Deltek | CLARITY

Architecture & Engineering Industry Study

41st Annual Comprehensive Report

In collaboration with:

ACEC American Council of Engineering Companies

Association of Consulting Engineering Companies | Canada
Association des Firmes d'Ingénieurs-Conseils | Canada

AIA

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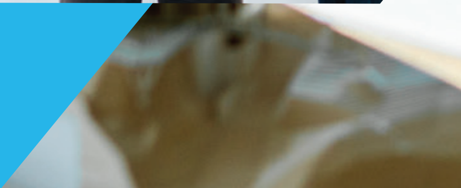
Discover the latest trends and market conditions transforming the architecture & engineering industry



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Introduction

The 41st annual Deltek Clarity Architecture & Engineering (A&E) Industry Study showed the industry continues to prosper financially, but there's still room for improvement in several key business areas.

This study shows how companies performed during the 2019 fiscal year. Although the fielding of the survey was conducted in early 2020, much has changed in the world since then, making benchmarking data even more critical for firms' future success. Although the full impact of the global pandemic is still unknown, companies will need to focus on efficient project management, protecting margins and maintaining cash flow. This report helps firms identify key areas of focus to drive their business forward.

Firms continue to face challenges finding and retaining qualified staff — a challenge that impacts growth and successful project delivery.

During fiscal year 2019, businesses continued to make strategic investments in technology. The costs of technology implementation — together with the limited availability of resources — caused businesses to take a hard look to determine which investments are likely to realize the greatest return. Achieving greater productivity through technology improvements involves increasing training opportunities for employees, while clearing the hurdle of encouraging them to explore and adopt new methods and procedures, the benefits of which drive improvements in operating performance efficiency.

Here are a few key findings from the report:

- Although many financial metrics were flat year-over-year, firms continued to report strong financial performance. Increasing profitability was a top concern for financial management, as well as the need to find and retain qualified staff.
- Net revenue growth projections were more conservative than a year ago and companies saw decreases in project pursuit success while the majority of firms are not following a business development process
- Firms continue to seek more clearly defined responsibilities for project management and more training for project managers; shortage of qualified staff and lack of visibility into key project metrics may be putting PMs at a disadvantage to deliver projects successfully
- Architecture & engineering firms continue to struggle to find good candidates and offer competitive compensation; only a minority of firms have succession plans or career development plans, which may be attributing to the retention challenges.

This year's Deltek Clarity A&E Industry Study takes a close look at the facts and trends that will drive the industry going forward. These insights will help business leaders benchmark their business against others in the industry to identify strengths of the firm, opportunities for improvement, and areas that need to be closely and frequently monitored to make timely and objective business decisions.

About This Study

Each year, Deltek conducts a survey of firms in the architecture and engineering industry to identify the key performance indicators, market conditions, and industry trends. Conducted for the last 41 years, the Study is developed in collaboration with industry organizations in the United States and Canada.

The survey was developed in partnership with CMG Consulting and was fielded from January 21, 2020 through March 23, 2020. Responses were collected from more than 415 companies in the architecture and engineering industry.

Firm Type

The umbrella term of architecture and engineering (A&E) refers to all architecture, engineering and allied firms included in the Study. Three broad categories are broken out for deeper analysis:

- Architecture (A) or Architecture/Engineering (A/E) firms are either pure architectural design firms or architecture-dominant firms that also provide engineering services. A/E firms are also known in the industry as "big A, little E" firms. In this report, 40% of participants were in the Architecture or A/E category.
- Engineering (E) or Engineering/Architecture (E/A) firms are either pure consulting engineering firms or engineering-dominant firms that also provide architectural services. E/A firms are also known in the industry as "big E, little A" firms. In this report, 52% were Engineering or E/A firms.
- "Other" refers to the companies in the industry that do not fit into either category based on the traditional definition but are critical to the delivery of projects. Such firms might include environmental science, fire protection, surveying, or others operating within the industry. This year, 8% were in this category.

The Study collected responses on emerging technology trends, financial statements, business development, project management, and human capital management.

Firm Size and Region

The size of participating firms was diverse when measured by number of employees. Deltek defines small, medium and large in the following way:

- Small: 1-50 employees (39%)
- Medium: 51-250 employees (45%)
- Large: 251+ employees (16%)

Participating firms have headquarters in the United States or Canada, with equitable participation from companies throughout the United States: West, Midwest, Northeast and South.

High Performers

Each year, Deltek breaks out a group of high performers for additional analysis. High-performing firms are defined as having a net labor multiplier of 3.0 or higher, as well as an operating profit on net revenue of 15% or higher.

High performers comprised 35% of all participants. For purposes of analysis, high performers are contrasted with "all other firms."

Study Notes

Unless otherwise noted, values in this report use the median value. Within a specified group or segment; half of the firms in that group or segment are higher, and half are lower. Top quarter and bottom quarter refer to the top and bottom quartiles;25% of firms were equal to or higher than the top value, 25% were equal to or lower than the bottom value and 50% fall between the two.

The "Statistics at a Glance" section includes comprehensive tables, including key metrics from the Study broken down by firm size, type and performance. Employee ratios in the "Statistics at a Glance" section, are calculated by dividing the metric by the number of employees the firm had at the end of the year.

Executive Summary

Firms experienced another strong financial performance in fiscal year 2019. Companies have experienced numerous years of strong financial performance, putting them in a good position, but many went into 2020 a bit more conservative as they approached an election year and tried to anticipate if or when the market outlook may change.

Financial performance remained strong throughout the industry, with a strong backlog going into the current year.

Firms reported slight increases in operating profit on net revenue and net labor multiplier and decreases in overhead rate and average collection period.

Continued competition for talent is impacting the ability of firms to advance.

Finding and keeping qualified staff is a key challenge that impacts every area of the business, as the hiring and training process is expensive and creates challenges for winning and delivering projects. Many firms are seeking to improve their perceptions as attractive employers, despite the fact that only 43% have succession plans and 29% leverage career development plans.

Business development teams are struggling to find time to nurture key client relationships and have seen a decline in overall win rates.

Fostering client relationships remains a key business development focus and is considered a top challenge, key development task, and the top source of new opportunities. With only 41% of companies using a formal business development process, firms can look to make process improvements that will better align limited business development time with projects and clients that can have the greatest impact on the business.

Firms have a strong desire to more clearly define project management responsibilities and improve the discipline overall.

Firms face challenges meeting needs for both quality and quantity of project management staff. Greater investment in training and development of best practices will be essential to meeting the challenge of improving project delivery and empowering PMs to proactively manage projects. With only two-thirds of projects reported as on or ahead of schedule, the need for accurate project reporting and visibility into project performance is critical.

Firms are creating strategic plans to implement emerging technologies.

Available resources and the costs associated with acquisition, implementation and rollout are causing firms to prioritize where those investments will deliver the greatest return. Concentration of investments are focused on productivity and operations, though it is unclear whether employees are adequately trained and effectively implementing the new technologies.

Economic uncertainty highlights greater need for frequent benchmarking, visibility and business intelligence.

Although benchmarking is often an annual process, firms must monitor and track key performance metrics more frequently to understand the drivers of that performance, where technology can help improve operations, and where initial strategic plans may need to be adjusted to account for changing market conditions.

SECTION ONE

Technology Trends

A&E firms are prioritizing technology investment and deployment where they will realize the greatest return on investment: core operations. The emphasis is on technology trends that will increase continuity and productivity throughout the project lifecycle.

IoT

52%

select Internet of Things (IoT) as important emerging technology trend

60%

are applying technology trends to project execution and 59% to project management

61%

identify cost of technology as one of top three challenges for emerging technology

The benefits of emerging technologies, like augmented and virtual reality, are triggering further interest and exploration in the A&E industry. More specifically, companies are exploring how they can more deeply integrate technologies into the full project lifecycle and deliver more meaningful stakeholder experiences.

The cost of acquiring and implementing new technology is perceived as a key challenge, but as emerging technologies become more mainstream, they also become more affordable and accessible to A&E firms. Training employees and getting them to use new applications – effectively replacing less efficient habits and practices – can be a major hurdle, but there are significant benefits for successful adoption.

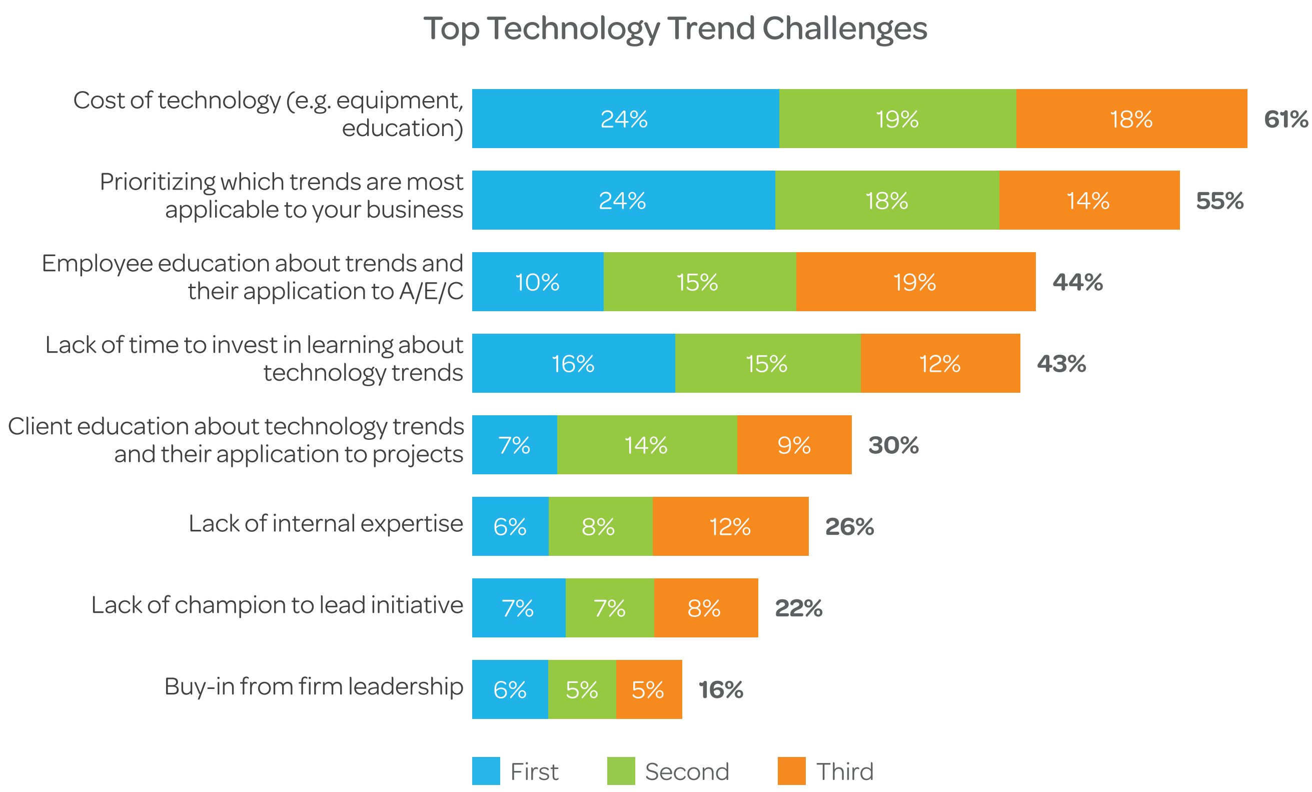
Key Data Points from the Survey

- Popular emerging technology trends in the 2019 Study continue to be the Internet of Things (IoT), geolocation, big data and data science. Augmented/virtual reality debuted this year near the top and is especially important to large firms.
- Firms are primarily applying technology trends to project execution and project management as part of their strategic plans to earn a tangible return on investment.
- Top challenges are cost, prioritization and employee education about tech trends and their application to architecture, engineering and construction.

Top Technology Trend Challenges

Participants were asked to rank the top three challenges related to technology trends facing their firm in the next three years. These challenges were similar to those expressed last year, with cost of technology (e.g. equipment, education) and prioritizing which trends are most applicable to their business standing out. More large firms selected prioritizing which trend is more applicable to the business as one of their top three challenges.

