



2022 ENGINEER SUMMIT

Business Development to Improve
Your Firm's Performance

Presentation by:
David Burstein, PE
dburstein@psmj.com
(770) 335-2541

Your Facilitator – Dave Burstein



B.S., M.S. Civil Engineering

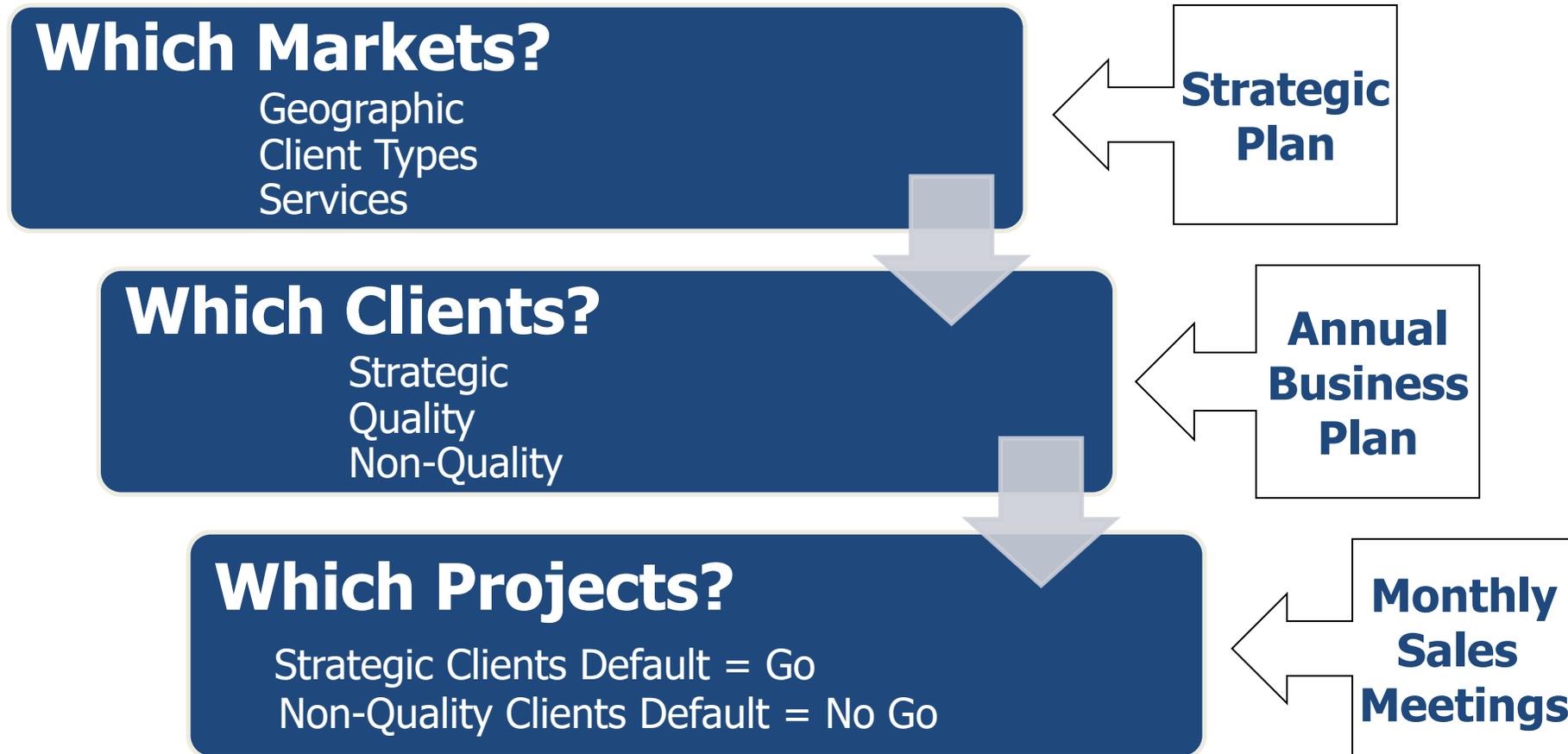
26 years with Parsons Corp. (environmental subsidiary)

- Project manager
- Dept. manager
- Office manager
- Regional manager
- U.S. Operations manager
- President of Parsons Engineering Science, Inc.
- President of Harland Bartholomew Associates

Affiliated with PSMJ since 1979

- Part time from 1979 – 1997
- Full time since 1997

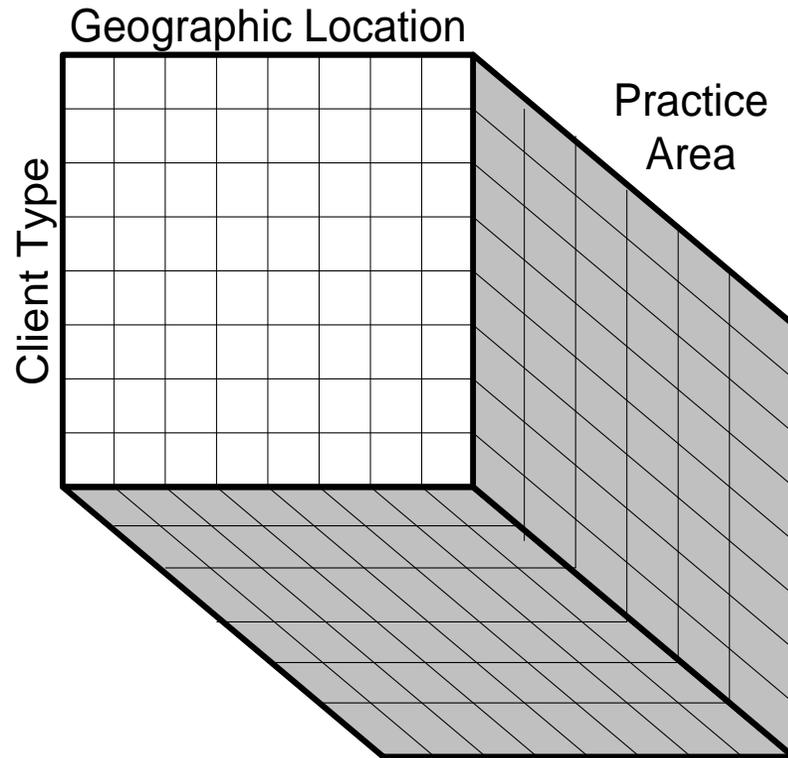
BD Strategy Consists of 3 Levels



Which Markets Should We Pursue?



What are our “Markets”?



