A GUIDE TO GROWTH

A guide for architects, engineers and built environment design professionals

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#MoreTimeForDesign

INTRODUCTION — WHAT DO WE MEAN BY GROWTH

Growth. Depending on your industry or business structure, this is a greater or lesser business goal.

In the software as a service sector, for example — the world we live in at Synergy — growth is often seen as the ultimate, even the only, goal.

But in that world, many software companies and start-ups receive large amounts of funding from venture capitalists who demand a return. This has even led to the rise of roles with 'growth' in their titles — chief growth officer, growth lead, and the must have for all wannabe start-ups, the growth hacker.

But the need and desire for growth in other industries depends on many factors. It could be the owners' ambitions, the market conditions, the current size of the company, or the ownership structure (arguably the most common driver of the desire for growth).

AEC industry professionals, of course, don't necessarily choose to pursue their discipline to run a business with the specific motivations of profit and growth. But, to continue to practice their profession (passion?), profit is necessary. Without profit, the business can't run, and the staff don't get paid. After all, the pursuit of architecture, engineering or construction design consulting doesn't typically draw venture capital dollars to keep the lights on.

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GROWTH STRATEGIES

When we consider what business growth is, we need to have a look at a need for a strategy. Growth strategies for professional services businesses aren't necessarily as clear cut as those for a product-based company, but two stand out clearly:

- Market penetration — doing more business with your existing customers, and winning more new business and projects with customers who can offer repeatable work
- Market development — taking your existing skills (or products) and selling them in new sectors. In the case of built environment design, this could be developing new portfolios in residential, commercial, health, education, correctional facilities, and so on.

There are other strategies (partnerships as a form of distribution, developing unique skills/services), but these are the obvious two.

BUSINESS STRUCTURE

To pursue these growth strategies, you need to have the right business structure in place.

It's important to plan and invest in your business infrastructure. This means considering things like your office or working premises, IT, and all the systems throughout the business. By 'system' we don't just mean software. Systems include your management processes, internal communication methods, support staff — non-billable resources — and the tools like software applications you use to get work done and measure results. All things your growing business needs — without proper planning, these systems won't scale as you add more projects and staff.

You will also need to invest in non-billable staff. It's important to ensure you have the right people doing the right job — that's the real necessity of having a support team as you grow, not just delegating the roles you're unsure about to someone who doesn't complain about the undefined areas of running a business (like marketing or awards submissions).

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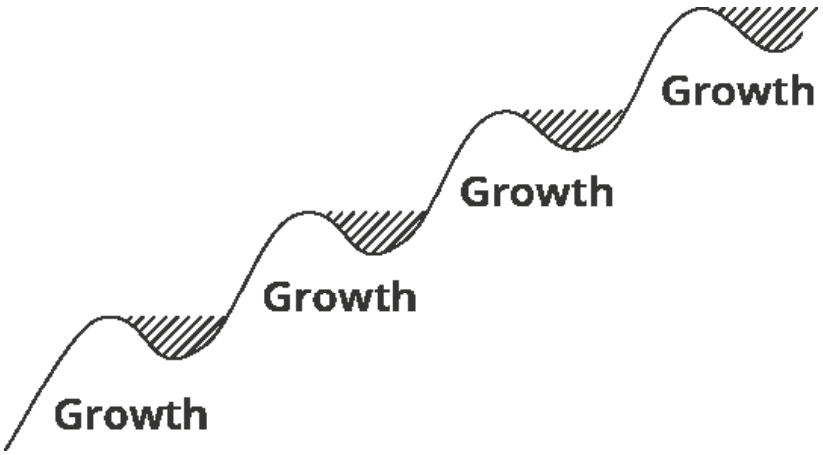
PEAKS AND TROUGHS — INVESTING AT THE RIGHT TIME

The graph opposite is a growth model that shows cycles a growing business goes through. One of the things you'll notice in this graph is that growth happens at a nice steady upward trend. The reality when executed is that you encounter peaks and troughs of growth and contraction.

To grow your business, you have to invest at the right stages. Perhaps you need bigger premises, or you need to upgrade systems, or train your staff in new technologies. That may mean you have to re-engineer your business, re-calibrate your expectations, and you might see a flat-lining, if not a dip in revenue as you go through those stages.