There is, however, a notable shift in preparedness for overcoming technology challenges. Businesses appear to have taken a proactive stance and invested time and resources into understanding available options. In turn, they are focusing on solutions and acquisition. This year, firms were less challenged by a lack of time to invest in learning about technology trends, as well as a lack of a champion to lead initiative.



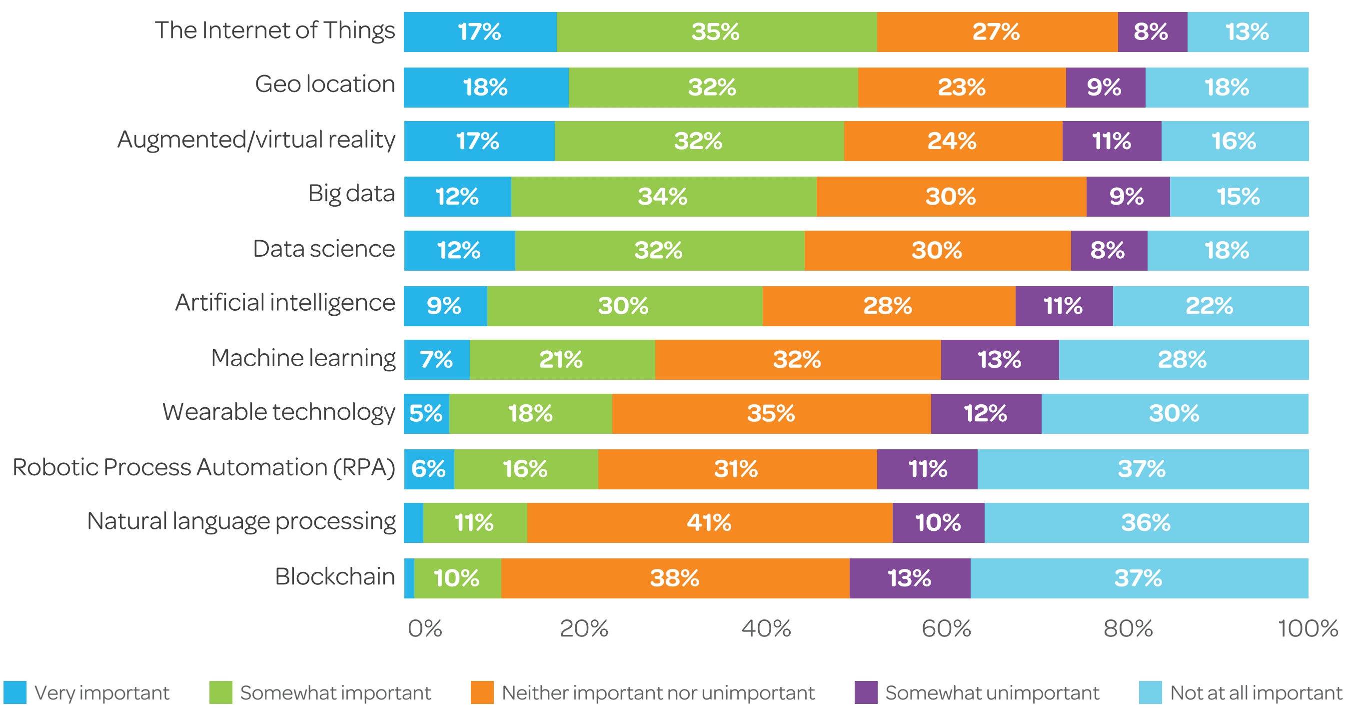
Emerging Technology Trends

Companies were asked to identify how important specific emerging technology trends are to their business. The IoT, geolocation and augmented/virtual reality were selected as the most important technology trends. Half of respondents indicated that each of these trends is somewhat or very important to their business. Big data and data science were also identified in the top five important trends for A&E firms.

Although artificial intelligence, machine learning, and wearable technology were not at the top, they saw a considerable increase compared to the previous year, further suggesting a momentum shift in attention to the application of technology to A&E operations. Robotic process automation debuted relatively low on the importance scale, with 21% considering it very important or somewhat important.

Large firms show a broader focus on technology trends, with more than half indicating big data, data science, and artificial intelligence are as important as IoT and geolocation. Small businesses are most interested in IoT and virtual/augmented reality, but overall, they placed lower importance on emerging technologies compared to larger firms. This may provide a competitive advantage for large firms as they embrace these emerging technology trends more quickly.

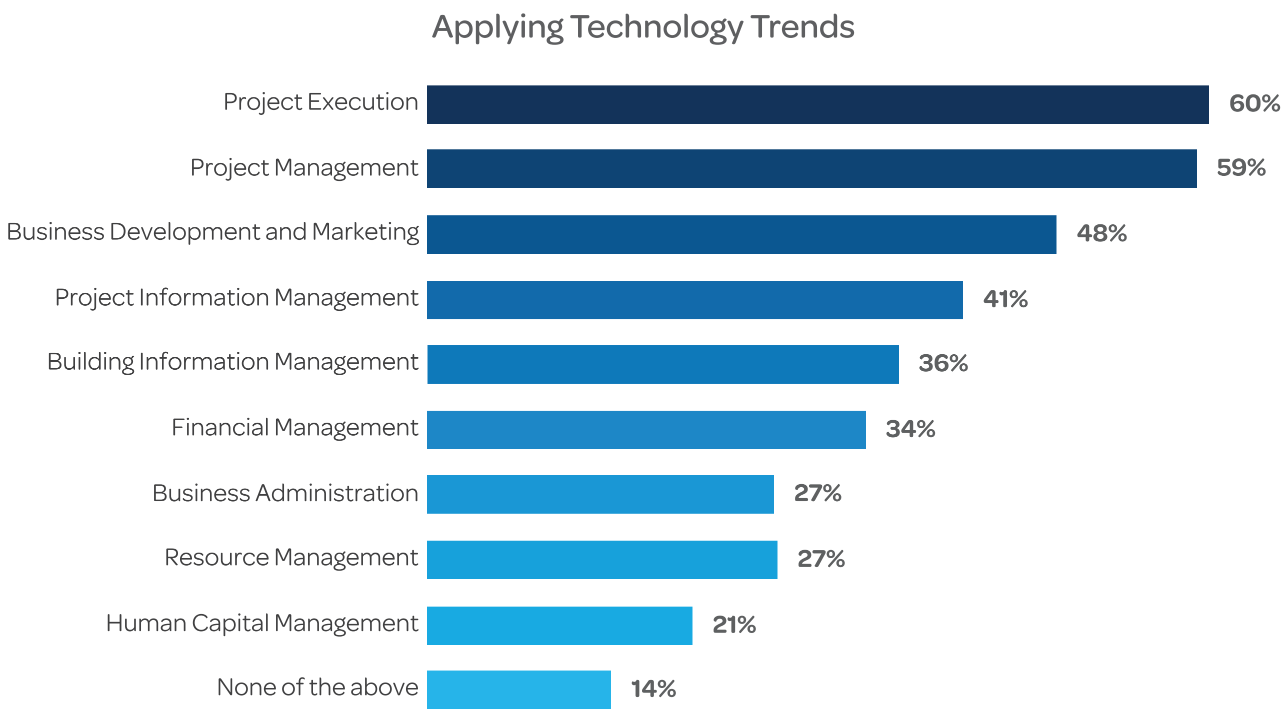
Importance of Emerging Technology Trends To Your Business



Applying Technology Trends

Firms have identified the value of applying technology trends to core operations by investing in solutions that streamline project execution (60%) and project management (59%). Investments in integrated functions, such as financial management, business administration, resource management, and human capital management, all showed modest declines year-over-year.

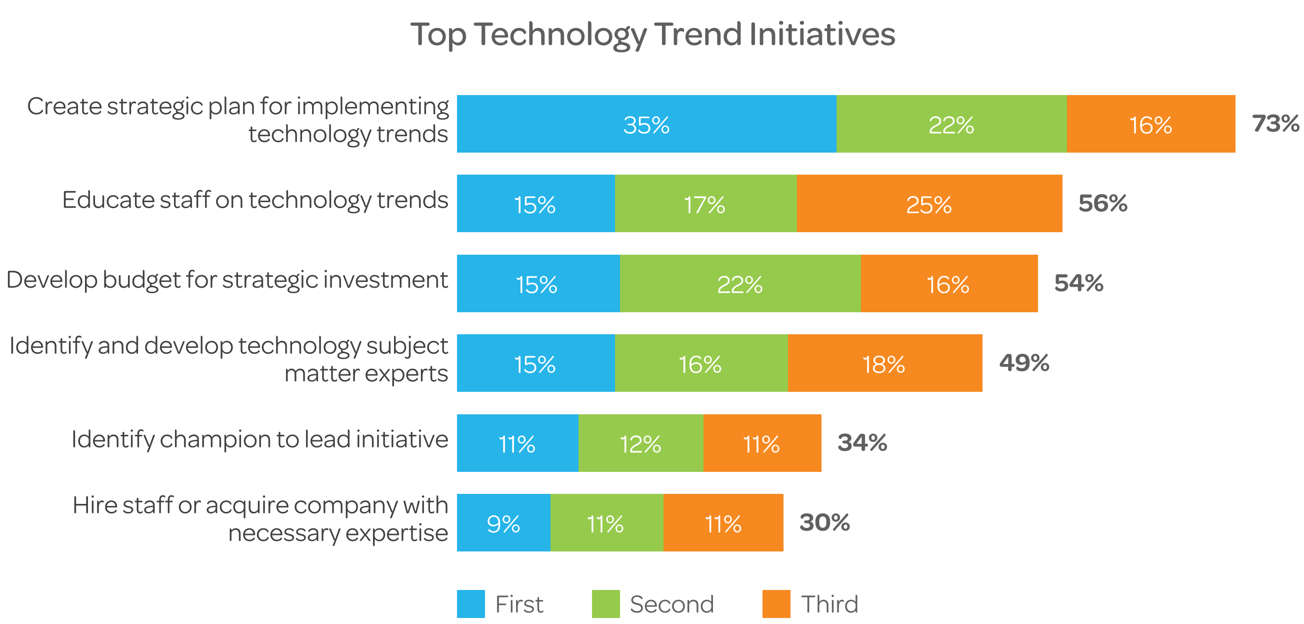
With projects at the center of the business, it's natural to think of project operations first, but projects shouldn't be the only focus. Firms have yet to take full advantage of emerging technology for critical and integrated administrative functions. These technologies can improve many business processes to not only gain efficiency, but also potentially attract new employees to a company that is forward thinking and embraces technology. As companies become more familiar with real-world examples of how these technologies can be applied to their business, and more clients begin to require them as part of project delivery, companies will need to have a plan to incorporate these technologies into their business.



Top Technology Trend Initiatives

The top technology challenges and initiatives are well aligned. Seventy-three percent of respondents indicate that creating a strategic plan for implementing technology trends is a high priority; this is consistent when looking at the segments by company size as well. To meet the challenge associated with implementation and adoption, educating staff on technology trends is key. Businesses are looking to identify and develop technology subject matter experts to facilitate technology deployment and adoption within their organizations. To manage costs, businesses are prioritizing the development of budgets for strategic investment.

Although some A&E companies tend to be laggards in adopting technology, it's time to challenge the standard operating procedures. With a greater openness to technology adoption and investment in solutions that will streamline project execution and management, the industry will start to see a digital transformation in how projects are delivered and businesses are run.



CLARITY OUTLOOK

Technology Trends

Although large firms tend to have a closer eye on emerging technology trends, small and medium-sized firms are starting to take note. This year, large firms reported big data as one of the top emerging technology trends, followed closely by IoT, augmented/virtual reality, and geolocation.

As firms continue to see more practical applications for emerging technologies, companies will need to ensure they not only understand the key trends but have a strategic plan to implement them. Large firms may have more resources to invest, or more sophisticated teams, but it's critical that small and medium-sized businesses can start to explore how emerging technology trends can positively impact their projects, their clients, and their businesses.

SECTION TWO

Financial Statements

In 2019, A&E firms showed strong financial performance, with many core metrics demonstrating no significant changes year-over-year. Improvement of several metrics underscore the financial strength of the industry, continuing a 10-year trend that put the industry in a strong financial position.