Geographic Location

- Chicago
- Georgia
- Latin America

Client Type

- Health Care
- Municipal
- Developers

Practice Area

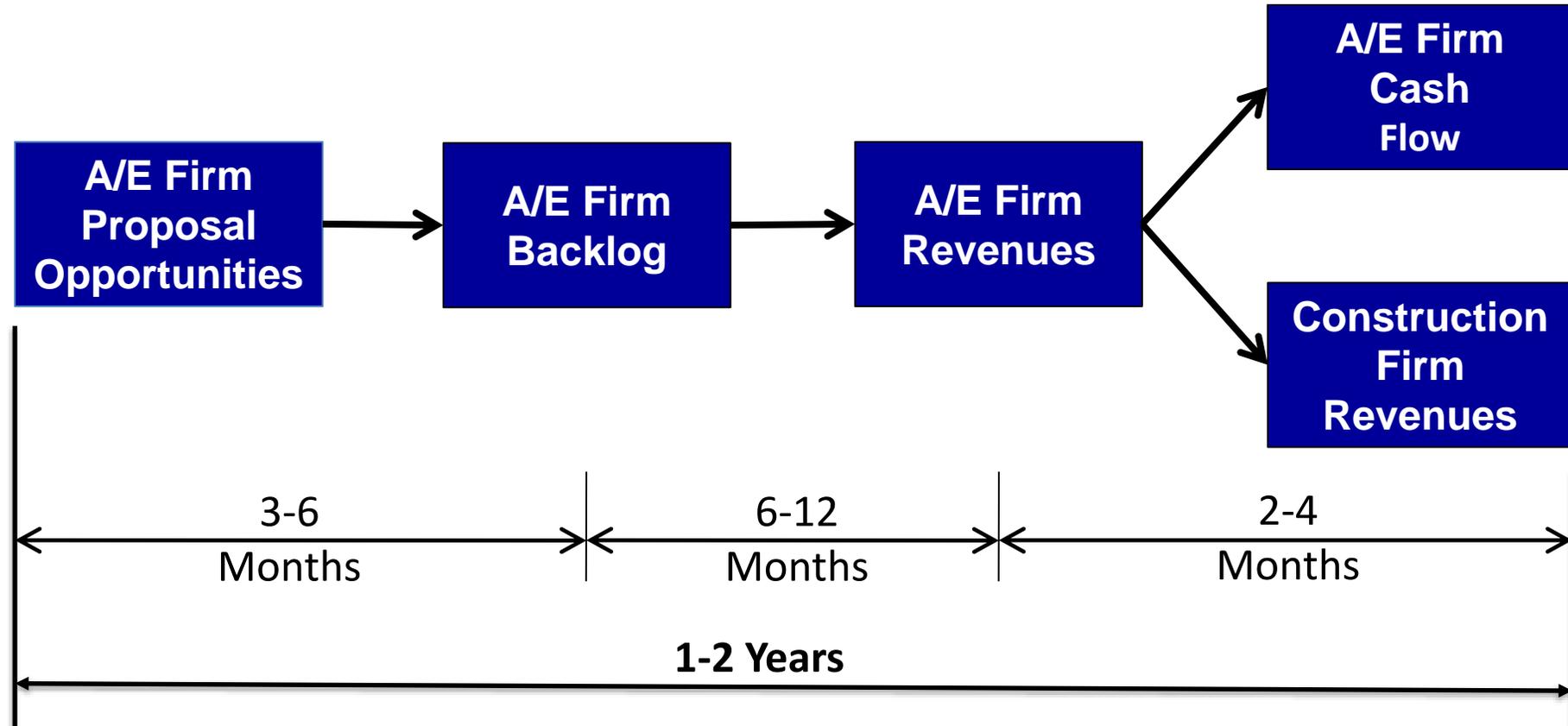
- Civil Engineering
- Land Use Planning
- Architectural Design

January	February	March PSMJ Survey
April	May	June PSMJ Survey
July	August	September PSMJ Survey
October	November	December PSMJ Survey

PSMJ's Quarterly Market Surveys

- PSMJ conducts quarterly market surveys as a free service to the industry.
- Input is restricted to A/E firms.
- 200-500 people respond to these surveys.
- We use this data to chart trends using a "Plus/Minus Index".

A/E Proposal Opportunities Are the Most Leading Indicator



How We Compute our “Plus/Minus Index”



Sample Question: Are proposal opportunities in the transportation sector increasing or decreasing compared to last quarter?

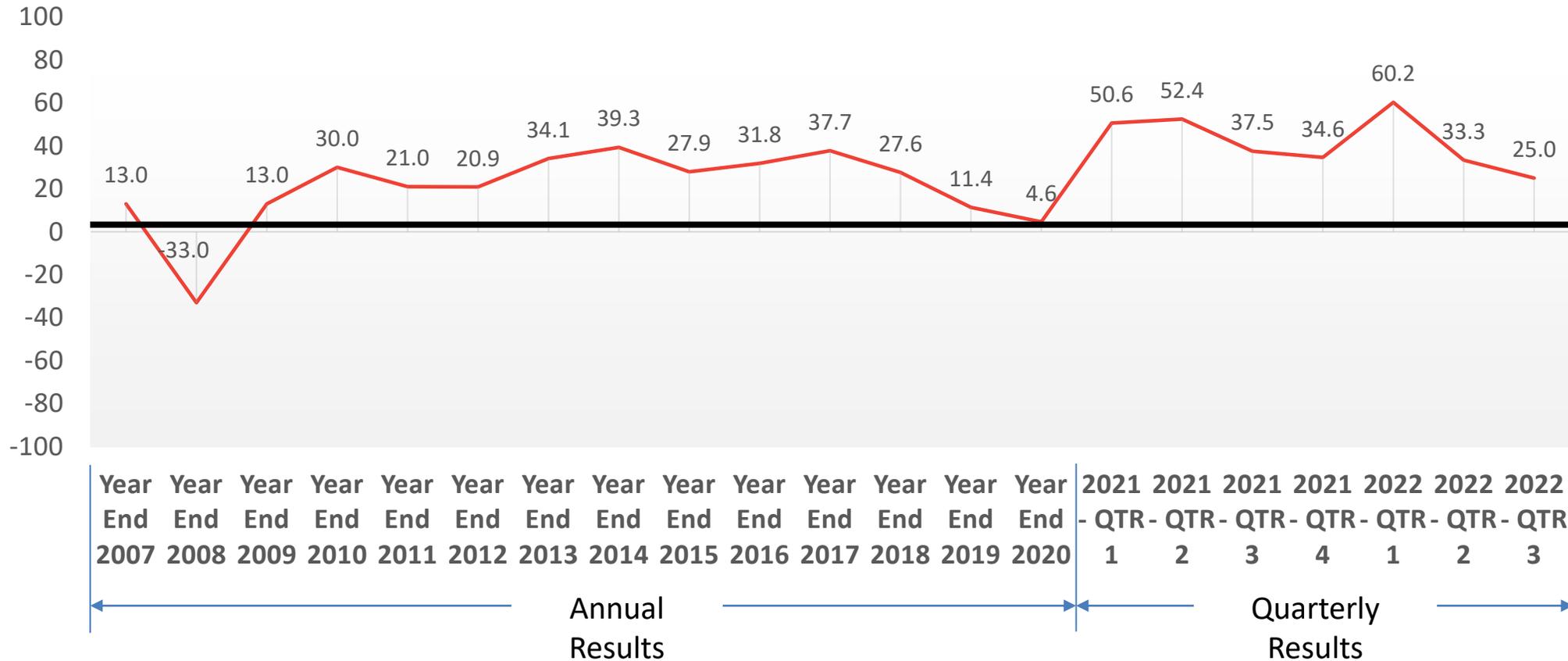
Sample Calculation:

Total firms reporting = 185

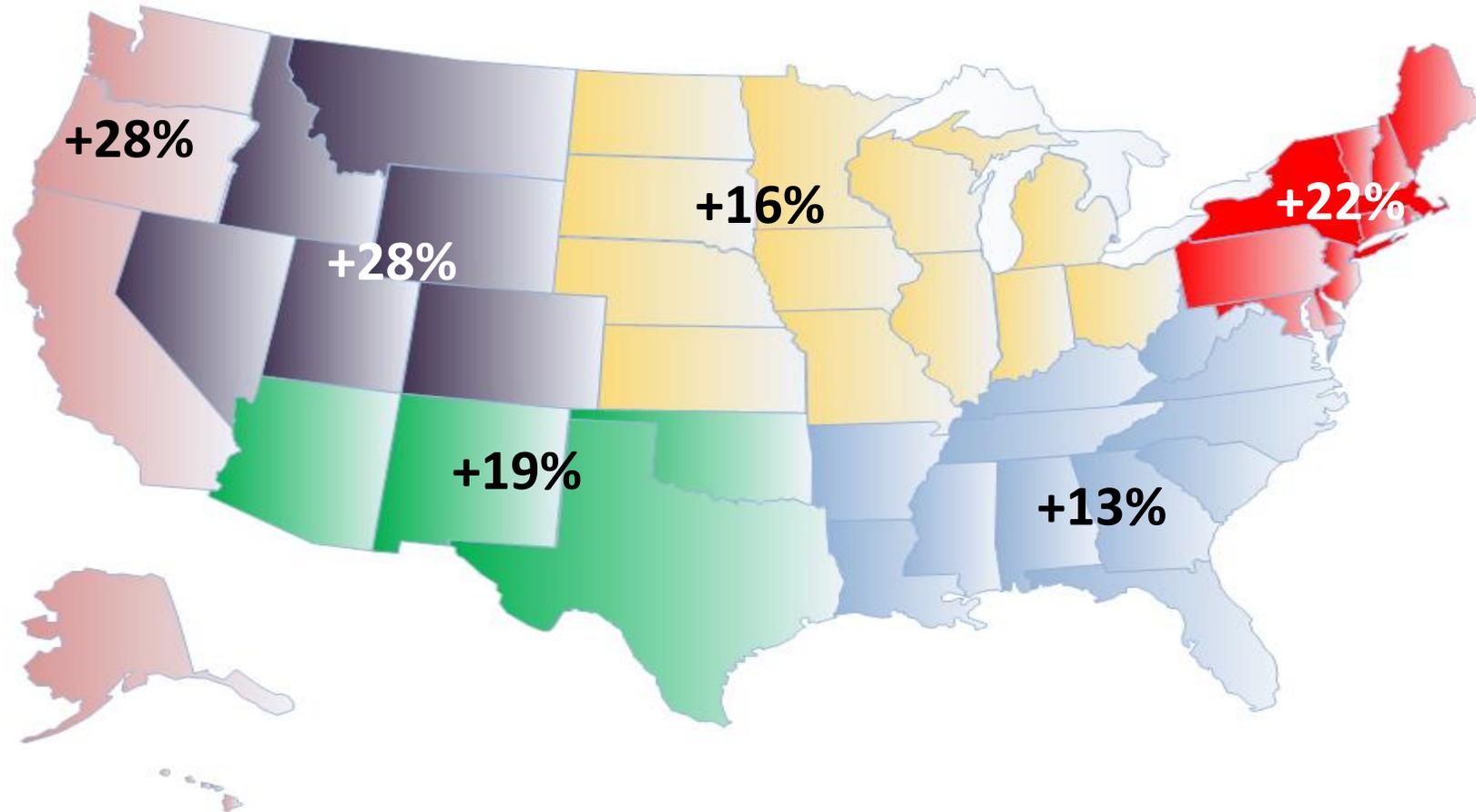
Firms reporting an increase	=	60 firms x 1 points	=	+60
Firms reporting no change	=	80 firms x 0 points	=	0
Firms reporting a decrease	=	45 firms x -1 points	=	<u>-45</u>
Total “points”	=			+15

Index = $15 \div 185 = +8\%$

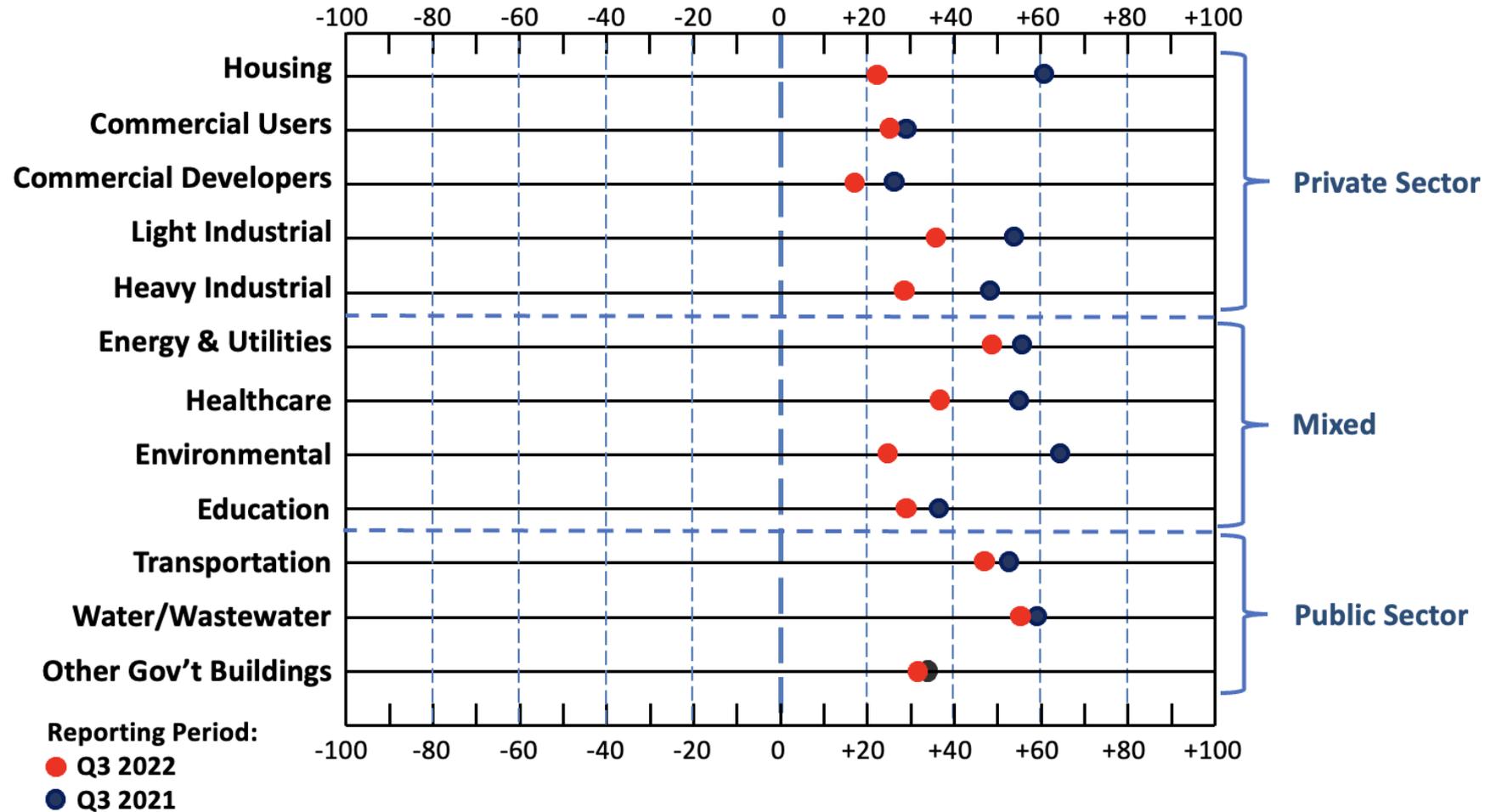
A/E Proposal Opportunities Have Been Positive Since Covid Shutdown



All Regions Are Still Positive



All Major Markets Are Still Positive, But...



We Also Look at These A/E Submarkets



Housing

- Condominiums
- Multifamily housing
- Single family development (subdivisions)
- Single family property (individual houses)
- Senior & assisted living (independent living)

Commercial (Developers and Users)

- Office buildings
- Retail buildings
- Warehouse distribution
- Call centers & data facilities
- Hotels/motels
- Restaurants

Industry (Light and Heavy)

- Component assembly facilities
- Repair facilities
- Warehouse distribution facilities
- Oil drilling and mining
- Petroleum facilities
- Chemical plants
- Primary metals manufacturing
- Product manufacturing
- Pharmaceutical manufacturing

Energy and Utilities

- Renewable energy
- Power plants
- Utility distribution
- Telecom/cable
- Pipelines

Transportation

- Roads
- Bridges
- Rail
- Airports
- Transportation planning
- Traffic

Education

- K-12 schools
- Higher education facilities
- Laboratories
- Support facilities (gyms, dorms, libraries, etc.)

