

2017

PRINCIPALS, PARTNERS & OWNERS SURVEY

OF AEP & ENVIRONMENTAL CONSULTING FIRMS





© Copyright 2017, Zweig Group

Printed in the U.S.A.

All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, Mechanical, photocopying, recording, or otherwise, without the prior written permission of the publisher.

While the publisher believes the information was accurate at the time of publication, changes may have occurred since then. The publisher has taken all reasonable steps to verify the accuracy of the content in this publication, but Zweig Group shall not be responsible for any errors or omissions.

ISBN: 978-1-60950-142-6

For more information about our other publications, newsletters, seminars, and/or consulting services, please contact us.

Zweig Group

1200 North College Ave.

Fayetteville, AR 72703

Tel: 800.466.6275

Fax: 800.842.1560

Email: research@zweiggroup.com

Web: zweiggroup.com



CONTENTS

Introduction.....	11
1. About the survey	13
Respondents' meta-data	24
2. Firm owners	27
Ownership	28
Stock purchases.....	30
Partner insurance.....	34
Owners' outlook	35
Buy-sell agreements	36
3. Firm leaders & managers.....	39
Non-compete agreements.....	40
Employee agreements	42
Guarantees	43
Board of directors.....	44
Executive committee	47
Board & executive committee responsibilities.....	48
Voting rights	49
Business planning	50
Contracting authority	51
Performance appraisals	52
Eligibility requirements	54
4. Compensation.....	57
Salaries	58
Bonuses	70
Shareholder distributions	76
Overtime pay.....	82
Total compensation	83
Pension plans.....	94
401(K) plans.....	95
Company cars	96



Auto allowances	97
Club memberships	98
Cell phones	99
Preparation of tax returns.....	100
5. Work.....	101
Work habits	102
Work habits	104
Paid time off	106
Business travel.....	107
Billing rates.....	108
Chargeability	110
Time management	112
Staff management.....	118
6. Background.....	121
Professional registration.....	122
Professional associations.....	123
Professional background	124
Background with firm.....	125
Politics.....	126
Age, race & gender	128
Domestic life.....	130
7. Attitudes	133
Coping with a recession	134
Outlook.....	135
Attitudes toward fellow principals.....	140
Career satisfaction	141
Leaving the industry	143
Retirement.....	146
8. Conflict	149
Conflict	150
Challenges	151
Appendices	157
Sample questionnaire	159
Explanation of groupings	169
About the authors.....	170



TABLES

1. About the survey

Table 1-1: Breakdown of survey sample by firm type	16
Table 1-2: Breakdown of survey sample by staff size	17
Table 1-3: Breakdown of survey sample by region of headquarters	18
Table 1-4: Breakdown of survey sample by year founded	19
Table 1-5: Breakdown of survey sample by growth rate	20
Table 1-6: Breakdown of survey sample by profitability	21
Table 1-7: Breakdown of survey sample by net service revenue	21
Table 1-8: Breakdown of survey sample by ownership	22
Table 1-9: Breakdown of survey sample by number of owners	22
Table 1-10: Employee stock ownership (ESOP)	23
Table 1-11: Breakdown of survey sample by ESOP ownership	23
Table 1-12: Breakdown of survey sample by number of offices.....	23
Table 1-13: Breakdown of survey sample by prime vs. subconsultant (means)	23
Table 1-14: Breakdown of survey sample by majority client base (means)	23
Table 1-15: Tenure with firm	24
Table 1-16: Job title	24
Table 1-17: Management	25
Table 1-18: Percentage of ownership	25
Table 1-19: Professional background.....	26

2. Firm owners

Table 2-1: Ownership	28
Table 2-2: How long have you been an owner?	29
Table 2-3: Stock Investments	30
Table 2-4: Did you borrow money to buy shares?.....	31
Table 2-5: Stock investments	32
Table 2-6: Initial percentage of shares purchased by current firm ownership (medians).....	32
Table 2-7: Stock investments	33
Table 2-8: Partners insurance	34

Table 2-9: Partners insurance	34
Table 2-10: Outlook	35
Table 2-11: Buy-sell agreements	36
Table 2-12: Do you have a buy-sell agreement?	37

3. Firm leaders & managers

Table 3-1: Non-compete agreements	40
Table 3-2: Non-compete agreements	41
Table 3-3: Employee agreements	42
Table 3-4: Guarantees	43
Table 3-5: Guarantees	43
Table 3-6: Board of directors	44
Table 3-7: Board of directors	45
Table 3-8: Board of directors	46
Table 3-9: Executive committee	47
Table 3-10: Executive committee	47
Table 3-11: Responsibilities	48
Table 3-12: Voting	49
Table 3-13: Business planning	50
Table 3-14: Contracting authority	51
Table 3-15: Contracting authority amount	51
Table 3-16: Performance appraisals	52
Table 3-17: Performance appraisals	53
Table 3-18: Eligibility	54
Table 3-19: Eligibility	55

4. Compensation

Table 4-1: Salaries	58
Table 4-2: Trend: Base salaries	59
Table 4-3: Breakdown: Base salaries (all)	60
Table 4-4: Breakdown: Base salaries (continued)	61
Table 4-5: Breakdown: Base salaries as a percent of total compensation	62
Table 4-6: Breakdown: Base salaries as a percent of total compensation (continued)	63
Table 4-7: Breakdown: Base salaries (engineers)	64
Table 4-8: Breakdown: Base salaries (engineers)	65
Table 4-9: Breakdown: Base salaries (architects)	66
Table 4-10: Breakdown: Base salaries (architects)	67
Table 4-11: Breakdown: Base salaries (business management)	68
Table 4-12: Breakdown: Base salaries (business management)	69
Table 4-13: Bonuses	70