15.8%

Operating Profit on Net Revenue – up 1.4 points YoY and increased for tenth straight year

59.9%

Utilization Rate: Up slightly YoY

154%

Overhead Rate: Down 6% YoY

Operating profit on net revenue and net fixed assets per employee rose in 2019, while overhead rates, total employee costs, and average collection period all decreased. High performers continued to outperform others in net revenue per employee, with a median of $164,945 compared to the overall median of $144,462. For the first time in a decade, the benchmarks for operating profit on net revenue and net labor multiplier both exceeded the high performer thresholds, further supporting the strong financial position across the industry.

Although it is unlikely that firms will maintain a strong level of growth during economic uncertainty in 2020, they can focus on the fundamentals that support strong operations, stability and profitability. Firms should revisit their planning and budgeting processes sooner and continue to monitor their financial performance more-frequently to help navigate any potential economic downturn.

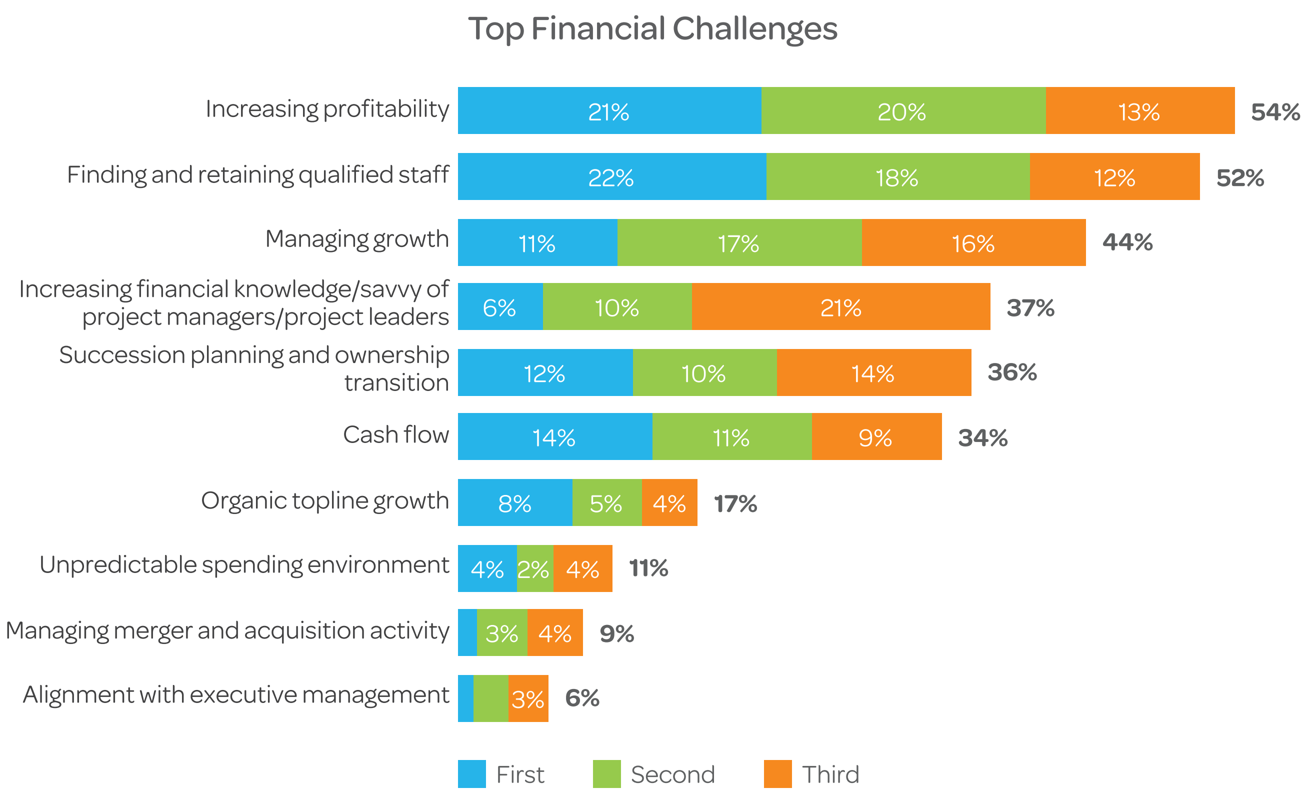
Key Data Points from the Survey

- Operating profit as a percent of net revenue rose to 15.8%.
- The net labor multiplier increased slightly to 3.03.
- Utilization rates were unchanged from year-ago results, finishing fiscal year 2019 at approximately 60%.
- Overhead rates declined by six percentage points to 154% as small businesses, high performers, and architecture-focused firms managed their overhead costs more effectively.
- Current ratio increased 0.27 points year-over-year to 2.87, as the mix of current assets also increased.
- Debt to equity ratio improved, dropping 0.07 points to 0.76 for fiscal year 2019.

Top Financial Challenges

As firms face strong financial performance, but economic uncertainty, the top challenges remain relatively consistent. Finding and retaining qualified staff fell to second behind increasing profitability, but it is identified as a top challenge for more than half of participants. Rounding out the top three challenges was managing growth, with 44% of respondents identifying it as one of their top three challenges.

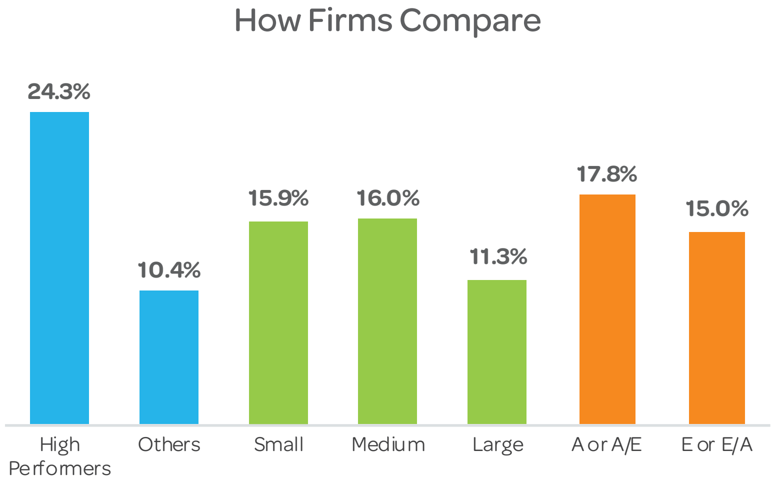
In this year's study, only 11% of respondents viewed an unpredictable spending environment as a top challenge, while 34% identified cash flow as one of their top three challenges. As this year unfolds and the outlook for closing new projects and maintaining cash flow remains uncertain, top financial challenges will continue to ebb and flow.



Operating Profit on Net Revenue

15.8%

+1.4%

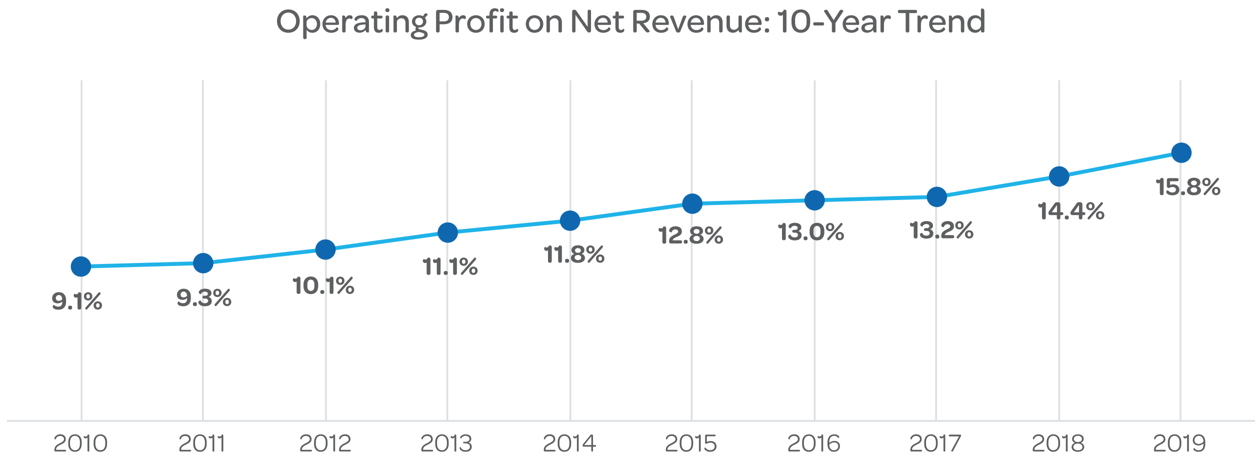


Calculated by dividing pre-tax, pre-distribution profit by net revenue (total revenue minus consultants and other direct expenses).

Driven by high performers, architecture-focused businesses, and small businesses, operating profit on net revenue rose by 1.4 percentage points, year-over-year. High performers achieved a 24.3% operating profit, a 14% premium to all other firms and continuing to set an example for the industry. Architecture firms also reported improved performance, raising their operating profit to 17.8% compared to 13.9% last year. Small businesses also experienced a marked increase, realizing a 15.9% operating profit, up from 12.4% a year ago.

10-Year Trend

Since 2010, the industry has benefitted from consistent and steady growth. Each year, firms have increased their operating profit on net revenue, with an increase of more than six percentage points in the last decade – this continues to demonstrate strength in a key financial metric across the industry.

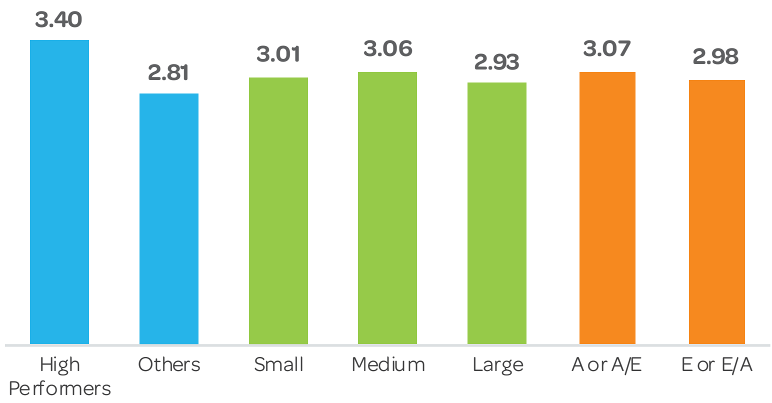


Net Labor Multiplier

3.03

+0.02

How Firms Compare



Calculated by dividing net revenue by direct labor (the cost of labor charged to projects).

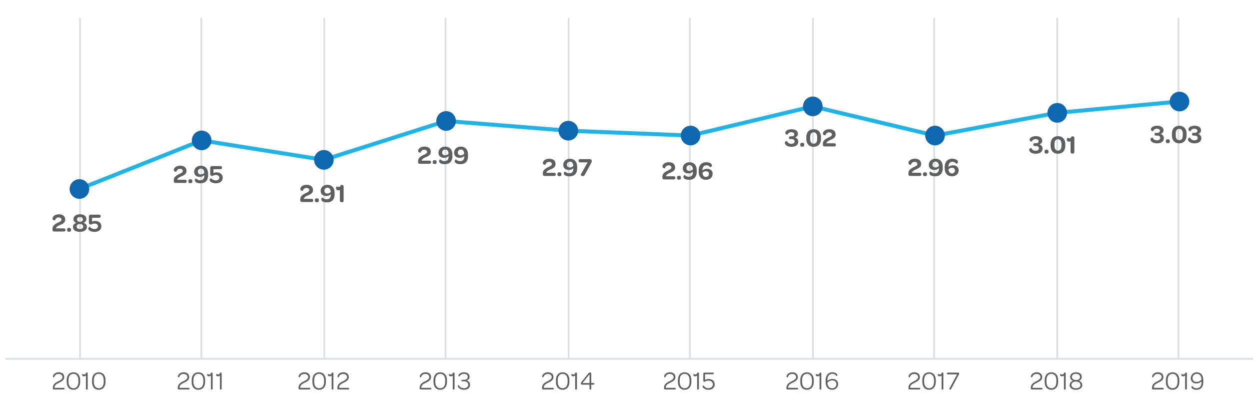
Overall, net labor multiplier increased slightly in fiscal year 2019, with no material changes observed in any particular segment. That said, fiscal year 2019's results were the highest this metric has been in the last 10 years.

