers to develop concrete recipes that adhere to durability standards.
7. Construction materials cost 0.5% more in September 2008 than they did in August and 12.7% more than they did a year earlier. One of the largest increases, 6%, was for asphalt and asphalt roofing. Commodity prices in general are expected to weaken into winter because of surplus materials and lower fuel costs. ■

### Sources

**American Institute of Architects; Associated General Contractors; Barton Malow Company; Building Design & Construction; McGraw-Hill/ENR; Newsweek; The New York Times; The Chicago Tribune; The Economist; The Wall Street Journal; The Washington Post; TIME.**