Other Government Buildings

- Justice facilities
- Public safety facilities (fire stations, police, etc.)
- Public recreation
- Sports facilities

Water and Wastewater

- Water supply
- Water distribution
- Wastewater collection
- Wastewater treatment
- Wastewater reuse
- Water treatment

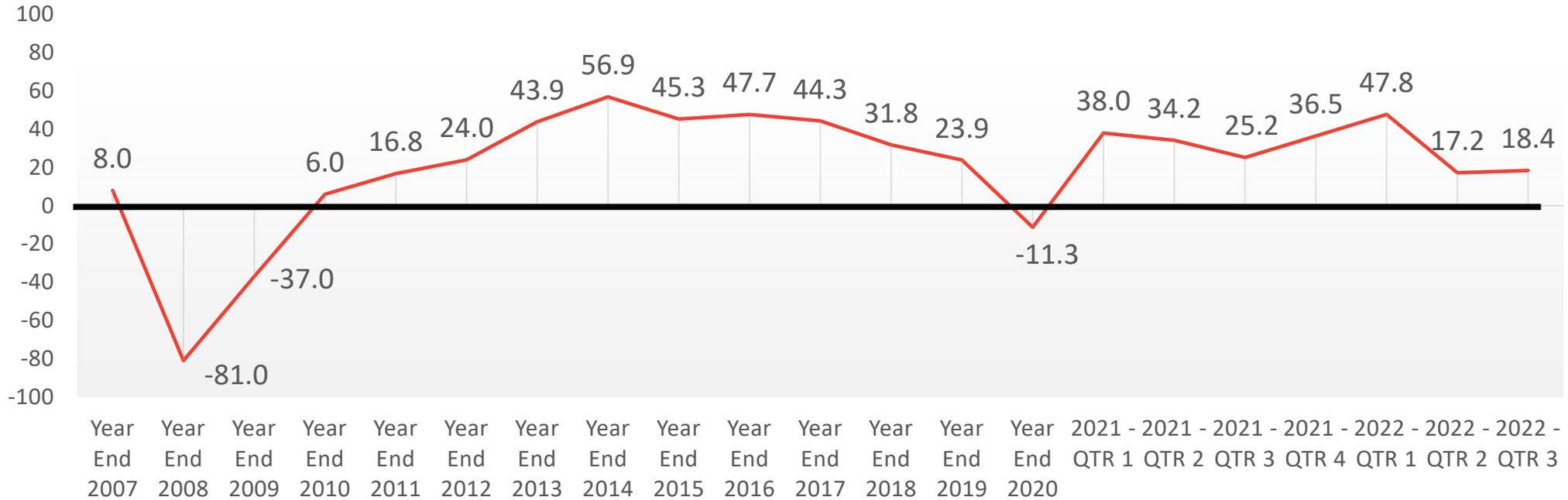
Environmental

- Solid waste disposal
- Waste cleanup
- Site characterization
- Resource management
- Wetlands delineation
- Environmental permitting
- Air pollution

Health Care

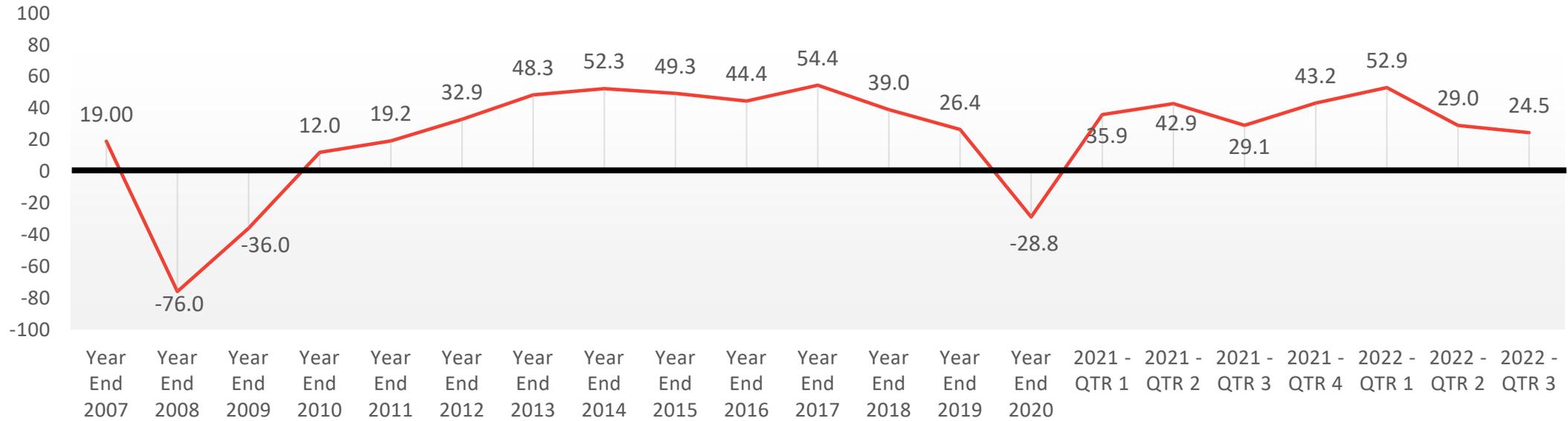
- Hospitals
- Continuing care facilities
- Medical offices
- Medical laboratories

Most Commercial Developer Markets Are Soft



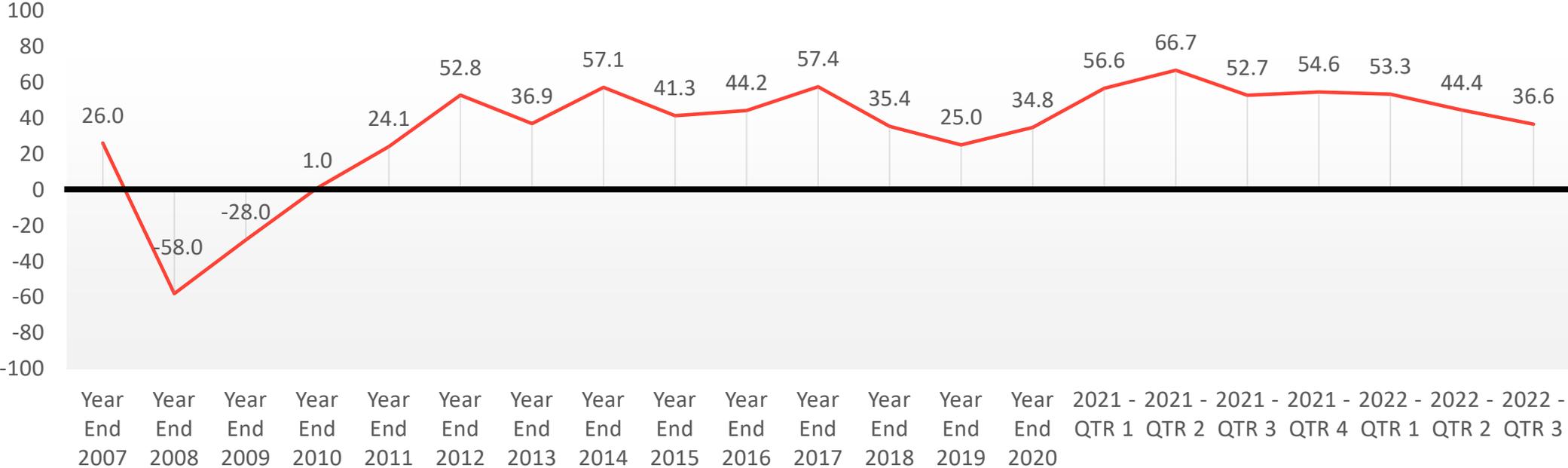
Submarket	Q3 2022	Q3 2021
Office buildings	☹️	☹️
Retail buildings	☹️	☹️
Warehouse distribution	😊	😊