One criterion for a high performer is a net labor multiplier of 3.0 or above, and similar to operating profit, high performers exceeded this threshold. This is also the second year in a row that the overall net labor multiplier surpassed the high performer threshold, as firms drove revenue from labor costs, possibly due to more-favorable labor rates or greater efficiency in delivering fixed-fee projects.

10-Year Trend

Consistent growth and good financial discipline have allowed the industry to increase its net labor multiplier from 2.85 in 2010 to 3.03 in 2019.

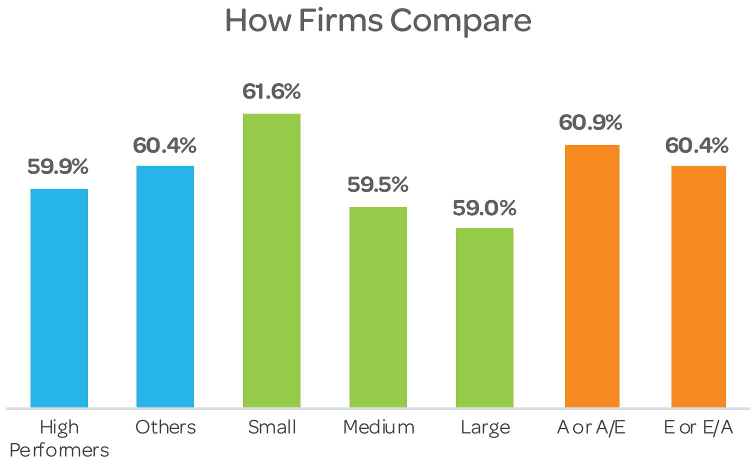
Net Labor Multiplier: 10-Year Trend



Utilization Rate

59.9%

+0.1%

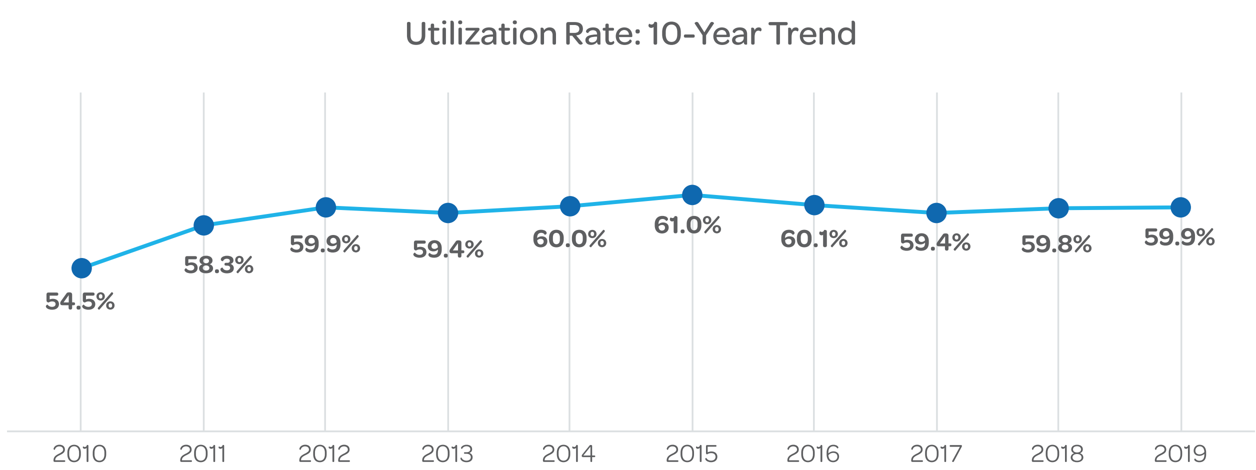


Calculated by dividing the cost of labor charged to projects by the total labor cost of the firm.

Apart from architecture firms, which increased by 2.3 percentage points year-over-year, utilization remained largely unchanged across segments. This metric tracks a firm's productivity and efficiency, as well as the relationship between billable and non-billable employees. Firms with higher utilization rates generally have lower employee turnover and higher net revenue per employee. A focus on employee retention and investment in training related to new trends, technologies and capabilities can drive improvements in utilization rates and retention going forward.

10-Year Trend

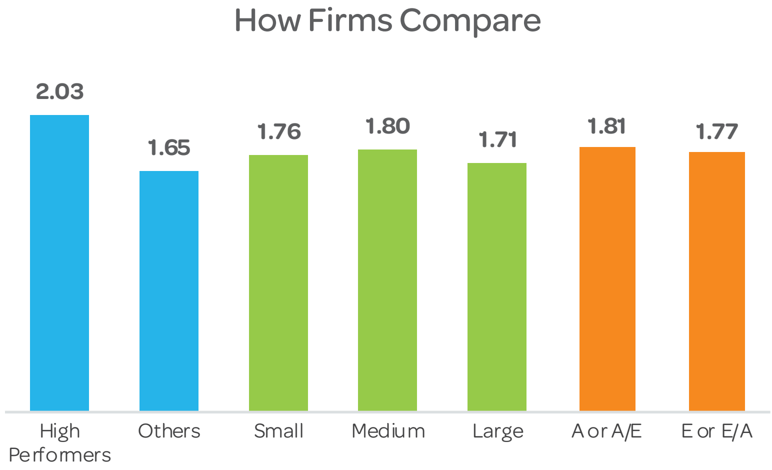
Since 2010, firms have seen some fluctuation in utilization between 54.5% and 61.0% but hovering around 60% overall.



Total Payroll Multiplier

1.78

+0.0

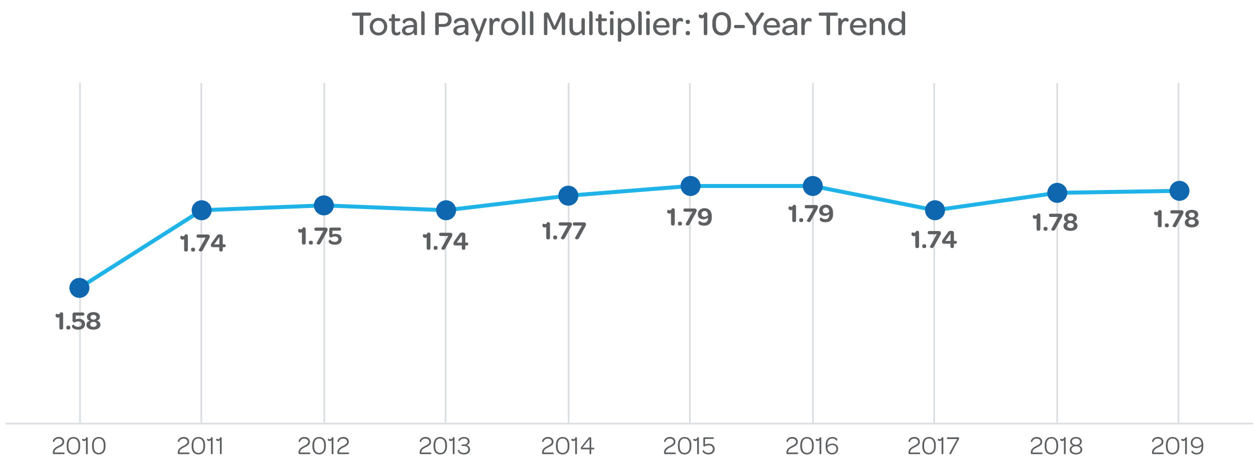


Calculated by multiplying utilization by net labor multiplier.

Although the overall payroll multiplier (revenue factor) remained unchanged relative to fiscal year 2018, it is worth noting that utilization and net labor multiplier both increased – both overall and across segments. This suggests that gross wages, payroll taxes, and retirement fund contributions were stable year-over-year.

10-Year Trend

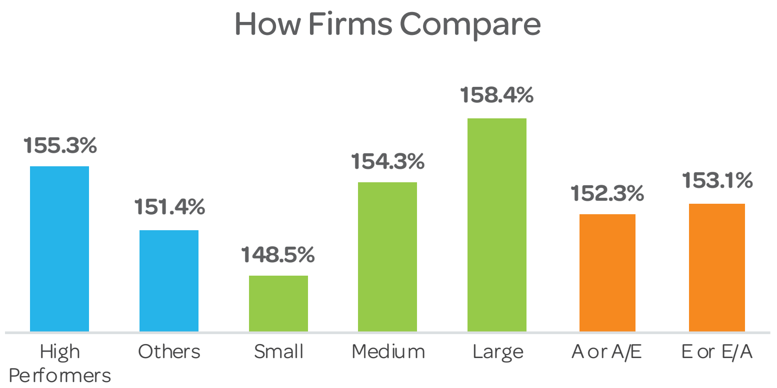
Following a significant jump in 2011, the total payroll multiplier has remained relatively consistent across the last decade.



Overhead Rate

154%

-6.0%

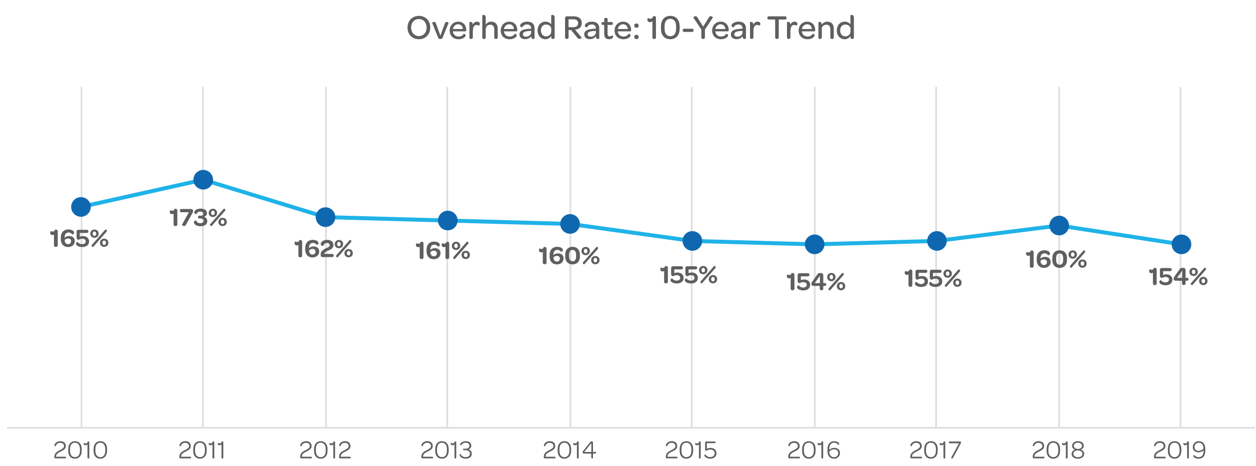


Calculated by dividing total overhead (before distributions) by total direct labor expense.

Overall overhead rate dropped from 160% last year to 154% in fiscal year 2019. Small businesses saw significant declines, as did architectural firms and high performers. Overall, firms saw an increase in expenses of 4% compared to the previous year, while direct labor increased 7%. Although some expenses such as insurance spending may have decreased slightly, the decrease in overhead rate is likely the result of an increase in billable hours. Additional scrutiny of the factors driving an individual firm's overhead rate will help ensure investments are aligned with near and long-term priorities.

10-Year Trend

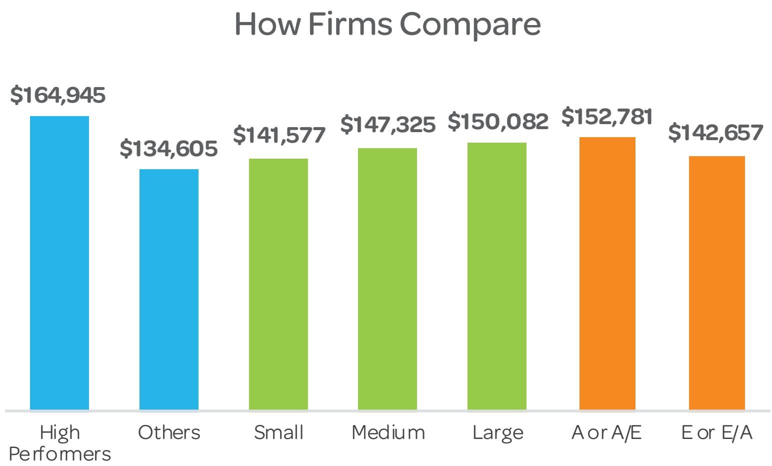
Since 2010, overhead rates have trended downward, coming in between the mid-150s to low-160s annually.