Table 4-14: Trend: Bonuses	71
Table 4-15: Breakdown: Bonuses	72
Table 4-16: Breakdown: Bonuses (continued)	73
Table 4-17: Breakdown: Bonuses as percent of total compensation	74
Table 4-18: Breakdown: Bonuses as percent of total compensation	75
Table 4-19: Shareholder distributions	76
Table 4-20: Trend: Shareholder distributions	77
Table 4-21: Breakdown: Shareholder distributions	78
Table 4-22: Breakdown: Shareholder distributions (continued)	79
Table 4-23: Breakdown: Shareholder distributions as a percent of total compensation	80
Table 4-24: Breakdown: Shareholder distributions as a percent of total comp. (continued)	81
Table 4-25: Overtime pay	82
Table 4-26: Total compensation (All)	83
Table 4-27: Breakdown: Total compensation (all)	84
Table 4-28: Breakdown: Total compensation (all) (continued)	85
Table 4-29: Breakdown: Total compensation as a percent of NSR (all)	86
Table 4-30: Breakdown: Total compensation as a percent of NSR (continued)	87
Table 4-31: Breakdown: Total compensation (engineers)	88
Table 4-32: Breakdown: Total compensation (engineers)	89
Table 4-33: Breakdown: Total compensation (architects)	90
Table 4-34: Breakdown: Total compensation (architects)	91
Table 4-35: Breakdown: Total compensation (business management)	92
Table 4-36: Breakdown: Total compensation (business management)	93
Table 4-37: Pension plans	94
Table 4-38: 401(k) plans	95
Table 4-39: Company cars	96
Table 4-40: Auto allowances	97
Table 4-41: Club memberships	98
Table 4-42: Cell phones	99
Table 4-43: Tax returns	100

5. Work

Table 5-1: Work habits	102
Table 5-2: Do you work on weekends or holidays?	103
Table 5-3: Work habits	104
Table 5-4: Breakdown: Time spent at different locations (means)	105
Table 5-5: Paid time off	106
Table 5-6: Business travel	107
Table 5-7: Billing rates	108
Table 5-8: Billing rates	109

Table 5-9: Chargeability	110
Table 5-10: Chargeability	111
Table 5-11: Time management.....	112
Table 5-12: Real vs ideal time management.....	113
Table 5-13: Breakdown: Real time management.....	114
Table 5-14: Breakdown: Ideal time management.....	115
Table 5-15: Chart: Real vs ideal time management of engineers	116
Table 5-16: Chart: Real vs ideal time management of architects.....	117
Table 5-17: Staff management.....	118
Table 5-18: Breakdown: Staff management.....	119
Table 5-19: Personal assistants	120

6. Background

Table 6-1: Registration	122
Table 6-2: Associations	123
Table 6-3: Background	124
Table 6-4: Background with firm.....	125
Table 6-5: Politics	126
Table 6-6: Base salary.....	127
Table 6-7: Total compensation	127
Table 6-8: Age, race and gender.....	128
Table 6-9: Diversity.....	129
Table 6-10: Domestic life.....	130
Table 6-11: Domestic life	131

7. Attitudes

Table 7-1: Recession.....	134
Table 7-2: Outlook.....	135
Table 7-3: Outlook	136
Table 7-4: Outlook.....	137
Table 7-5: Outlook	138
Table 7-6: Outlook.....	139
Table 7-7: Attitudes.....	140
Table 7-8: Career satisfaction	141
Table 7-9: Career satisfaction	142
Table 7-10: Leaving the industry	143
Table 7-11: Leaving the industry	144
Table 7-12: New principals.....	145
Table 7-13: Retirement.....	146
Table 7-14: Retirement.....	147

8. Conflict

Table 8-1: Challenges as a principal	150
Table 8-2: Dealing with challenges	151
Table 8-3: Dealing with challenges (continued)	152
Table 8-4: Conflict amongst principals	153
Table 8-5: Advice and assistance.....	154
Table 8-6: Advice and assistance (continued).....	155





INTRODUCTION

The first Zweig Group Principal, Partners & Owners Survey dates back to back to 1991. We started this survey because there were a lot of things we wanted to know more about principals who worked in architecture, engineering, planning, and environmental firms. How much did they earn? How much stock did they own and what was it worth? Did they purchase their ownership stake or was it part of an incentive plan? If they did purchase their stock, how did they finance the shares? Did they have private secretaries or shared ones? What is the biggest challenge that a principal deals with on a daily basis? With this — our 27th annual edition of the Principal, Partners & Owners Survey — we have the answers to some of these questions and a whole lot more. The point is — anyone who wants to know about principals working in design and environmental firms should have this book!

This survey provides comprehensive data on A/E/P and environmental consulting ownership, management, and leadership broken down by firm type, size, profession, title, ownership, region of headquarters and more. The pages that follow lay out all you need to know about the types of compensation, work, and perks that principals, partners, and owners can expect and goes even further, outlining the backgrounds and attitudes that principals express and the conflicts and challenges they typically face. Besides the facts and figures there is so much more in this book about the issues and problems faced by A/E/P firm principals. It really is fascinating reading and will be useful in resolving disputes, deciding what's normal, setting priorities, ending arguments, planning the future, and so much more. If there is anything you, as a reader, would like to see in a future Principal, Partners & Owners Survey, please let us know. Meanwhile, enjoy the reading!