In this graph, you'll see there are stages along the curve that roughly equate to a size of the company in revenue terms and the point at which you need to invest. Your revenue is potentially going to drop through those phases as you shift some of your billable team or management away from project work to focus on strategic change.

Once you get growth under control, it's important to realise it won't always be a straight, upwards trend as growth demands investment at different stages.



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HOW BIG IS BIG ENOUGH?

We estimate that around 95 percent of AEC industry practices have fewer than 20 employees. Naturally, there's only so much appetite to grow a business to a certain size when you're in business to do design, not just run a business.

Capability to grow

In the most successful professional services businesses, there is usually someone who can be classified as a 'rainmaker'. This is the person who drives new business, the person with a bit of charisma, who holds the focus of the clients. This is often a named partner in the group or the founder, but even in a larger firm, there's a big difference between principals of a firm and rainmakers in a firm.

There has to be the ability to drive new business, but there's also the need to have people who operationally execute the projects and deliver value. These are often not the same people. You also need people in your support structure doing HR, finance, IT and so on, and in small design firms, these tasks are often divided up between the directors. Whichever way you structure it, you have to have the skills to match the ambition to grow.

CASH FLOW MANAGEMENT

Cash is the lifeblood of any small or medium business. 90 percent of AEC business costs are people. Bad cash flow management means not paying your staff. It's that simple.

Cash flow is the position of the business to manage a cash balance — the inflow and outflow of cash. It's not about profit, though this is often the key component in the long run. Profit does not equal cash in the bank.

Cash flow and forecasting is a whole business guide in itself — we'll look at that in the future. For now, these are some things to think about to manage your cash flow.

- Know your costs — overhead factor, utilisation, target rates
- Terms of business — be clear and upfront. No surprises
- Clear scope of service — deliverables, expenses, changes
- Consider fixed price service inclusions
- Client selection — credit worthiness, payment history, past debtor interactions

Good cashflow management means your bank balance will exceed three to four months of working costs. Cloud accounting software makes this transparent in your business. Couple that to practice and project management and you have a clear idea of your revenue forecast, your capacity to deliver the work, and a sense of security and stability in your business.

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FORECASTING AND RESOURCE PLANNING

Many architectural, engineering and construction design practices end up with their staff alternating between states of overwork and underutilisation. It's impossible to grow your business strategically if you can't plan your workload and staff performance.

It's vital for all AEC practices, regardless of size, to ensure teams are allocated to projects adequately now and in the future. Without this, there's no consistency to workload, no satisfaction from employees, and no way to understand if and when you need to hire more people in enough time to meet the project requirements or win enough business to pay your staff.

Forecasting and resourcing go hand-in-hand to help AEC businesses answer both of those questions:

- Do we have enough business in the pipeline to run the practice and pay the staff?
- Do we have enough of the right staff to deliver the projects we expect to win?

Forecasting and resourcing helps you interpret your historical work, your current team composition, and the work you have coming in the future. It gives project managers confidence in delivering the projects for the clients and practice directors the ability to plan growth.

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MYTHS LIMITING GROWTH

With over 20 years of developing software designed to help architectural, engineering and construction design businesses improve effectiveness and efficiency in project delivery, Total Synergy CEO Scott Osborne has encountered many myths and misconceptions that typically limit practice growth and progress. Here, he breaks down a few for you to consider in your business.

My business runs on great design

Is the purpose of your business to make a profit or is the purpose to come up with great designs? This is a conundrum for construction designers.

Investing in growth affords you critical time to focus resources on research, concept development or continuing professional development. You must ensure your business can weather the inevitable peaks and troughs tied to various economic cycles that affect the construction design sector.

Or, more simply, it's no good working in a business where you can't pay wages.

Profit is key to all of these things and, if not for anything else, to buffer your business against change. No matter your beliefs or ideals about design, running a business is always about cash flow and staff, so you need to make sure that's covered by tracking your projects and ensuring ideals don't override common sense.

I don't have time to learn new technology

A key driver of change in all businesses and industries over the last few years — and one that has been researched and documented for the global built environment design industry in particular — is the shift to cloud computing. Moving to the cloud is inevitable.