Net Revenue Per Employee

$144,462

+$462

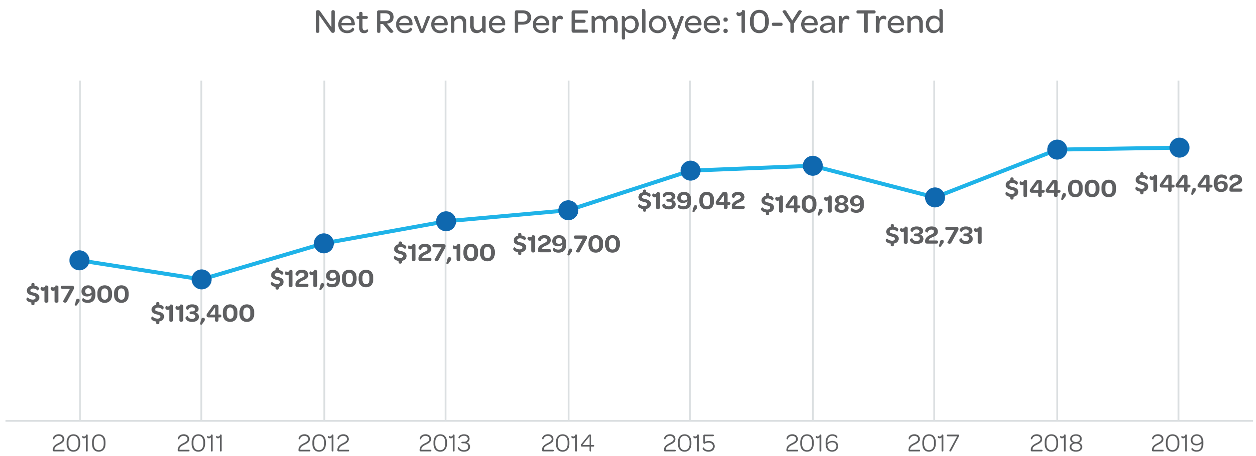


Calculated by dividing net revenue by average total staff during the year, including principals.

Net revenue per employee was largely unchanged compared to fiscal year 2018. For many respondents who maintained a high productivity rate over the last year, it proved difficult to improve on net revenue per employee results again this year. Although small, the increase could also be attributed to better rates or increased efficiency in project delivery. Employee turnover and lack of qualified candidates have continued to impact financial metrics. It appears that firms are attempting to do more with the resources they have, which has the potential to result in resource burn-out. Although increasing wages and associated costs are necessary to compete effectively for employees, reducing costs in these areas is likely to be counterproductive.

10-Year Trend

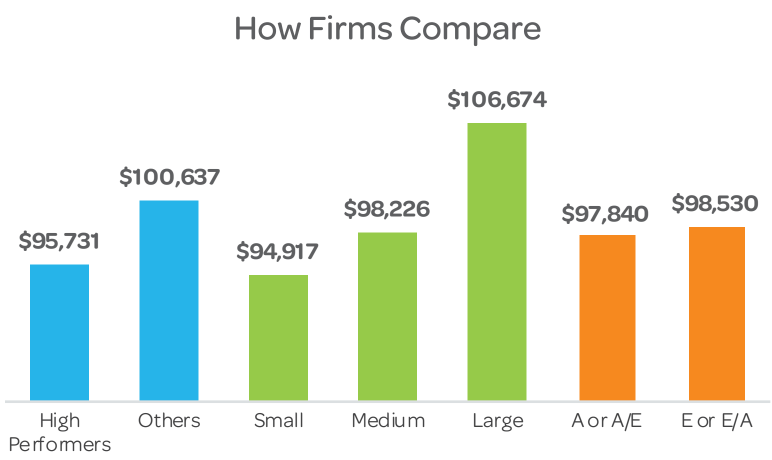
Net revenue per employee has trended up since fiscal year 2011, rising from a low of $113,400 to $144,462, an increase of 27% over the period, demonstrating firms have effectively driven higher productivity levels during a period of consistent revenue growth.



Total Employee Cost

$97,884

-$735



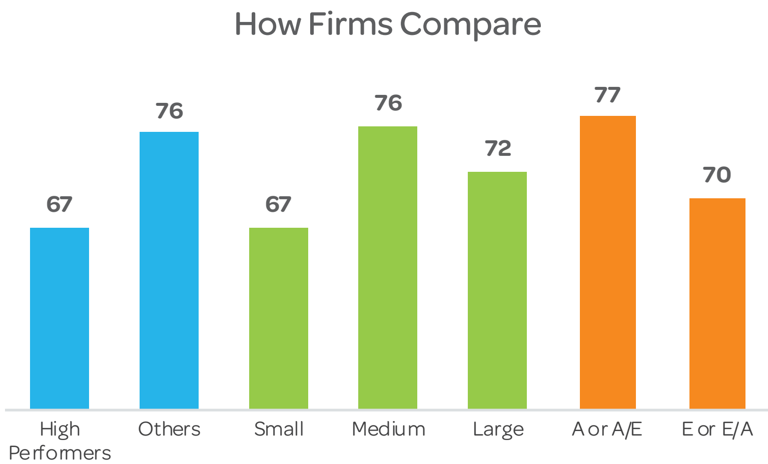
Calculated as the sum of total labor and other labor-related expenses (e.g., taxes, insurance, etc.) divided by the average number of employees during year. Excludes bonuses.

Total employee cost remained largely unchanged compared to the previous year, dropping about $700 overall, or 0.7%. Small and medium-sized firms, along with engineering-focused firms, saw slight declines in total employee cost on a year-over-year basis. Payroll-related expenses increased compared to the previous year and the overall number of employees increased at a higher percentage, driving the decrease in overall employee cost. Although the labor market remained tight, the balance between supply and demand may change in 2020, as the impact of ongoing economic uncertainty is felt within and across the A&E industry.

Average Collection Period

73

-2

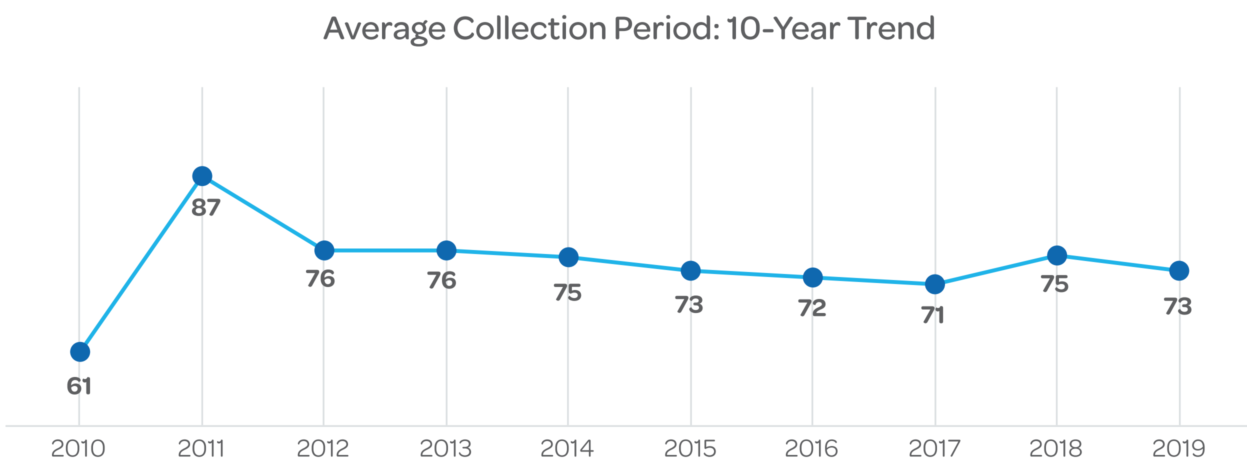


Calculated by dividing accounts receivable by annual total revenue, multiplied by 365.

Overall, the collection period reported by respondents declined by two days compared to fiscal year 2018. Small businesses and high performers achieved considerable improvements during the period, finishing at 67 days each, indicating strong cash flow performance going forward – placing these companies in a better financial position given looming economic uncertainty. The type of contracts firms are managing may affect this ratio, as unit price and design-build contracts may be more difficult to collect quickly. Firms may not focus as much on outstanding accounts receivables during periods of prosperity but cannot afford to have their attention diverted and potentially impact cash flow.

10-Year Trend

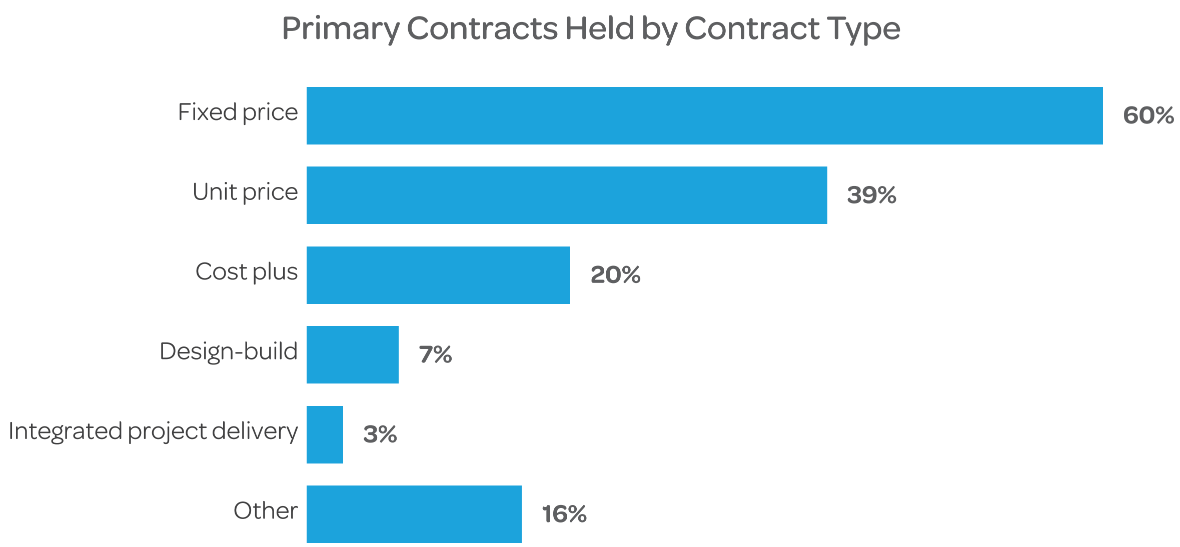
Except for a dramatic jump in overall collection period in 2011, the rate has remained relatively flat over the last eight years, varying between 71 and 76 days over the period.



Contracts Held by Contract Type

In fiscal year 2019, respondents indicated their firm was the primary contract holder in 60% of fixed price contracts, an increase of two percentage points year-over-year. This contract type typically affords firms more control over contract performance. Unit price contracts (time and materials, hourly rates, per diem, or salary times multiplier) accounted for 39% of contracts, whereas 20% were cost plus.

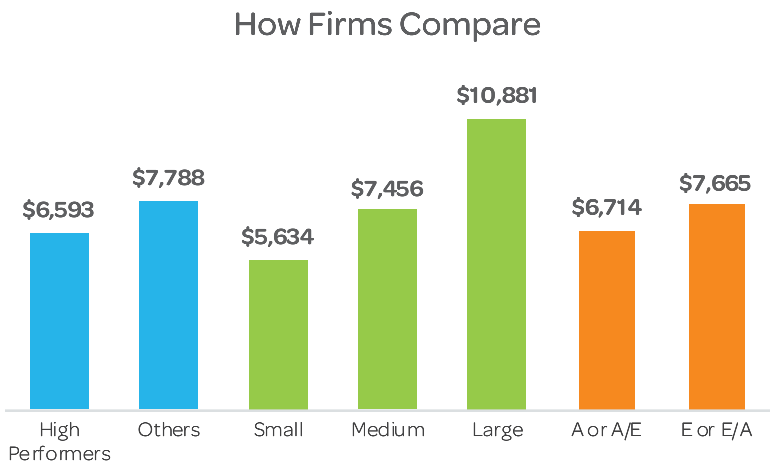
Firms with a higher percentage of unit price contracts may experience higher win rates and capture rates, which may be a result of smaller total dollar value. Going forward, it will be important for firms to have an adaptive approach and an ability to deliver a variety of contract types as client expectations and requirements continue to shift.