1 ABOUT THE SURVEY

INTRODUCTION

Welcome to Zweig Group's *2017 Principals, Partners & Owners Survey of Architecture, Engineering & Environmental Consulting Firms*. This survey provides an in-depth view of how principals conduct their personal and professional lives. The 151 participating principals came from firms of various disciplines and sizes, ranging from start-ups to established firms to complex full-service organizations. They represent the complete hierarchy of ownership and management in professional service firms, from chairperson to department manager.

While much of the discussion in this report is aimed at characterizing principals as a whole, a significant amount of effort has been devoted to identifying the variations in the profiles of principals at different levels, in various types and sizes of firms, from different regions, and so on.

Results are analyzed based on:

- Firm type
- Year founded
- State of headquarters
- Staff size
- Annual net service revenue
- Legal form of ownership
- Percentage of ownership
- Employee stock ownership plans
- Types of work performed
- Client base
- Growth rate
- Firm profit
- Respondents' meta-data

FIRM TYPE

For comparative purposes, the survey sample was broken into seven firm types: architecture or interiors, architecture/engineering (primarily architecture), single-discipline engineering, multidiscipline engineering (two or more disciplines but not full-service), full-service engineering or E/A (civil, structural, mechanical, and electrical), design/build, and environmental consulting. See Appendix for more detailed definitions of each group. Multi-discipline engineering firms made up the largest segment of the survey sample (40%).

STAFF SIZE

Staff sizes ranged from one to 500 or more, the majority of firms had a staff size of 1-24 employees (35%).

REGION OF HEADQUARTERS

Principals were asked to report the state in which the headquarters office for their firm is located. For purposes of regional comparison, the states have been consolidated into seven categories based on U.S. government statistical regions. There is a state-by-state definition of the regional groupings in the Appendix. Each geographical region in the US was fairly well represented and even a few Canadian firms participated. Firms in the South Atlantic (22%) region comprised the largest portions of the overall sample.

YEAR FOUNDED

Most firms were founded between the years of 1990-present (45%).

GROWTH RATE

We asked firms to categorize their firm's performance over the three years prior to the valuation into one of the following revenue and staff growth categories:

- Fast growth: average annual growth of 20% or more
- Moderate growth: average annual growth of 10 - 19%
- Slow growth: average annual growth of 1 - 9%
- Stable: unchanged for three years
- Slow decline: average annual decline of 1 - 9%
- Fast decline: average annual decline of 10% or more

The vast majority of firms (79%) reported they were growing, 15% said they were stable, and 5% had declining revenue and staff.

PROFITABILITY

For the purposes of this survey we categorized profitability into four tiers:

- **Very high profit:** annual net pre-tax, pre-bonus profit on net service revenue of 15% or more over the past three years
- **High profit:** annual net pre-tax, pre-bonus profit on net service revenue of 10%-14.9% over the past three years
- **Average profit:** annual net pre-tax, pre-bonus profit on net service revenue of 5%-9.9% over the past three years
- **Low profit/loss:** annual net pre-tax, pre-bonus profit on net service revenue of 4% or less over the past three years

Twenty-seven percent of firms reported very high profit, 29% reported high profit, and 36% reported average profit. The remaining 8% of respondents reported low profit/loss.

NET SERVICE REVENUE

Net service revenue is defined as gross revenue minus reimbursable expenses and subconsultants' fees. Firms reported a median net service revenue of \$4,500,000.

LEGAL FORM OF OWNERSHIP

Most (77%) of the firms in the sample were private corporations. One of the goals of the survey was to collect data on private firms as opposed to publicly traded corporations, since data are readily available for public corporations.

OWNERS

Firms in the sample had a median of five owners

ESOPS

Fifteen percent of responding firms had an employee stock ownership plan (ESOP). Of these, the median percentage of ESOP ownership was 64%.