Commercial Users Markets Have Softened



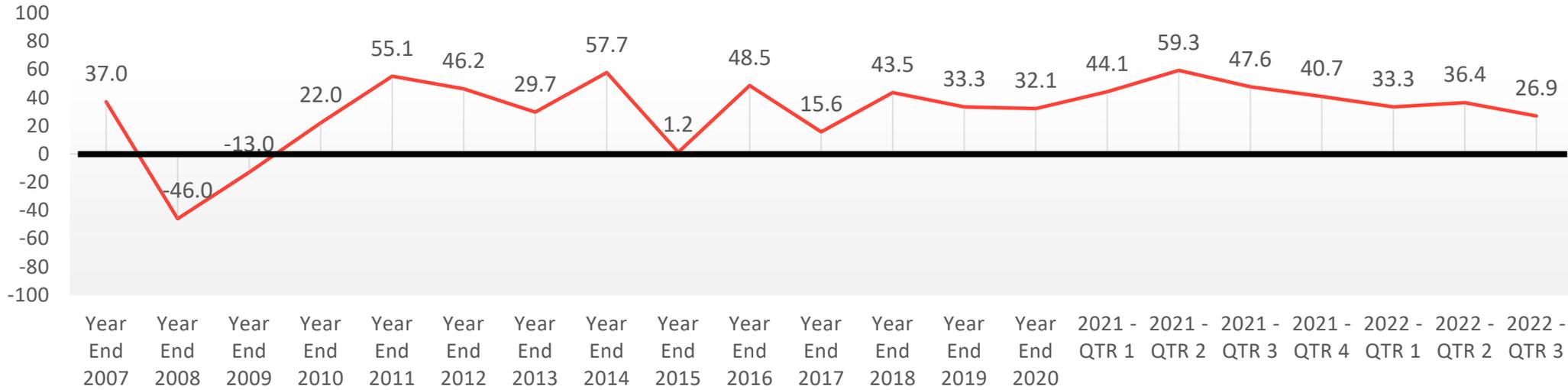
Submarket	Q3 2022	Q3 2021
Office buildings		
Warehouse distribution		
Call centers & data facilities		
Hotels/motels		
Restaurants		

The Light Industrial Markets Remain Solid



Submarket	Q3 2022	Q3 2021
Component Assembly	😊	😞
Repair Facilities	😊	😞
Warehouse Distribution	😊	😊

Most Heavy Industrial Markets Remain Solid



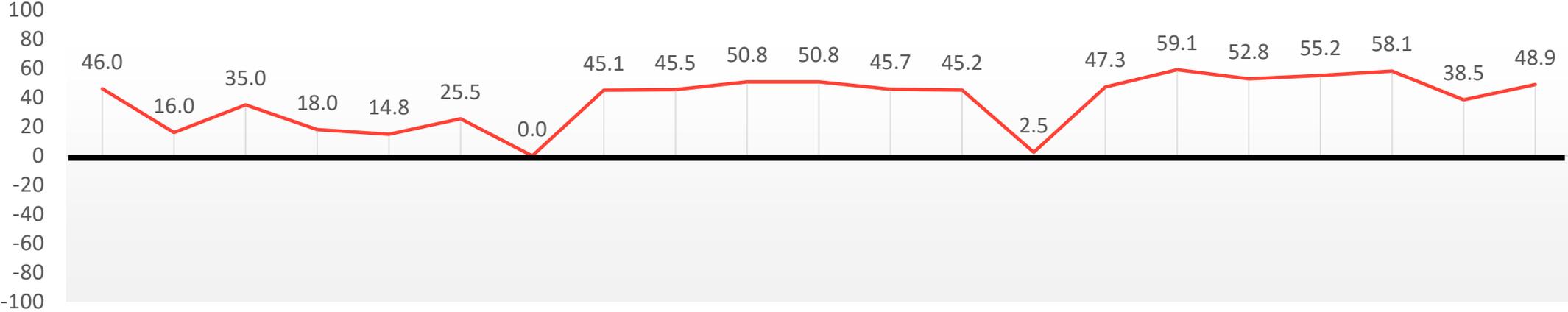
Submarket	Q3 2022	Q3 2021
Mining & resource extraction	😊	😬
Petroleum facilities	😬	😬
Chemical plants	😊	😬
Primary metals manufacturing	😊	😊
Product manufacturing	😊	😊
Pharmaceutical manufacturing	😊	😊

Energy/Utility Markets Are Strongly Positive



Submarket	Q3 2022	Q3 2021
Renewable energy	😊	😊
Power plants	😬	😊
Utility distribution	😊	😊
Telecom/cable	😊	😊
Pipelines	😊	😊

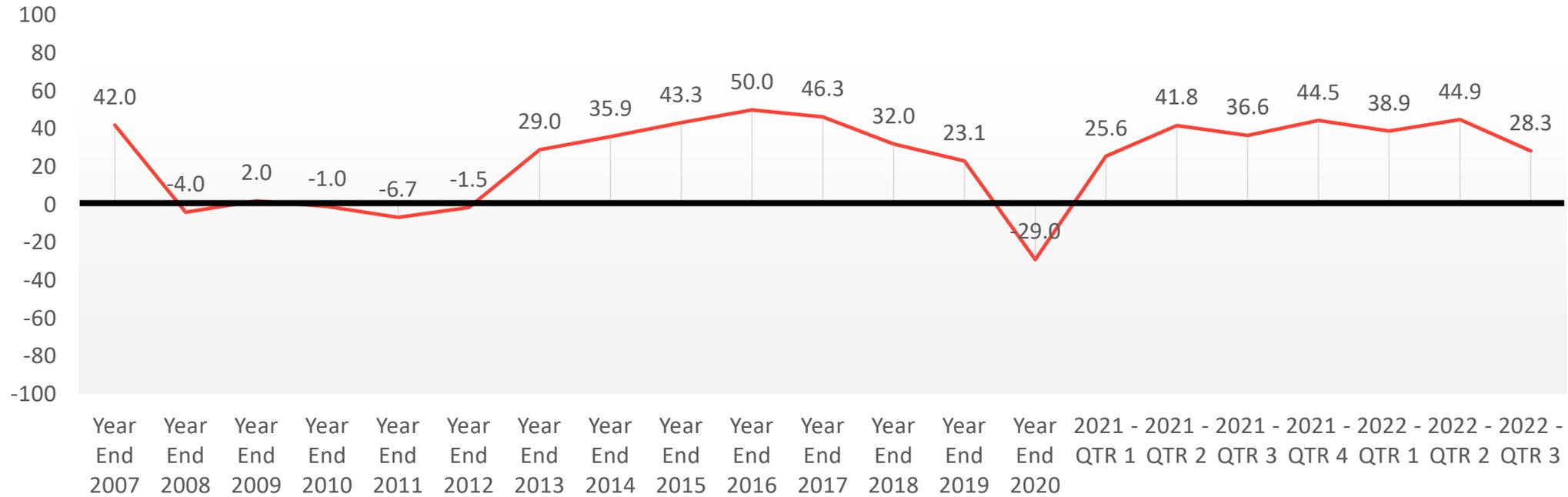
Transportation Markets Remain Strongly Positive



Year End 2007 Year End 2008 Year End 2009 Year End 2010 Year End 2011 Year End 2012 Year End 2013 Year End 2014 Year End 2015 Year End 2016 Year End 2017 Year End 2018 Year End 2019 Year End 2020 2021 - QTR 1 2021 - QTR 2 2021 - QTR 3 2021 - QTR 4 2022 - QTR 1 2022 - QTR 2 2022 - QTR 3