Net Fixed Assets Per Employee

$7,203

+311



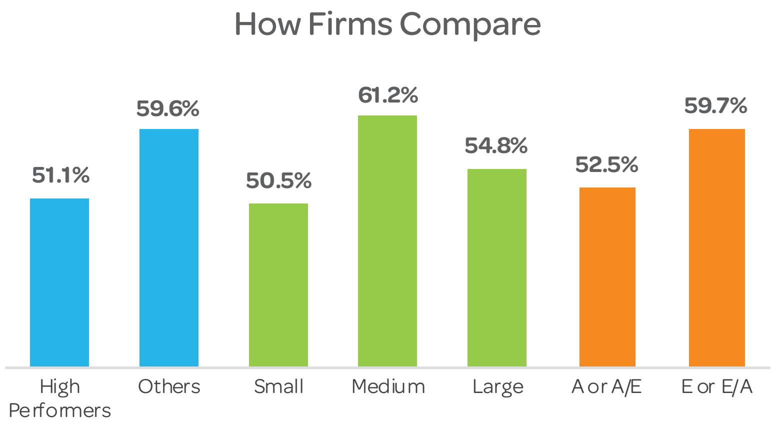
Calculated by fixed assets less goodwill and depreciation divided by the current number of employees.

This year's rise of nearly five percent (4.5%) in net fixed assets per employee was driven by increases among small and large businesses. Technology may be helping small businesses start to close the gap with their larger counterparts. Year-over-year, high performers declined 14%, reflecting possible increases in headcount and related spending. In fiscal year 2019, the net fixed assets per employee for architectural firms was 14% less than engineering firms, continuing a trend from the previous year's results and likely driven by engineering firms generally requiring a higher fixed asset base due to the nature of their work.

Firms That Have Completed A Firm Valuation

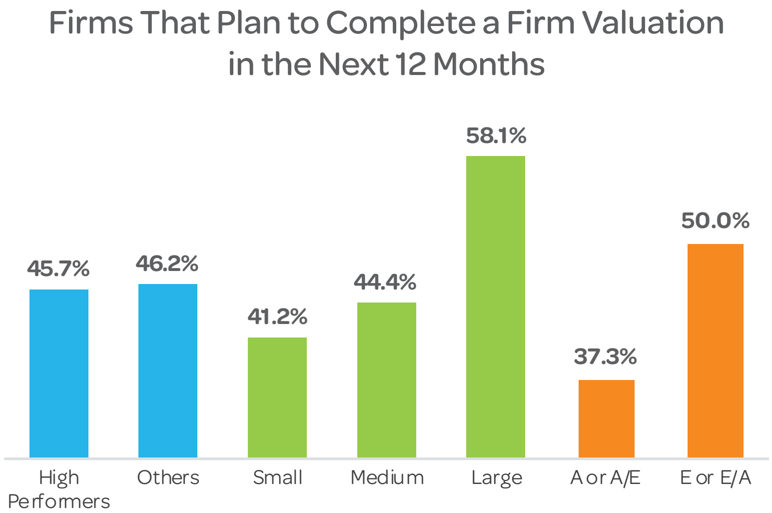
56.4%

+4.2%



Rising from 42.6% last year, 50.5% of small businesses indicated their firms completed a firm valuation in the past year. Engineering firms also increased their valuations by 5.5 percentage points year-over-year, while other segments were largely unchanged. Having completed a 10-year period of consistent growth, small businesses appear to be considering merger and acquisition (M&A) activity with greater interest, underpinned by firm valuations to facilitate taking either a buying or selling stance.

When considering completing a valuation within the next 12 months, small, medium-sized and architecture firms under-indexed the overall median.

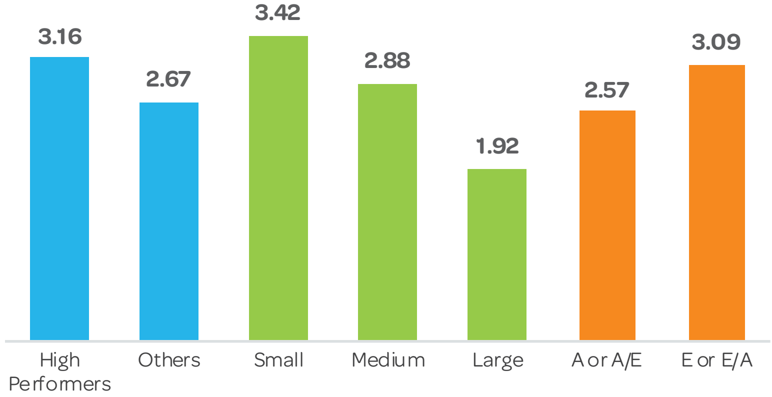


Current Ratio

2.87

+0.27

How Firms Compare



Calculated by dividing current assets (cash and cash equivalents) by current liabilities (those due in one year or less).

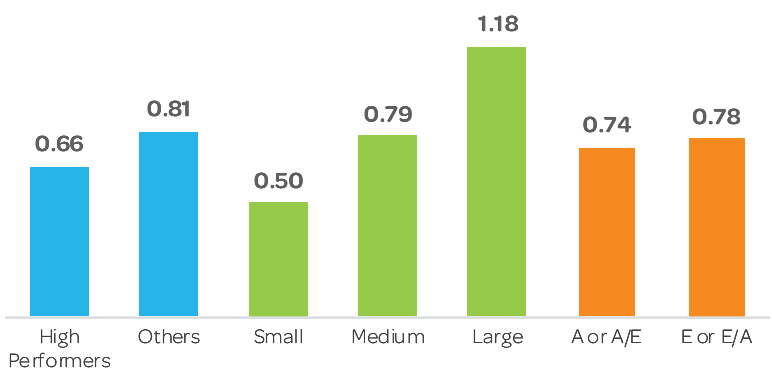
The current ratio improved by 10% compared to the previous year, with almost all segments improving, led by high performers and small firms. Although liabilities were relatively unchanged, firms did report a significant uptick in cash and accounts receivables. This important measure of a firm's liquidity can be especially important in helping them position themselves advantageously, especially during periods of uncertainty and operational challenge.

Debt to Equity Ratio

0.76

-0.07

How Firms Compare



Calculated by dividing total liabilities by stockholders' equity.

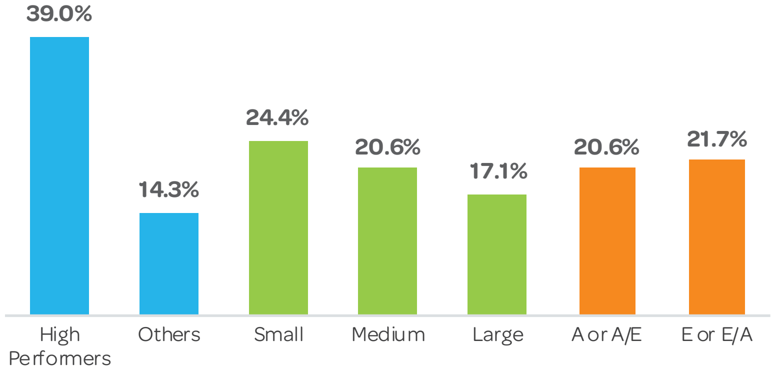
A decline of 8% in overall debt to equity ratio was led by medium-sized and architectural firms. Driven by a faster decline in debt, the improvement in this ratio indicates firms are largely in an advantageous position to weather the uncertainty expected in the current year.

Return on Equity

21.7%

+0.1%

How Firms Compare



Calculated by dividing pre-tax income (operating profit less bonuses, interest and other income or expenses) by stockholders' equity, times 100.

There was no significant change in return on equity year-over-year. High performers indicated a very robust rate of 39%, a significant premium over all other segments.

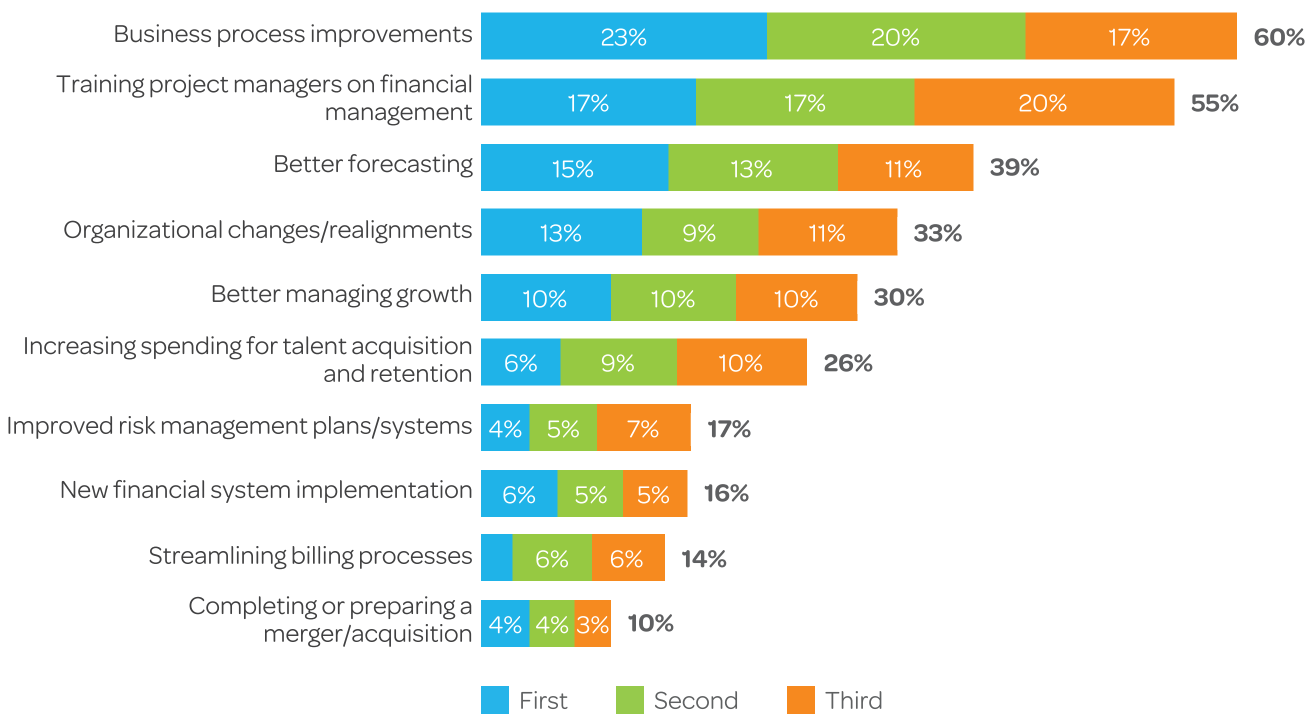
Top Initiatives to Address Financial Challenges

Going forward, firms in the A&E industry said they are focusing on business process improvement and training PMs on financial management. Better forecasting was identified as the third most important financial initiative, with the balance of selections focused on administrative improvements.

It is clear that firms recognize the need to raise the bar on project management and process management. The desire to improve the financial fluency of PMs reflects firms' desire to increase project manager accountability and increase overall profitability. Recognition that arming PMs with a greater understanding of the financial implications of project delivery decisions – and the ability to effectively communicate those decisions – will drive more profitable projects and better outcomes for clients.

Roughly one-third of firms identified organizational changes and realignments as one of their top three initiatives, while 26% planned to increase spending for talent acquisition and retention. The focus on these initiatives reflect the need for more qualified employees to staff upcoming projects as well as secure new work.

Top Initiatives to Address Financial Challenges



CLARITY OUTLOOK

Financial Statements

The industry reported solid performance in 2019 with many metrics unchanged. However, challenges in 2020 will introduce a new set of hurdles. Fortunately, the industry is well-positioned financially and should take this time to aggressively plan. Companies should review projections and monitor KPIs more frequently to adjust to changing demands.