NUMBER OF OFFICES

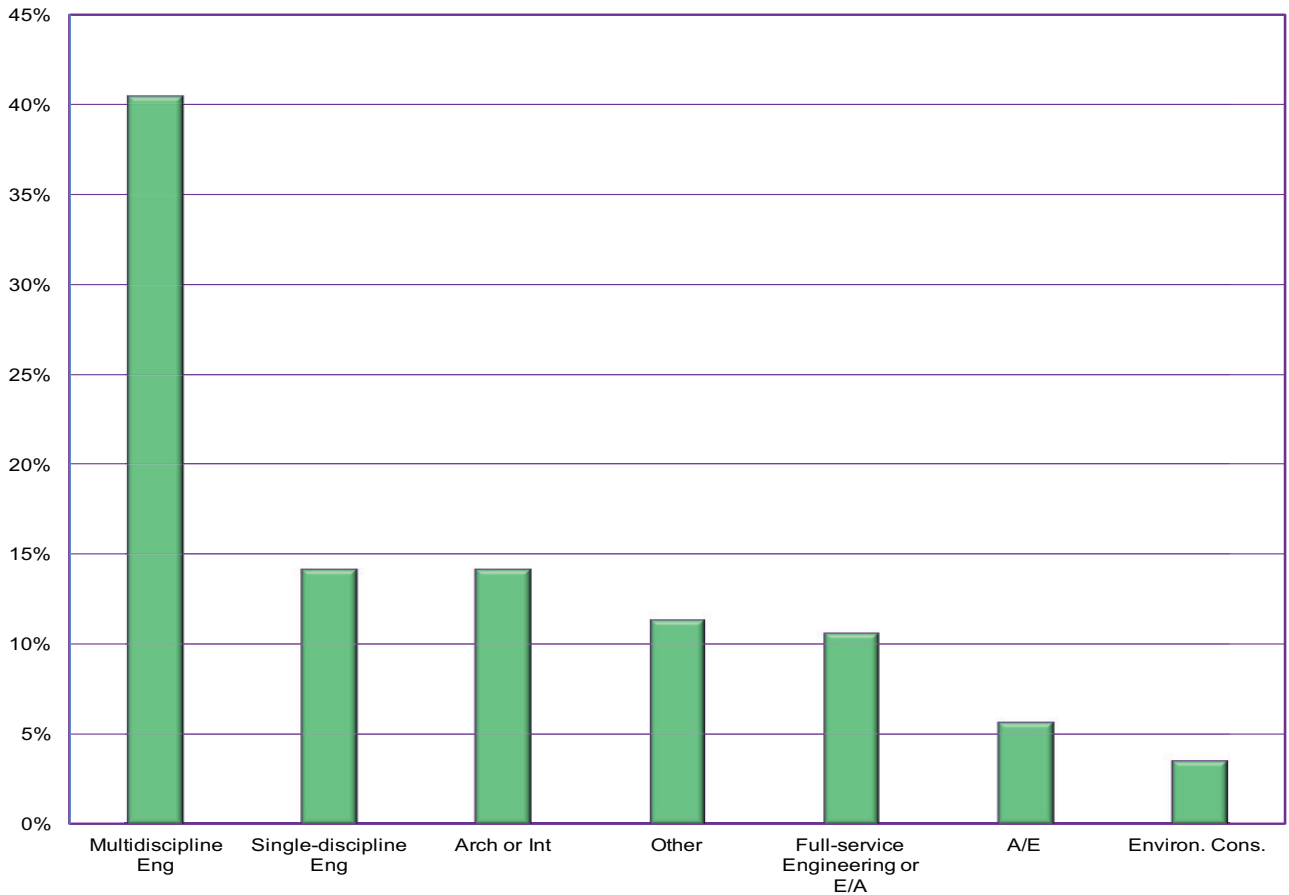
The average firm had six offices.

CLIENT BASE

Most firms who participated in this survey work with private clients (55%), while 42% work with public clients, and only 3% work with foreign clients. An average of 70% of firms are prime consultants, whereas 30% are subconsultants.

