

Emerging from the recession's shadow

By Peter Grose, P.E.

As government officials and the media continue to tout the continuing economic recovery from the “Great Recession,” many executives at engineering firms are asking, “What recovery?” The economic collapse hit architectural and engineering (A/E) firms particularly hard, and while businesses in other industries are enjoying unprecedented profits, many A/E executives are wondering when they will experience the benefits of economic recovery.

There are a number of reasons for this disconnect, but one of the biggest is the fact that aside from the initial economic stimulus of 2009, the federal government has significantly cut back on spending, including infrastructure investment. Likewise, with state income and real estate tax revenues stagnant in many areas, many states have been forced to slow spending on public infrastructure. For A/E firms that rely largely or solely on public work, this austerity has had a sobering impact on their bottom lines.

Yet, as challenging as the environment still is for A/E firms, the picture isn't necessarily bleak for firms that are able to rethink their approaches to how they serve their clients and how they manage their own organizations. Just as the recent recession led many firms to become more efficient and creative, the slow pace of recovery should continue to promote these efficiencies and creativity.

One of the biggest challenges facing firms today is clients' continued focus on price, often at the expense of quality. Many clients — public and private alike — that have in the past based hiring decisions on qualifications and past relationships are now looking to hire the lowest bidder. Even firms that have longstanding relationships with clients still have to come in among the lowest bidders.

The obvious answer is for firms to drop their prices. But this isn't necessarily the best solution for either the A/E firm or the client. Cutting corners rarely leads to good work, and unforeseen problems with barebones bids often lead to additional charges. The lowest bid often isn't the least expensive option.

So how can firms attract cost-conscious clients without undermining the quality of their work? One way is to be more creative about how services are packaged. Many firms can stand to be more disciplined about offering only what the client is

asking for, rather than what the A/E firm thinks the client needs. In times like these when budgets are constrained, it usually makes sense to submit proposals that don't expand projects beyond the client's initial expectations.

A/E firms also can position themselves more attractively by serving as a conduit to alternate funding sources. Numerous federal and state grant and loan programs can be used to fund infrastructure projects, particularly projects that promote sustainability or local economic development. Firm leaders should become intimately familiar with the full range of grants and loans and position themselves to help clients access those funds.

Finally, A/E firms that work with both the private and public sectors are in a unique position to promote public-private partnerships (P3s). There is often a contentious relationship between private developers and local government, but P3s often make sense for both. Private developers and their consultants often can bring more creativity to design while public agencies can provide flexibility over zoning issues and handle the transportation infrastructure that's required by new development. And by combining financial resources, the public-private team can more easily afford to complete developments, thus providing new business opportunities for the private developer and useful services and new tax revenues to the community.

A/E firms can play an important role in fostering these relationships, which inevitably provide new business opportunities for firms with both the private developer and the public agency. For firms interested in fostering these relationships, the time is right: The state of the economy is serving as a catalyst for encouraging some developers and municipalities to work together.

These are just a few of the ways that A/E firms can position themselves to thrive during this halting economic recovery while providing better service to clients. There are numerous other issues to be addressed, such as how a firm identifies and pursues the most promising prospects and how employee relations impact a firm's operations and quality of work, but these initial steps represent an important start to help position firms for success.

Peter Grose, P.E., is president and CEO of Fuss & O'Neill, Inc. He can be contacted at pgrose@fando.com.