With the cloud comes new opportunities to adopt new, more efficient systems and approaches. Granted, with that comes a planning, training and learning overhead, but systems are only as good as the effort you put into them. To gain the efficiencies of new systems, there's nothing more you can do than understand why you need them, then knuckle down and learn them. The investment in time will pay off tenfold (assuming you're investing in the right system for the planned outcome).

We've seen this in both the architectural and engineering side of the industry. For example, structural engineers who invested early in developing BIM capabilities found themselves winning

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better jobs with the best architectural firms because their teams all work in the same environment, speak the same language and collaborate effectively. That investment is paying off now, but the customers didn't necessarily demand that upskilling, it was a strategic investment in growth within those forward-thinking businesses.

Fixed fee jobs don't need budgets

Another misconception we hear time and again is that you don't need to budget fixed fee jobs. Whether fees are fixed price, percentage of construction value, or hourly charge, they're all still simply recovering professional services charges. Fixed fee jobs are usually always based on the effort expended on the job. Successful firms don't just pin their fees through an hourly rate, they look at value-based fees, and that gives them some ability to create higher value projects.

That's why it's crucial to budget your projects and track actual costs against the budget — to ensure your team knows what's expected of them on an ongoing basis. Without measuring a budget, regardless of fee type, you don't know what a project costs your business and whether it's a good one to repeat or avoid in future.

The business will adapt to changing workloads

As your business grows, you need to know both that you have enough staff to do the work that you're forecasting, and that you have enough work for the staff you have on hand. Unless you can estimate how much work is coming up and see how that's panning out with win/loss ratios and with expected billings, you've got a real issue with how you're going to plan headcount for the future, and how you're going to pay the staff you've got.

If you get that wrong, you potentially face negative outcomes:

- Disappoint your clients
- Let some staff go.
- Or worse — both!

The market sets my rates

When we look at what architects and engineers charge as hourly rates and compare it to accountants and lawyers, we see a profession that is highly educated and highly technical, but just not confident enough to charge the deserved fees. That comes back to understanding how your fees are put together and having confidence that they should be higher, not lower.

MYTHS LIMITING GROWTH

Understanding your rates, understanding your costs, is very important in knowing the base.

To improve your ability to charge what you're worth, you have to differentiate and demonstrate it in your specific expertise. Are you an expert in a particular field? Do you have a portfolio of projects in a sector that adds to the value you offer? Do you provide unique services, design innovation, or work with specialised materials? Can you deliver projects faster because of your technology investments? You need to find a way to demonstrate your value and why you're worth a particular fee.

I can't afford to spend more on technology

20 years ago, there was probably a ratio of four draftsman to one architect. Now, through the use CAD and BIM, we've seen that drop down to a one-to-one ratio or lower. Investing in the right systems — and the right governance framework to use them correctly — enables your team to be more effective and efficient and allows you to grow your business without necessarily increasing the headcount.

These are only some of the myths limiting growth in design businesses today. It's ok, even necessary, to be idealistic about the value of design, but you can only practice that belief if you run your business effectively and efficiently, to make a profit, and grow.

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BRAND

When your business is offering a service like architectural or engineering design, your brand is the single thing that differentiates you that cannot be copied.

Many websites for architects and engineers make grand claims about being unique because they have a ‘design-led’ approach (you’d hope so!), or they have the best people (really?), or they offer the best service (better than everyone else?), or that they ‘strive for excellence’ (a minimum requirement, surely?), or they’re thought of as trusted advisor. And so on.

These are hygiene factors. They don’t differentiate your business, anyone can say this and roll out testimonials to back it up. So, what is it that makes you truly different?

Your brand. It’s the one thing that is inimitable.

It’s more than your logo

One way to understand what a brand is (and there are many definitions) is as a combination of three layers:

- Your core values — who you are, how you do things, what you stand for, why people should and will work for you
- The attributes that represent you and reflect the values — specialisation, technological capability, unique expertise, your business model, niche market focus, partnerships, testimonials and reviews, awards, physical appearance in things like logo and website, brochures, etc
- The benefits that people derive a sense of value from — value, innovation, efficiency through technology, unique specialist knowledge

It’s not an exhaustive list, but it’s more than your logo.