A focus on financial fundamentals is critically important for firms facing economic uncertainty. This is an opportunity to maintain the discipline developed over a period of strong financial growth and prosperity, while re-evaluating planning, budgets and staff requirements.

Firms that can afford to retain staff will not only build loyalty, but will also be poised to take advantage of new opportunities in the coming years. Prioritization of strategic initiatives when cutting costs should be a focus.

SECTION THREE

Business Development

After a strong financial performance, firms reported a 2.1% net revenue growth compared to 5.1% a year ago. Large firms continued to forecast gains, while small and medium-sized businesses were more conservative, forecasting declines and smaller gains respectively.

46.5%

Win Rate – down 1.5 points YoY

2.1%

Net Revenue Growth Forecast - down 3% YoY

42.7%

Revenue from Top Three Clients – down 1.4 points YoY

Although the overall forecast percentage appears lower, firms reported they expected their position to grow in many markets coming into the year. With an election year and unknown economic impact of the pandemic, companies will need to be more disciplined and focused in their business development efforts to thrive.

Although the natural reaction may be to pursue more projects during challenging economic times, firms need to remain strategic and diligent in project pursuits. The win rate declined from 48% last year to 46.5% this year, and revenue generated by a firm's top three clients saw a slight decrease to 43%. Whether this is because top clients have fewer projects, or firms are diversifying their client base, is difficult to discern. It is noteworthy that high performers continued to report less revenue from their top three clients. Firms noted their biggest challenges continue to be finding time to nurture client relationships and increased competition — two challenges that likely won't fade in the near future. Firms also indicated they need to focus on strategic networking and earlier identification of opportunities.

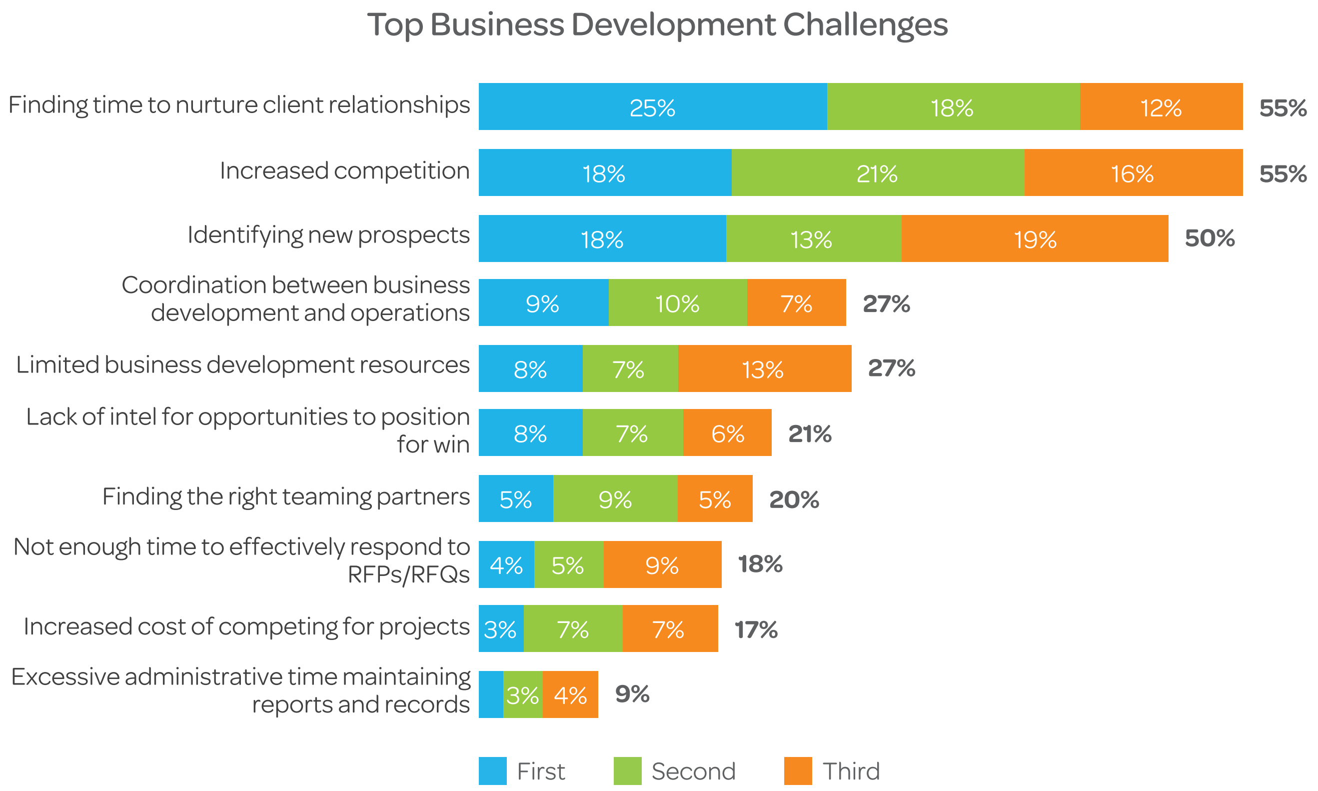
Key Data Points from the Survey

- Net revenue growth forecasts were relatively stable year-over-year, with the largest forecasted growth in large firms (8.2%) and largest forecasted decline among small firms (-9.4%)
- Firms reported a win rate of 46.5% and a capture rate of 42.3%, a decline in both compared to the previous year. More firms reported using a formal go/no process to make better project pursuit decisions.
- Fewer firms this year (41% vs. 48%) reported that they use a formal business development process with a significant decrease in high performers.
- Going into 2020, firms anticipated position in several key markets to grow in the next 18 months including Transportation, Water/Wastewater/Stormwater, Healthcare, and Energy/Power. Very few markets showed anticipated decline in market position.

Top Business Development Challenges

Firms are asked to indicate the top three business development challenges they expect to face in the next three years, and they identified very similar challenges to fiscal year 2018. However, identifying new prospects (50%) and increased competition (55%) both received an overall higher percentage of responses this year. Limited business development resources and internal coordination were also identified as some of the biggest challenges firms are facing. Although still a top challenge for some companies, fewer companies identified increased cost of competing for projects and time to respond to RFPs as the top challenges their firms are facing in the coming years.

The A&E industry relies heavily on face-to-face interactions to drive projects and client relationships forward. As business development and client interaction evolve, companies need to be prepared to evolve their business development methods accordingly.



Net Revenue Growth Forecast

2.1%

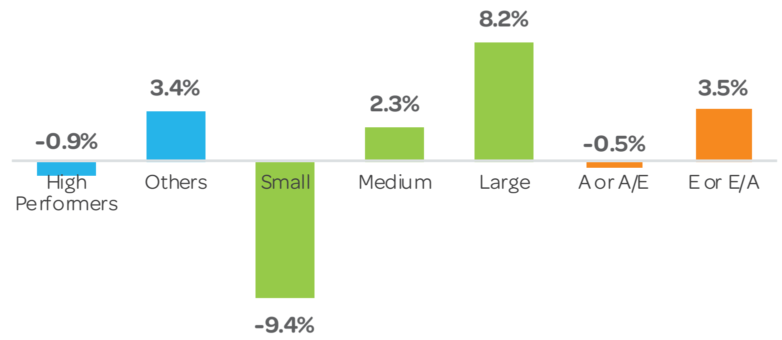
-3.0%

Apart from large firms, which forecast gains in net revenue of 8.2%, other segments were more conservative in their projections. Small firms anticipated the biggest drop, with a net revenue forecast of -9.4%. Even high performers anticipate a slight decline in net revenue (-0.9%).

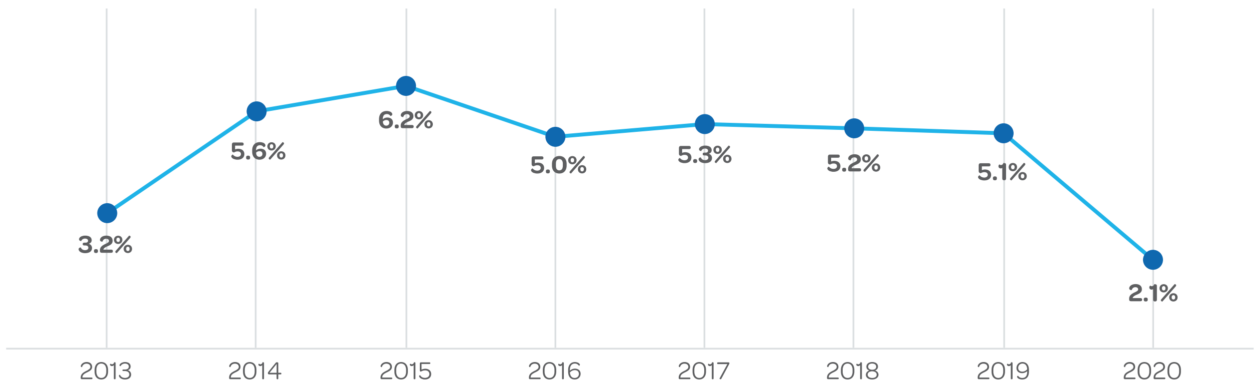
The eight-year trend in net revenue forecast shows very strong industry performance with an apogee of more than 6% in 2015. Forecasted growth remained steady from 2016 to 2019, demonstrating that the industry was prospering in a robust economy.

Modest growth forecasts could point to a few different things. With teams seeing another strong financial year, firms may be anticipating another strong performance, or it could indicate reservations based on implications of economic uncertainty. The key is understanding how accurate forecasting is year-over-year to better understand if the forecast is just a guess or if the data is reliable enough to drive business decisions. Accurate forecasting is challenging, but firms need to keep a pulse on the short-term and long-term forecasts to adjust, if needed. Firms can also leverage technology to do more than just guess, but instead create a reliable, accurate and timely forecast to fuel stability or growth.

Net Revenue Growth Forecast



Net Revenue Growth Forecast: Eight-Year Trend



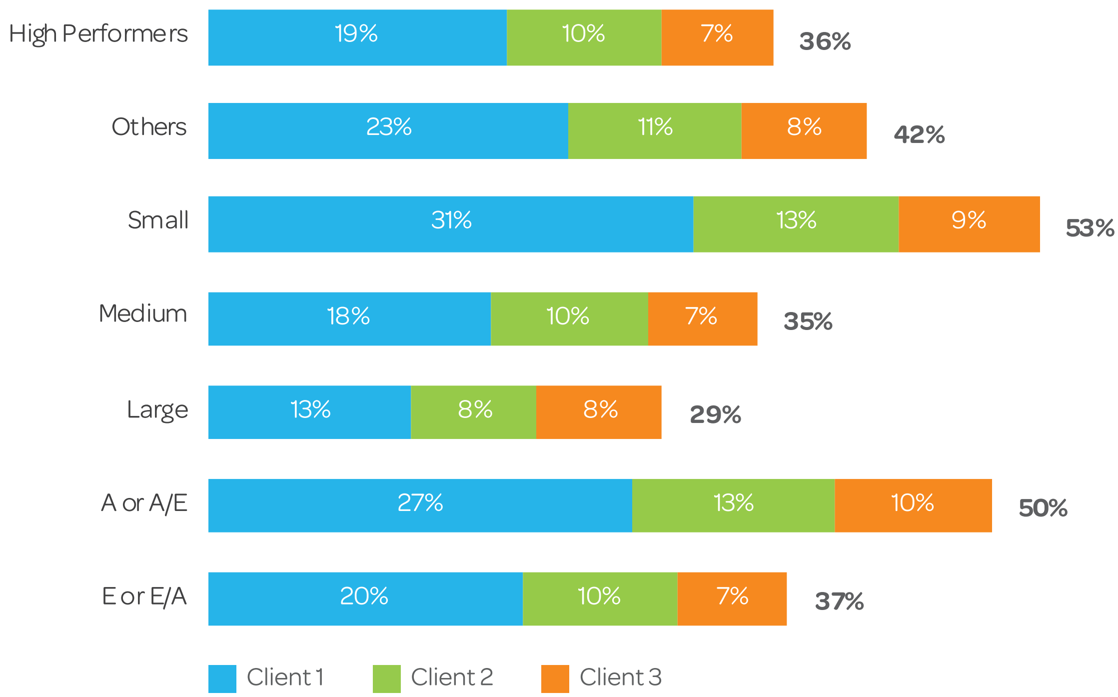
Revenue from Top Three Clients

42.7%

-1.3%

Revenue from firms' top three clients continued to decline, dropping to 42.7%. Small firms are most dependent on their top three clients for revenue (53%), while high performers derive 36% of revenue from their top three clients. Large firms are the most diversified, reporting only 29% of revenue being generated from their top three clients compared to 34% a year ago. The revenue from these key clients amplifies the importance of client relationship management, not just opportunity management, to protect against competition, lack of project funding, or change of leadership. A diverse client base is an important risk mitigation strategy, and firms should strive to broaden their revenue base in order to protect against an overreliance on a small nucleus of clients. For firms with a high concentration of revenue across a limited number of clients, a focus on relationship building and project delivery excellence is critical to protect revenue.