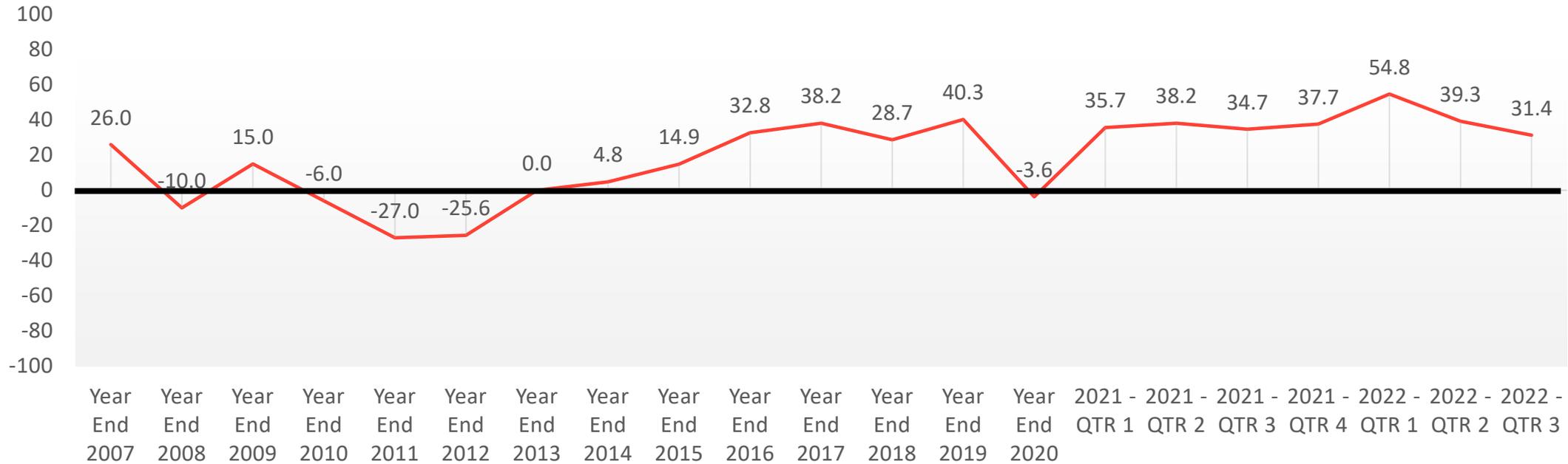
Submarket	Q3 2022	Q3 2021
Roads	😊	😊
Bridges	😊	😊
Rail	😊	😊
Airports	😊	😊
Transportation Planning	😊	😊
Traffic	😊	😊

All Education Markets Remain Positive



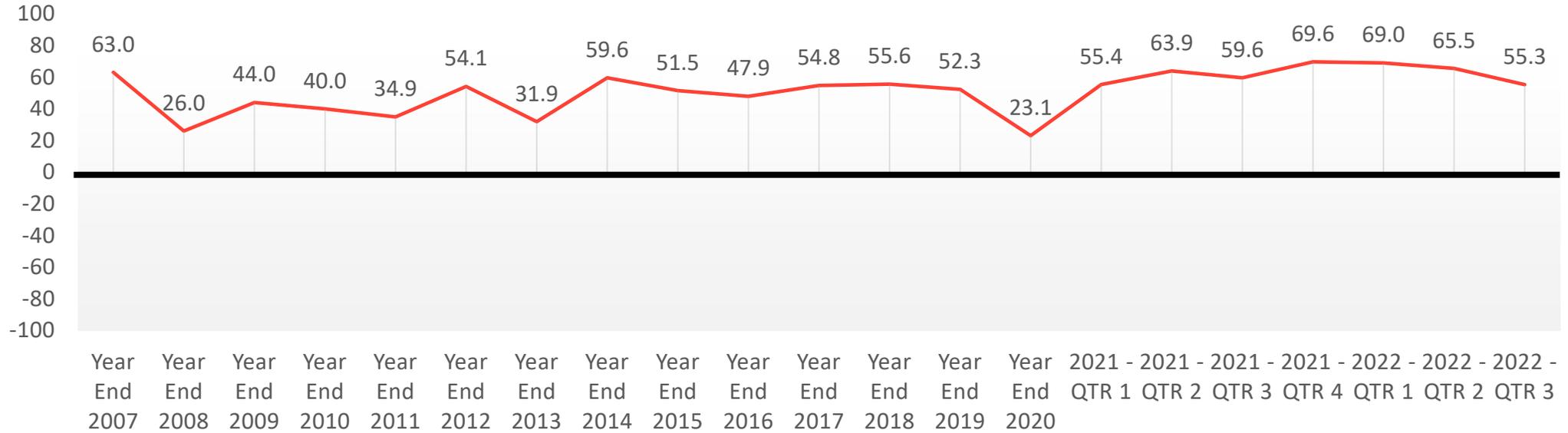
Submarket	Q3 2022	Q3 2021
K-12 schools	😊	😊
Higher education facilities	😊	😊
Laboratories	😊	😊
Support facilities (gyms, dorms, libraries, etc.)	😊	😊

Other Government Buildings Are All Positive



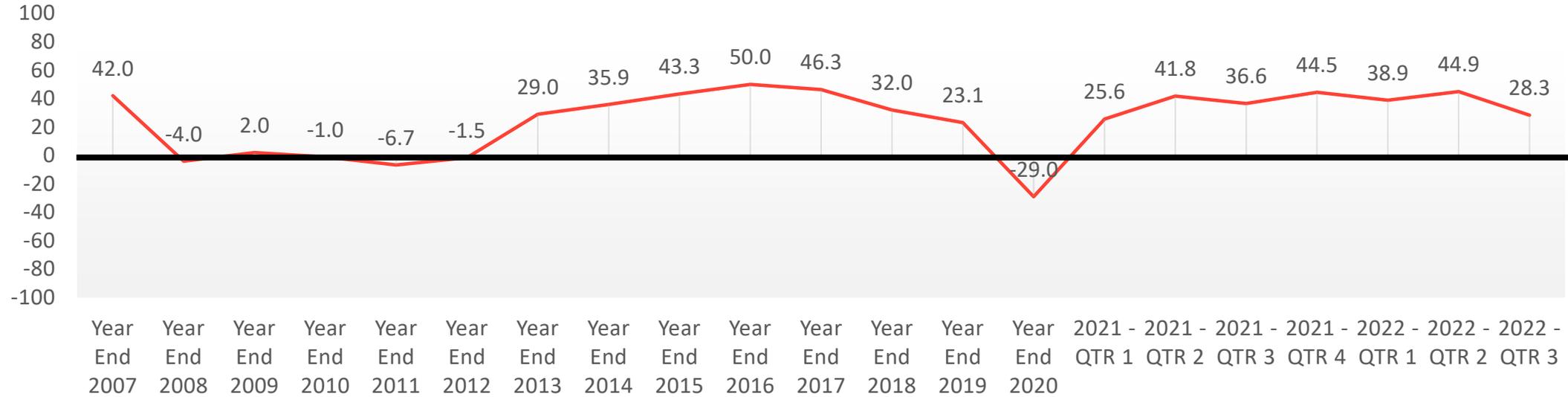
Submarket	Q3 2022	Q3 2021
Justice facilities	😊	😊
Public safety facilities (fire stations, police, etc.)	😊	😊
Public recreation	😊	😊
Sports facilities	😊	😬

Water/Wastewater Markets Never Cooled Off



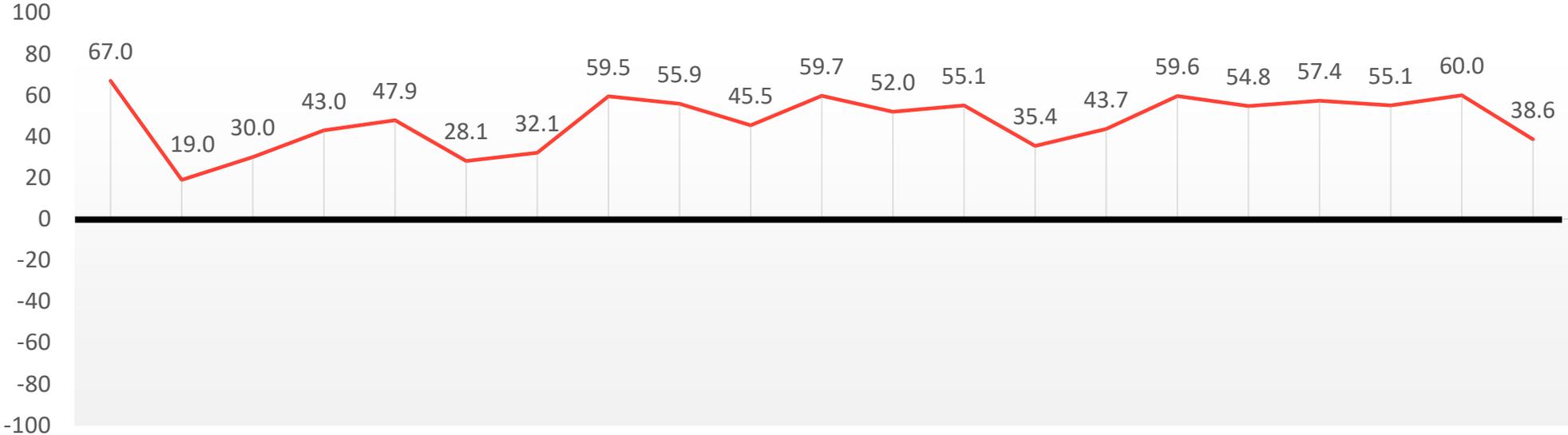
Submarket	Q3 2022	Q3 2021
Water supply	😊	😊
Water distribution	😊	😊
Wastewater collection	😊	😊
Wastewater treatment	😊	😊
Wastewater reuse	😊	😊
Water treatment	😊	😊