How you layer these elements together is what represents your brand — that’s what is truly unique to you. In the case of architectural and engineering firms, this can often be derived from the reputations of the partners and built on from there.

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BRAND

Don’t set and forget

Your brand is not a static thing, either. It needs to be brought to life, promoted, and used to demonstrate your point of difference in the market. If you don’t have someone looking after this for you, go and find someone. In this case, we strongly recommend finding people or agencies who have experience with the built environment design industry.

But how does brand drive growth?

Assuming you have a strategy for building brand (above is one way to think of it, there are others), you build brand equity. Brand equity consists of:

- Brand awareness — people have heard of you
- Perceived quality — customers will get a high standard of service
- Brand loyalty — customers come back for more (and remember, customers take many forms across the industry
- Brand associations — who else do you work with, who and what are you associated with, etc

All of this builds up to create an overall image in your customers’ mind. And by ‘customer’ it’s not just about consumers — many structural engineers, for example, will get over 80 percent of their work from architects, as will many specialist engineers.

Brand matters to everyone.

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EMPLOYER BRAND

This last section is all about attracting, retaining and engaging the best people. AEC design businesses rely almost exclusively on people to deliver their services. The question is, how do you attract the best people? Why should they want to work for you? What's in it for them?

In our case, as an employer in the software industry, we compete with some significant brands for talent. Why should people want to work with us versus Atlassian, Xero, Microsoft, Google? We developed an employer brand strategy designed to help us stand out as a place that is desirable to work at, has a good culture, and rewards employees for living the values.

Studies show that loyal employees drive growth. Loyal employees fuel positive relationships with customers and clients, with suppliers and partners, with investors — and their ongoing skill development and industry/sector knowledge enhances your ability to deliver a great experience to your customers.

Employer brand is a big topic and we'll cover it in a guide of its own in the future.

CONCLUSION

Growth cannot happen without chaos and errors, unless you start planning and investing for it. Growth isn't for the faint hearted. You really want to know what you're getting yourself into. It is a commercial decision. It is a personal decision.

Do I want to hire that first employee, or do I want to work from home? It's pretty easy with no overheads to make a profit. I may not win the biggest jobs, but I certainly could even sub-consult on some of the biggest jobs to the bigger firms. There are still ways to make an adequate living and not grow, and that's something you'll also need to consider.

Growth needs to reflect the changing needs of the data and market intelligence you have, the way you process it, the decisions you make as a result. Success is really defined by being clear, effective, efficient and informed.

This guide to growth is by no means a definitive document — there is no end to areas you can focus on to drive growth in your AEC business — but hopefully it gives you food for thought about where you want your business to go now or in the future.

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ABOUT TOTAL SYNERGY

We make Synergy — business and project management software for architecture, engineering and construction design people (AEC). Our goal is to give AEC people ***more time for design***.

Synergy is like a **wingman** to your business — someone who's got your back in the business of designing the built environment. It's pure cloud software that works on any web-enabled device. All you need is an internet connection, web browser and your smartphone, tablet, laptop or desktop computer.

Synergy solves three key challenges for built environment design professionals:

- **Project accounting** (including timesheets, invoices, budgets, accounting add-ons like Xero and QBO, rates and costs, and profitability reporting)
- **Project management** (including documents, projects, work breakdown structure, phases, stages and tasks, and WIP reports)
- **Collaboration** (including communication, shared portal, shared documents, document audit trail, and more).

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Who we are — #TeamTotalSynergy

Total Synergy has built business and project management software for architects, engineers and construction design professionals since 2000. Our focus is to create an engaging and fun working environment for our team. We believe that engaged people lead to great products and excellent user experiences.

We're a diverse bunch, united by our core values. We all love technology and work with a real focus on helping each other grow, and helping our customers fulfill their role in designing the built environment.

Total Synergy is a Microsoft Gold Application Development partner. Synergy is built in-house in Australia on the latest cloud technologies. We currently have offices in Sydney, Australia, and London, UK offering support to our global customers. Our North American office opens in 2018.

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