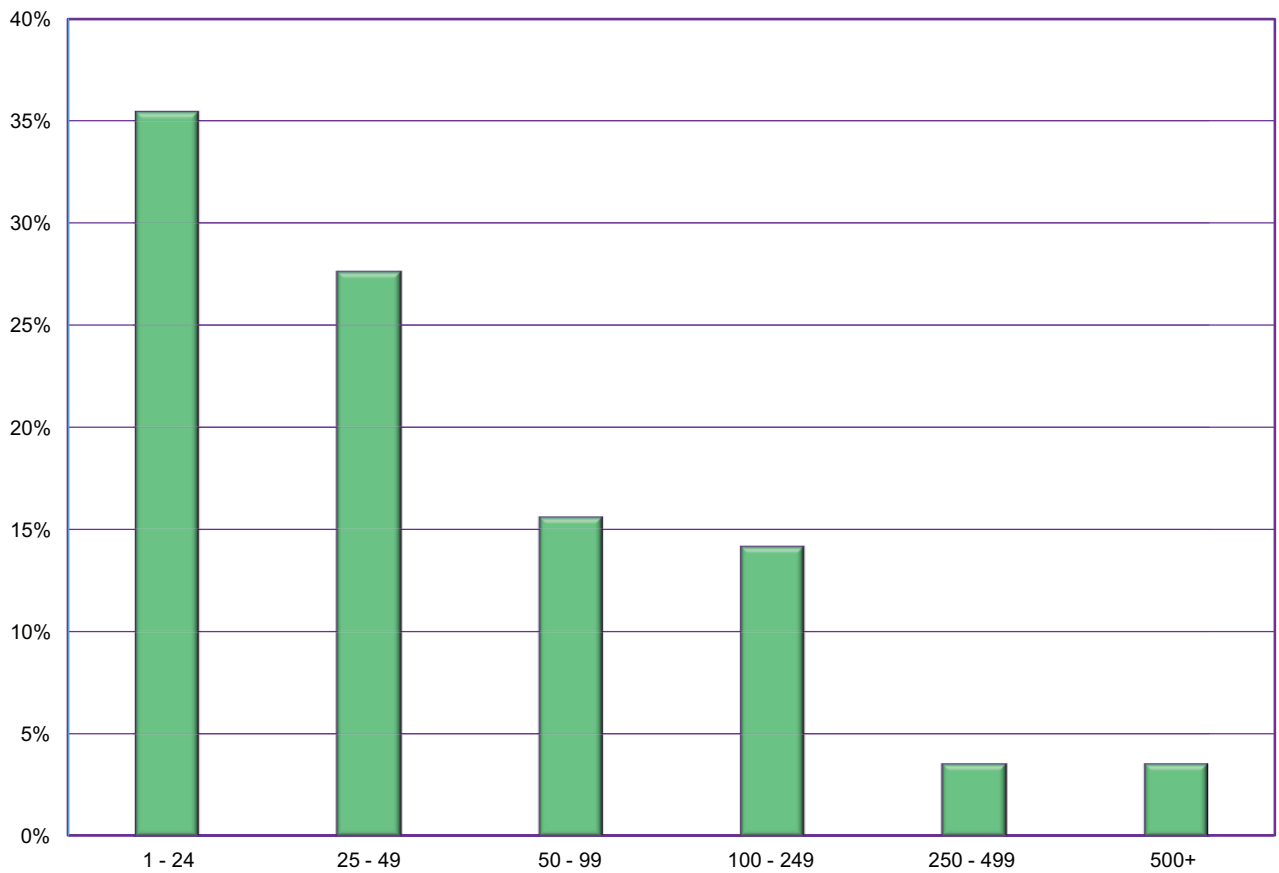
**TABLE 1-1:
BREAKDOWN OF SURVEY SAMPLE BY FIRM TYPE**

Multi-discipline Engineering	40%
Single-discipline Engineering	14%
Architecture or Interiors	14%
Other.....	11%
Full-service Engineering or E/A	11%
A/E.....	6%
Environmental Consulting.....	4%