Environmental Markets Are All Strongly Positive



Submarket	Q3 2022	Q3 2021
Solid waste disposal	😊	😊
Site cleanup	😊	😊
Site characterization	😊	😊
Resource management	😊	😊
Wetlands delineation	😊	😊
Environmental permitting	😊	😊
Air pollution	😊	😊

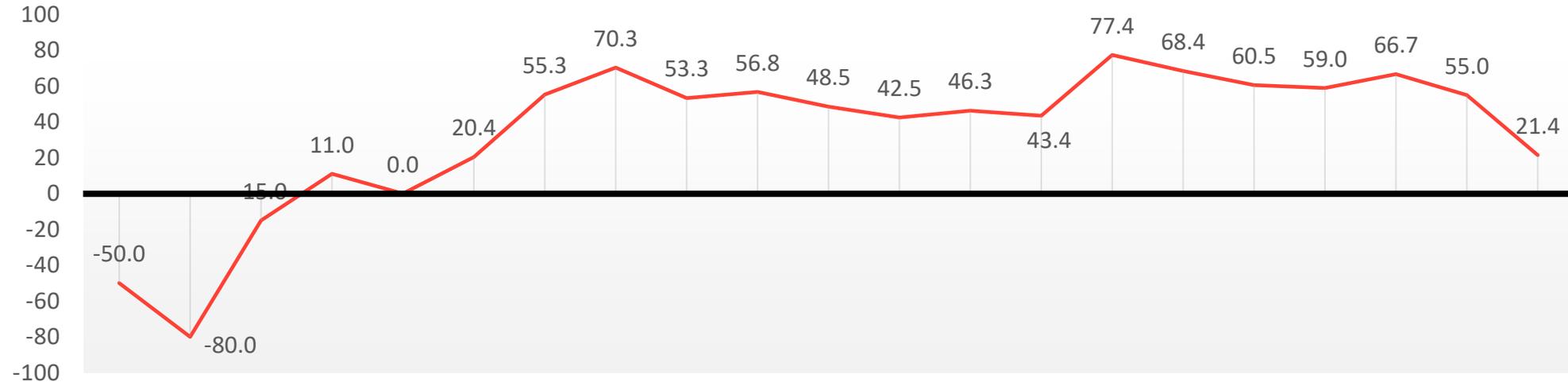
The Health Care Market Never Saw a Dip



Year End 2007 Year End 2008 Year End 2009 Year End 2010 Year End 2011 Year End 2012 Year End 2013 Year End 2014 Year End 2015 Year End 2016 Year End 2017 Year End 2018 Year End 2019 Year End 2020 2021 - QTR 1 2021 - QTR 2 2021 - QTR 3 2021 - QTR 4 2022 - QTR 1 2022 - QTR 2 2022 - QTR 3

Submarket	Q3 2022	Q3 2021
Hospitals	😊	😊
Continuing care facilities	😊	😊
Medical offices	😊	😊
Medical laboratories	😊	😊

Some Housing Markets Are Softening



Year End 2007 Year End 2008 Year End 2009 Year End 2010 Year End 2011 Year End 2012 Year End 2013 Year End 2014 Year End 2015 Year End 2016 Year End 2017 Year End 2018 Year End 2019 Year End 2020 2021 - QTR 1 2021 - QTR 2 2021 - QTR 3 2021 - QTR 4 2022 - QTR 1 2022 - QTR 2 2022 - QTR 3

Submarket	Q3 2022	Q3 2021
Condominiums	☹️	😊
Multi-family housing	😊	😊
Single family development	☹️	😊
Single family homes	☹️	😊
Senior/assisted living	😊	😊

To Get PSMJ's Quarterly Market Reports for Free...



Participate in the Survey:
<https://go.psmj.com/qmtoptin>

Become a PSMJ Pro Member:
<https://www.psmj.com/StartMembership>

Some Sectors Are More Profitable Than Others



Market Sector	Profitability vs. A/E Industry Median											
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Transportation	-4.8%	-1.4%	+0.7%	-0.9%	-3.2%	-1.4%	-2.2%	-3.9%	-1.5%	-0.8%	-1.3%	-2.8%
Government Buildings	N/A	+6.5%	-4.5%	-3.3%	+6.3%	+12.5%	+6.5%	+2.3%	+2.3%	-2.2%	+0.1%	+2.6%
Water/Wastewater	+5.7%	+5.5%	+3.0%	-0.3%	+1.0	+0.8%	-2.3%	+0.1%	-1.6%	+4.8%	+1.9%	+4.6%
Industrial	+11.4%	+0.4%	+4.4%	+11.3%	-3.5%	-0.6%	+4.9%	+4.3%	+0.6%	+1.5%	+14.0%	+5.1%
Energy-Utilities	-1.2%	+0.7%	-6.2%	-4.9%	-1.2%	-0.6%	-2.5%	-2.4%	+3.7%	+5.3%	+10.5%	-1.4%
Commercial	-0.9%	-3.6%	+3.6%	+2.8%	+0.6	+4.1%	+8.0%	+7.5%	+6.5%	-2.9%	+4.7%	-0.6%
Housing	+9.8%	+9.9%	+12.8%	+0.2%	+0.6	+8.4%	+12.6%	-1.5%	+6.2%	+11.3%	-3.7%	-10.1%
Healthcare	-7.6%	+2.9%	+1.0%	+2.9%	+4.5%	-1.4%	-4.2%	-4.1%	-4.5%	+2.3%	+3.0%	0%
Environmental	-6.4%	-1.4%	N/A	-4.1%	-2.0%	-0.7%	-4.0%	+1.2%	+0.3%	+1.8%		
Education	-0.2%	+4.4%	+6.9%	+7.0%	+6.9%							
No Specialty	+0.2%	-1.3%	-1.0%	-0.5%	-0.6%	-1.1%	-1.3%	0%	-0.5%	-0.9%	-0.6%	-1.1%

PSMJ's Current Outlook



Markets	Short-Term Prospects (-2 to +2)	Long-Term Prospects (-2 to +2)	Likely Profitability (-2 to +2)	Total Points (-6 to +6)
Water/Wastewater	+1.5	+1.5	+1.0	+4.0
Industrial	1.0	+1.5	+1.5	+4.0
Transportation	+2.0	+1.5	-1.0	+2.5
Energy/Utilities	+1.5	+1.5	-0.5	+2.5
Health Care	+1.0	+1.5	-1.0	+1.5
Commercial	+0.5	+1.0	-	+1.5
Govt. Buildings	+0.5	+1.0	-	+1.5
Education	+1.0	+1.0	+1.0	+1.0
Environmental	+0.5	+1.0	-1.0	+0.5
Housing	-2.0	+1.0	+0.5	-0.5