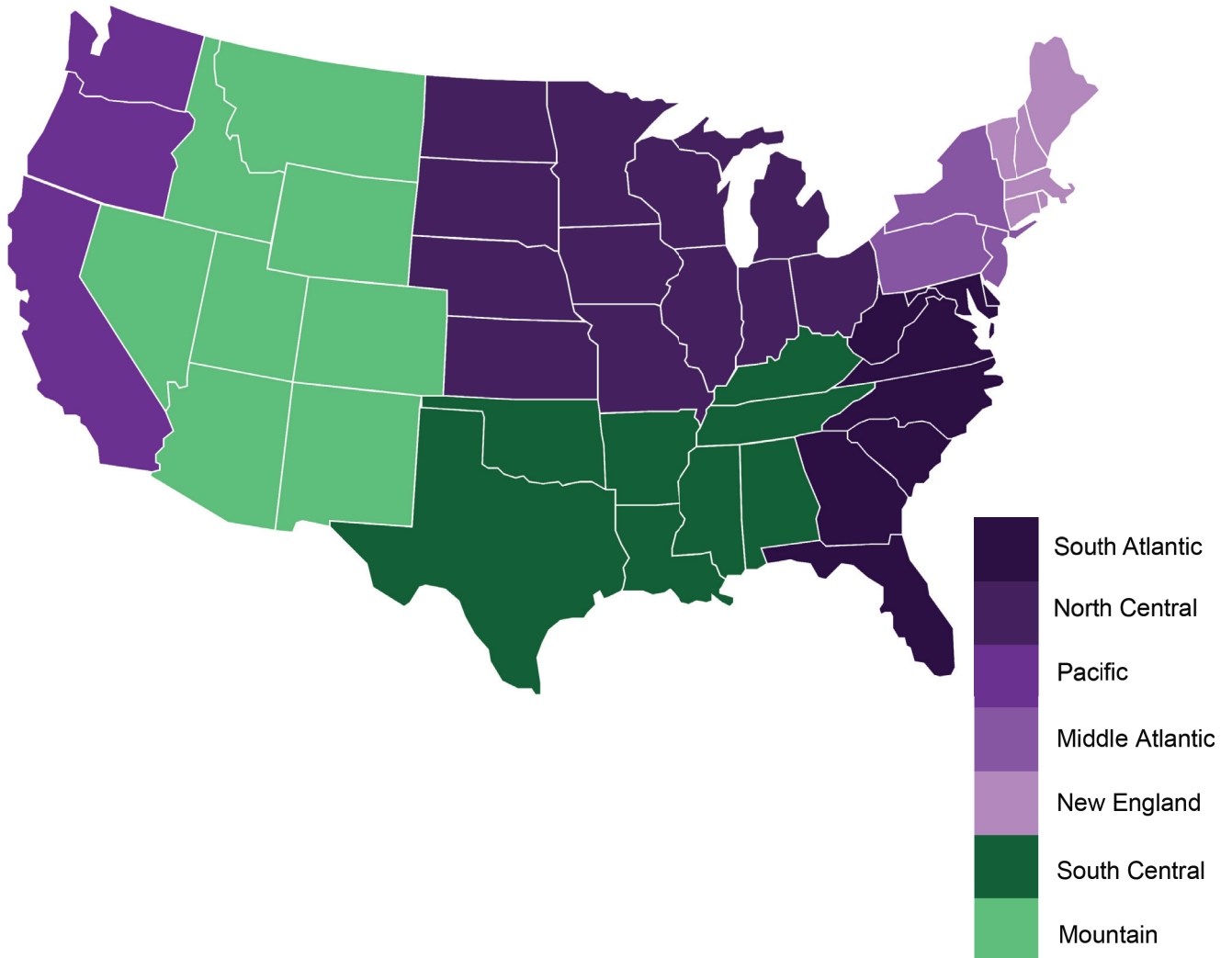
**TABLE 1-2:
BREAKDOWN OF SURVEY SAMPLE BY STAFF SIZE**

1 - 24	35%
25 - 49	28%
50 - 99	16%
100 - 249	14%
250 - 499	4%
500+.....	4%



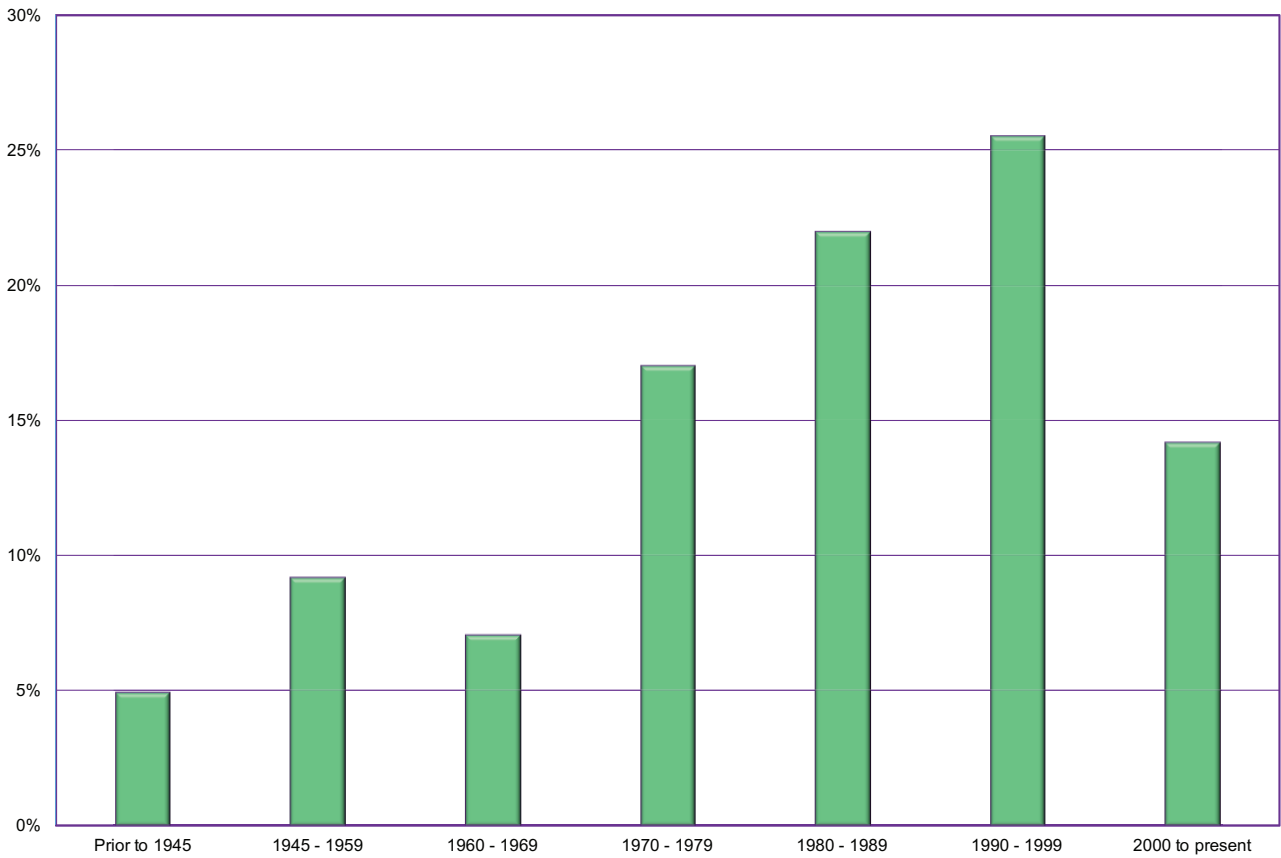
**TABLE 1-3:
BREAKDOWN OF SURVEY SAMPLE BY REGION OF HEADQUARTERS**

South Atlantic.....	22%
North Central	19%
Pacific	18%
Middle Atlantic	13%
New England	10%
South Central.....	8%
Mountain.....	8%
Canada	1%



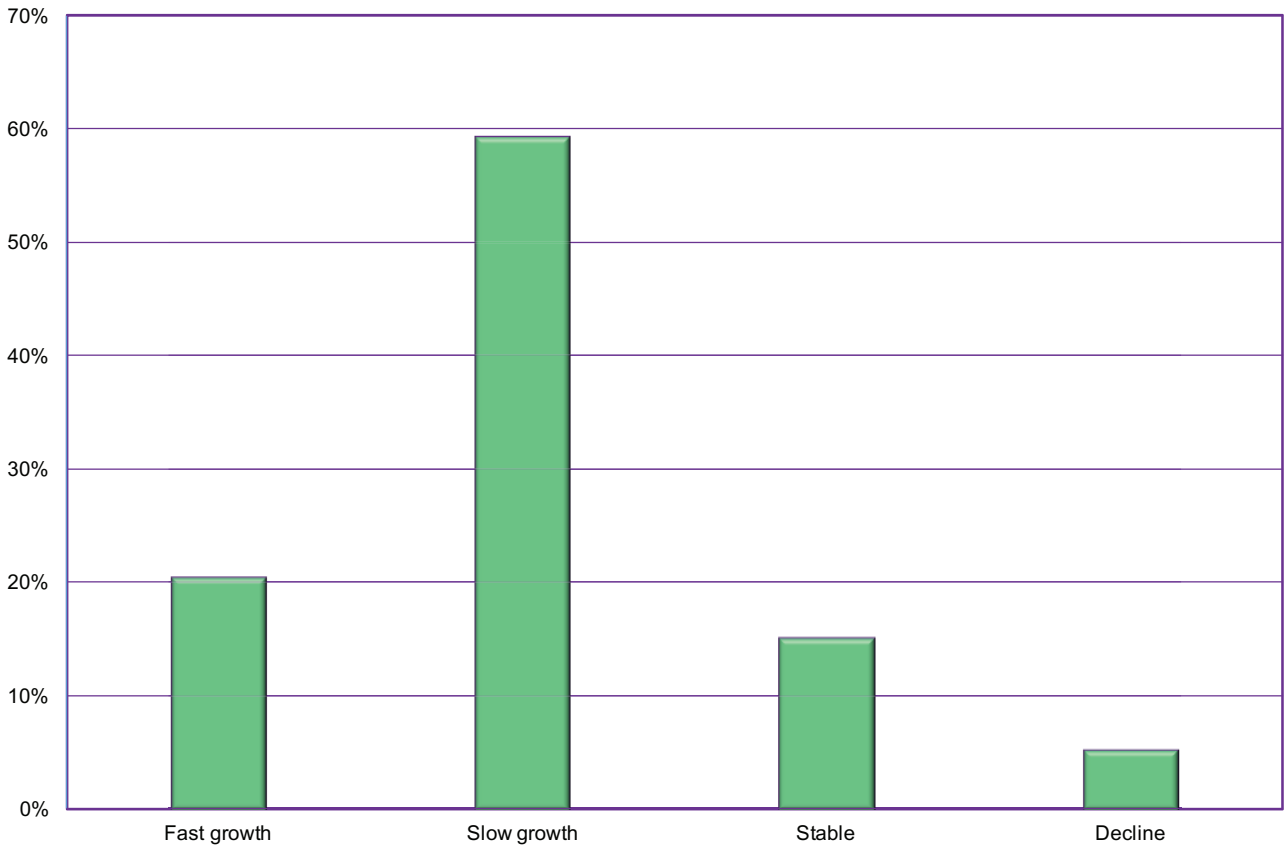
**TABLE 1-4:
BREAKDOWN OF SURVEY SAMPLE BY YEAR FOUNDED**

Prior to 1945	7%
1945 - 1959	10%
1960 - 1969	8%
1970 - 1979	15%
1980 - 1989	16%
1990 - 1999	23%
2000 to present.....	22%



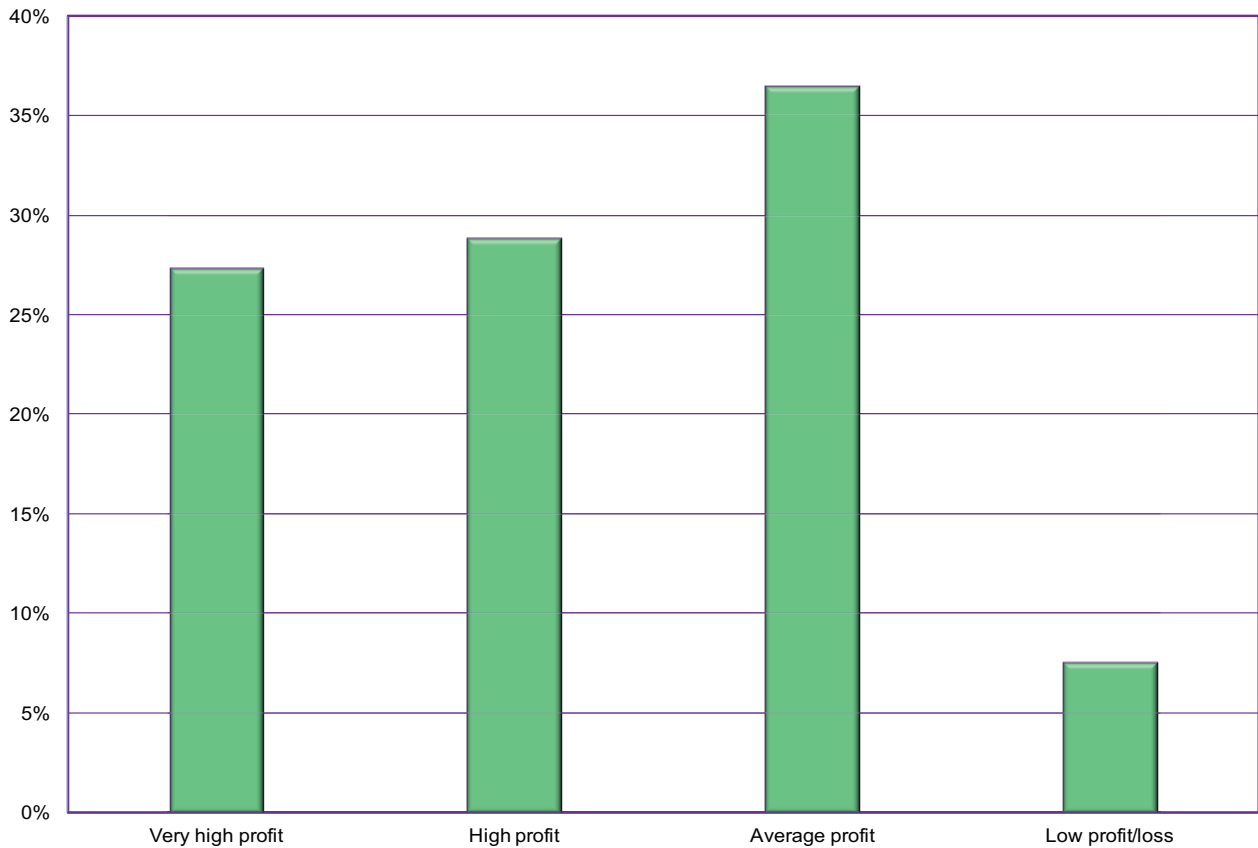
**TABLE 1-5:
BREAKDOWN OF SURVEY SAMPLE BY GROWTH RATE**

Fast growth	20%
Slow growth	59%
Stable	15%
Decline.....	5%



**TABLE 1-6:
BREAKDOWN OF SURVEY SAMPLE BY PROFITABILITY**

Very high profit.....	27%
High profit	29%
Average profit	36%
Low profit/loss.....	8%