Homework: Plan Your Market Priorities for Next Year



Client Sectors	Locations	Practice Areas	Short-term Market Strength	Long-term Market Strength	Expected Profitability	Our Market Position	Strategic Goals (Enter, Expand, Hold, Reduce, Exit)	Comments
Developers	Phoenix Office	Interior design	Average	Strong	Average	Average	Hold	
		Architecture	Strong	Strong	Average	None	Enter	Transfer Alicia from SLC
		Master planning	Average	Average	Low	Strong	Hold	
		Structural engineering	Strong	Strong	Average	Weak	Expand	Hire Structural Leader in Phoenix
	Salt Lake City Office	Interior design	Strong	Strong	High	Strong	Expand	Increase BD activity and budget
		Architecture	Weak	Weak	Average	Average	Reduce	Be more selective when pursuing projects
		Master planning	Average	Average	Low	Average	Hold	
		Structural engineering	Average	Strong	Average	Average	Expand	Hire more junior-level structural engineers
	Dallas Office	Interior design	Average	Weak	Low	Weak	Exit	Working for developers is perceived as a conflict of interest by our municipal clients
		Architecture	Strong	Strong	Average	None	Enter	Hire a market leader
		Master planning	Average	Average	Average	Average	Hold	
		Structural engineering	Strong	Strong	High	Strong	Expand	Hire more structural engineers
	El Paso Office	Interior design	Average	Average	Low	Average	Hold	
		Architecture	Weak	Weak	Average	Average	Hold	
		Master planning	Strong	Strong	Average	Weak	Expand	Transfer Kim from Phoenix
		Structural engineering	Weak	Weak	Low	Weak	Exit	Do structural design in Dallas
Municipal	Phoenix Office	Interior design						
		Architecture						
		Master planning						
		Structural engineering						

Which Clients Should We Pursue?



Markets

Clients

Projects

**Do You
Really Want
to Work for
Clients Like
These?**

Our Quality Client Criteria (from a 100-person A/E Firm)



Criteria	Absolute Requirements	Quality Client Requirements	Strategic Client Requirements
Financially stable	✓	✓	✓
Considerate of our professional integrity and responsibility	✓	✓	✓
Realistic about project schedules and our fees		✓	✓
Appreciate the value of our services		✓	✓
Loyal to us		✓	✓
Pay on time		✓	✓
Currently or potentially provide significant revenues and profits			✓

Our Quality Client Criteria (from an MEP Firm)



Criteria	Owners	Architects
1. Pay bills on time	✓	✓
2. Fair and loyal	✓	✓
3. Willing to pay a full (fair) fee	✓	✓
4. Potential for repeat business	✓	✓
5. Consider us part of their team and respect our opinions		✓
6. Minimal unpaid redesign		✓

Workshop: Develop Quality Client Criteria for Your Firm(s)



Homework: Assure That Strategic Clients Are “Raving Fans”



Client Organization	Percent of Revenue	Reviewers	Net Promoter Scores (0-10 Scale)		
			Promoters	Passives	Detractors
Lincoln County	28%	Brittany Bulfinch	9	8	5
		Shabana Rashid			
		Jeff Holland			
		Dean Miller	10		3
Alaska DOT	18%	Charles Crowell			6
		Mark Lawrence			
		Tony Harris	9		
		Michael Williamson		8	
MAB American Management	14%	William Eastin		7	
		Kenneth Franks		8	
City of Sandy Plains	11%	John Argo		7	
		Allen Johnson		8	
		Christine Schultz			6

Homework: Plan Your Client Priorities Based on Quality



Strategic Clients		Quality Clients		Base Clients		Unacceptable Clients	
Client	Last Year Revenue	Client	Last Year Revenue	Client	Last Year Revenue		Last Year Revenue
Gannett Fleming	\$438,000	Modjeski & Masters	\$37,349	STV	\$376,345	Acme Industries	\$321,678
Pennoni	\$865,874	Borton-Lawson	\$469,845	CDM Smith	\$78,345	ABC Architects	\$45,214
Urban	\$457,347	HDR	\$346,349	WRA	\$6,792		
AECOM	\$1,023,456	McCormick Taylor	\$28,034	SAI	\$903,568		
WSP (Parsons Brinkerhoff)	\$349,765	Stantec	\$123,765	GAI	\$239,845		
HNTB	\$389,357	Dewberry	\$1,299,043	SSE	\$45,984		
JMT	\$34,578	RK&K	\$67,354	CS Davidson	\$39,034		
Michael Baker	\$409,467	Louis Berger	\$56,903	Reilly	\$416,793		
PCS	\$34,288	District 8	\$345,094				
Ferguson Township	\$398,564	District 12	\$126,093				
Totals	\$4,400,696		\$2,899,829		\$2,106,706		\$366,892
Percent of Total Revenue	45%		31%		22%		4%
5-Year Vision	55%		35%		10%		0%

Homework: Develop an Action Plan for Non-quality Clients



CLIENT PREQUALIFICATION CRITERIA:

1. Pays their bills.
2. Is ethical.
3. Compensates for all work we do.
4. Negotiates terms and fees fairly.
5. Does not play invoicing games.
6. Has achievable expectations.

ACTIONS TO BE TAKEN:

1. Stop spending sales/marketing money on them.
2. Change conditions of engagement (e.g., contract terms, etc.).
3. Stop working for them.

CLIENT	CRITERIA NOT MET	ACTIONS	COMMENTS
City of Springfield	3, 6	1	Take sole-service work only
Norton County	4	2	Require 25% advance payment
Acme Industries	2	2	Require 50% advance payment
Dogwood Developers	2, 4	3	Refer them to a competitor
Norton Hospital	6	1	Take sole-source work only
Springfield Transit	6	1	Take sole-source work only

Which Projects Should We Pursue?

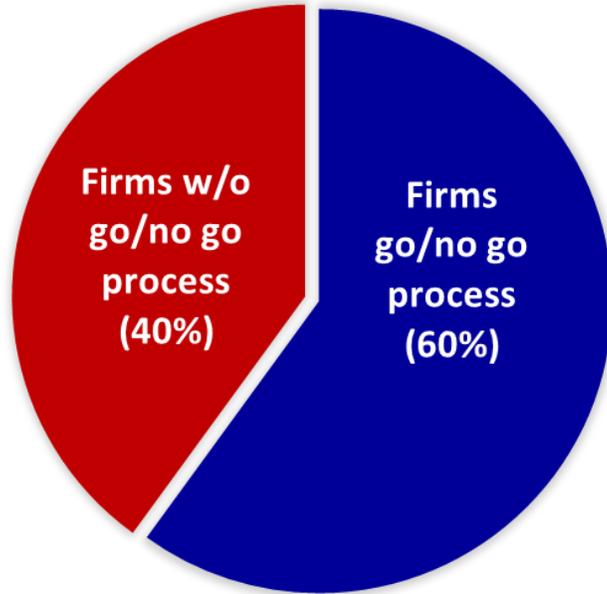


Markets

Clients

Projects

Most A/E firms have a formal Go/No Go process.



BUT HOW EFFECTIVE ARE THEY? WHY AREN'T THESE PROCESSES MORE EFFECTIVE?

	Firms with Formal Go/No Go Process	Firms w/o Formal Go/No Go Process
Overall proposal hit rate	48%	47%
Average 2015 profitability (% of net revenue)	13.3%	14.0%
Average revenue growth in past 3 years	19.1%	18.3%

Source: Recent PSMJ survey of 100 A/E firms

Let's Try PSMJ's Free Go/No Go App On One of Your Prospects



To Download a Free Copy of This App:

1. Go to app.psmj.com
2. Select “sign up” at the top of the page in the red heading.
3. Fill out the information and click “Sign up”.
4. Once you sign up, it will ask you to log in.
5. This will bring you to your project dashboard page.

To Try Out This App:

1. Select a project you are thinking about pursuing.
2. First do the essential elements evaluation. How does this opportunity look so far?
3. Now complete the remaining analysis. Are you going to pursue it?
4. If so, what do you need to do to maximize your chances of winning?
5. Now distribute the results to your proposal team.

Thanks for Attending This Program!



- Any final questions or comments?
- If you have questions or comments after you get home...
 - David Burstein
 - 770-335-2541
 - dburstein@psmj.com
- Please fill out this evaluation form