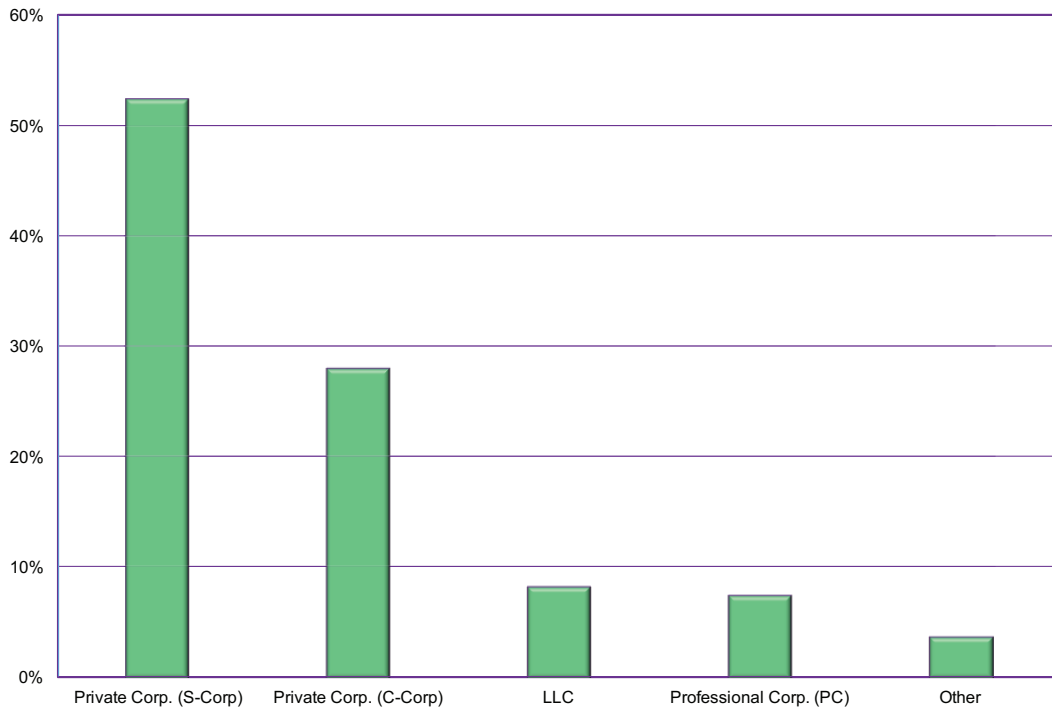


**TABLE 1-7:
BREAKDOWN OF SURVEY SAMPLE BY NET SERVICE REVENUE**

Lower quartile	\$2,396,000
Median	\$4,500,000
Mean.....	\$45,277,980
Upper quartile	\$10,750,000

**TABLE 1-8:
BREAKDOWN OF SURVEY SAMPLE BY OWNERSHIP**

Private Corporation (S-Corp).....	52%
Private Corporation (C-Corp).....	28%
LLC	8%
Professional Corporation (PC).....	8%
Other.....	4%



**TABLE 1-9:
BREAKDOWN OF SURVEY SAMPLE BY NUMBER OF OWNERS**

Lower quartile	2
Median	5
Mean.....	12
Upper Quartile	14

**TABLE 1-10:
EMPLOYEE STOCK OWNERSHIP (ESOP)**

Yes.....	10%
No.....	90%

**TABLE 1-11:
BREAKDOWN OF SURVEY SAMPLE BY ESOP OWNERSHIP**

Lower quartile.....	44%
Median.....	64%
Mean.....	67%
Upper quartile.....	100%

**TABLE 1-12:
BREAKDOWN OF SURVEY SAMPLE BY NUMBER OF OFFICES**

Lower quartile.....	1
Median.....	2
Mean.....	6
Upper quartile.....	3

**TABLE 1-13:
BREAKDOWN OF SURVEY SAMPLE BY PRIME VS. SUBCONSULTANT (MEANS)**

% Private.....	55%
% Public.....	42%
% Foreign.....	3%

**TABLE 1-14:
BREAKDOWN OF SURVEY SAMPLE BY MAJORITY CLIENT BASE (MEANS)**

% Prime consultant.....	70%
% Subconsultant.....	30%

RESPONDENTS' META-DATA

We wanted to provide readers with more details about their peers who completed this survey questionnaire; whether it be their tenure with the firm or their job level and educational background.

- Most respondents have been with their firms 14-16 years, with an engineering background. Nearly half are a president, CEO, or managing partner. More than a quarter of respondents (28%) own 0.1 - 9.9% of their firms outstanding stock.

TABLE 1-15:

TENURE WITH FIRM

1-3 years.....	6%
4-6 years.....	5%
7-10 years.....	8%
11-13 years.....	6%
14-16 years.....	13%
17-20 years.....	10%
21-23 years.....	5%
24-26 years.....	11%
27-30 years.....	12%
31+ years.....	22%

TABLE 1-16:

JOB TITLE

President, CEO, or managing partner	45%
Vice president, principal, or director	23%
Executive/senior vice president, CFO, COO, or other C-level title	21%
Associate or manager.....	10%

**TABLE 1-17:
MANAGEMENT**

Are you the manager of the office you work in?

Yes.....	74%
No	26%

**TABLE 1-18:
PERCENTAGE OF OWNERSHIP**

What percent of your firm’s outstanding stock do you own?

0.0% (non-owner).....	7%
0.1% - 9.9%	28%
10.0% - 24.9%	12%
25.0% - 49.9%	22%
50.0% - 99.9%	18%
100% (sole owner).....	13%

TABLE 1-19: PROFESSIONAL BACKGROUND

Engineer	58%
Business management/admin	17%
Architect.....	14%
Other.....	11%

Other responses include:

- Landscape architect
- Planner
- Professional Land Surveyor
- Technician (GIS, CADD, etc)
- Environmental Science
- Geology