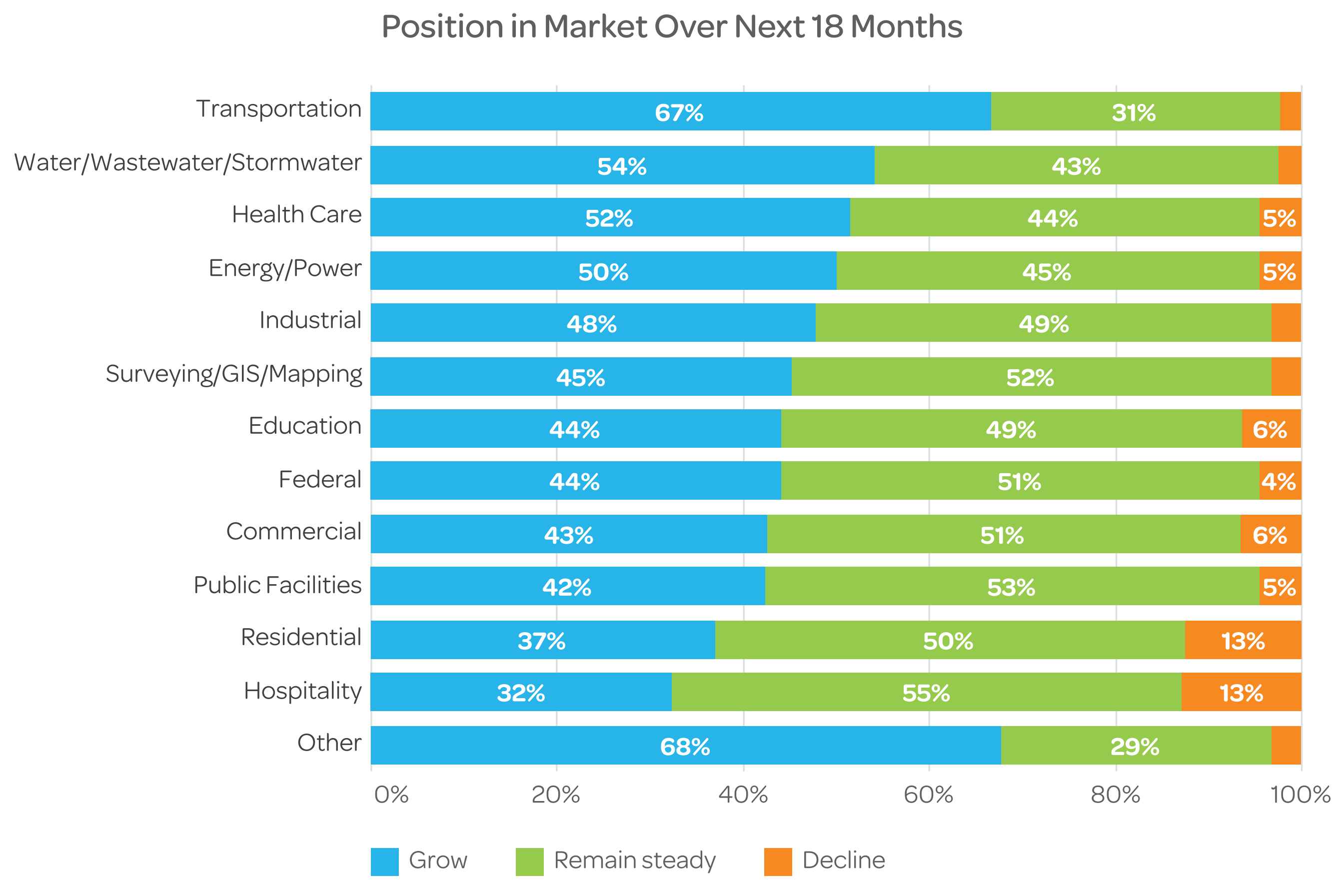
Revenue From Top Three Clients (Average)



Position in Market Over Next 18 Months

Each year, firms are asked if they expect their firm's position in each market to grow, remain steady, or decline. More firms expect their position to grow over the next 18 months in Transportation (67%), Water/Wastewater/Stormwater (54%), and Healthcare (52%). Although most companies expect their position in the market to grow or remain steady, there were a few markets with anticipated decline in position including Hospitality (13%) and Residential (13%).

Although most firms were expecting their positions in the market to grow over the next 18 months, the outlook is now a little more uncertain. The election year often creates doubt in the market, but the current economic uncertainty is expected to impact the landscape in ways that are not currently predictable. Companies will need to closely monitor how projects are changing and evolving and have plans to adjust their business accordingly to help the firm continue to succeed.

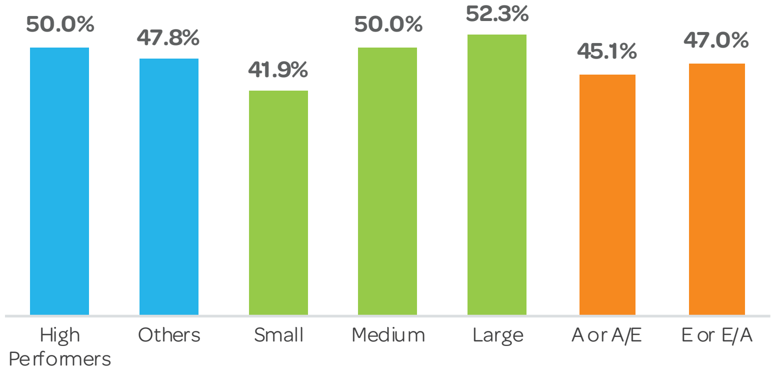


Win Rate

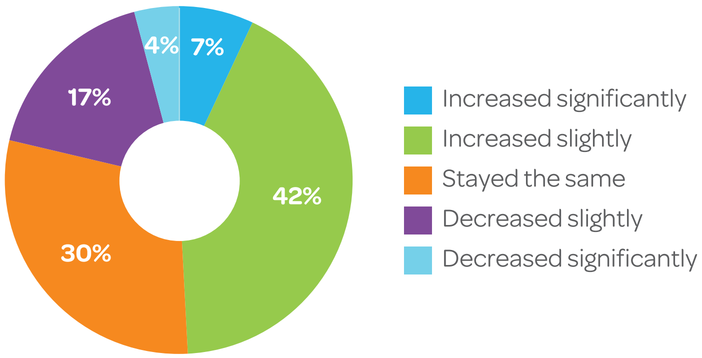
46.5%

-1.5%

How Firms Compare



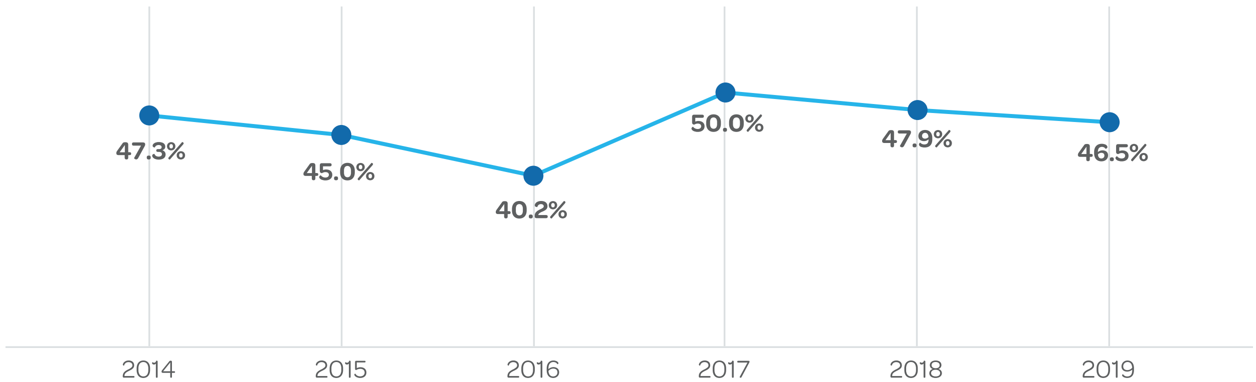
Win Rate Change



Calculated by number of proposals awarded divided by number of proposals submitted.

Win rate decreased by 1.5 points with small firms and engineering firms driving the decline. Surprisingly, many firms do not track win rates, eliminating a vital metric that can drive better decisions for the business. When asked how win rates changed year-over-year, nearly half of firms indicated rates increased, while nearly a quarter of respondents indicated a decrease. The remaining companies responded that their win rates have stayed the same. In monitoring win rates, firms should look beyond the average number and look for trends, outliers, etc., and also ensure they are asking the right questions as part of the go/no go process. Allocating resources to project pursuits that companies just can't win can squander limited time and resources.

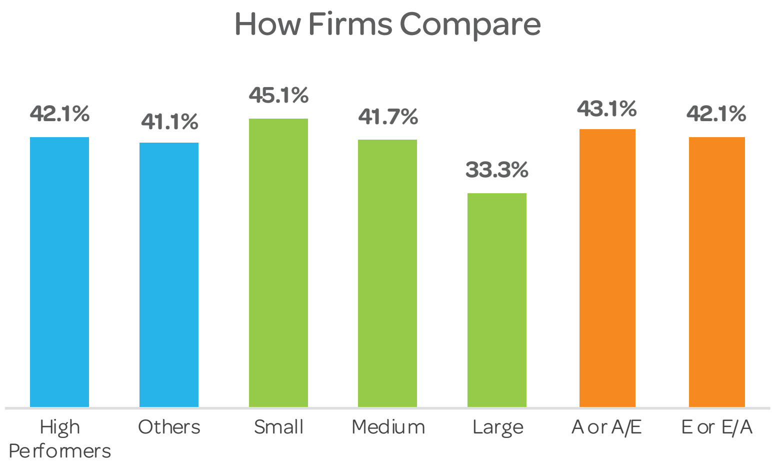
Win Rate: Six-Year Trend Line



Capture Rate

42.3%

-2.7%



Calculated by total value of proposals awarded divided by total value of proposals submitted.

While win rate focuses on the number of proposals submitted, capture rate measures the total dollar value of the proposals submitted compared to those awarded. For the third year in a row, large firms reported the lowest capture rate across all segments, pointing to higher competition for the most valuable projects. Medium-sized firms dropped from 49.1% to 41.7%, while engineering firms fell from nearly 46.9% last year to 42.1%. With more firms employing a formal go/no go process, it begs the question of whether companies are being true to the process.

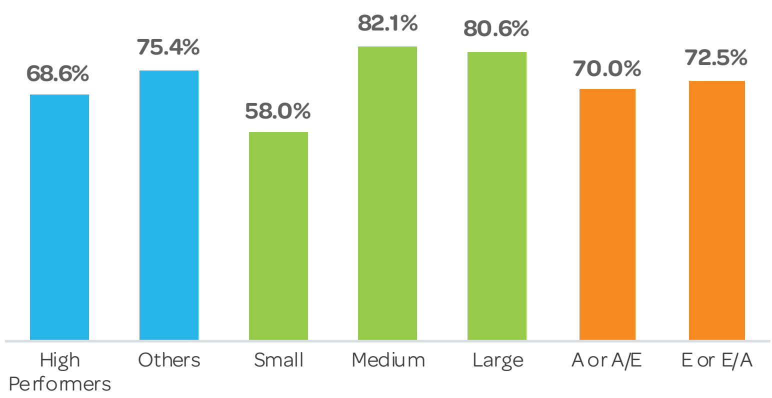
Formal Go/No Go Process

71.5%

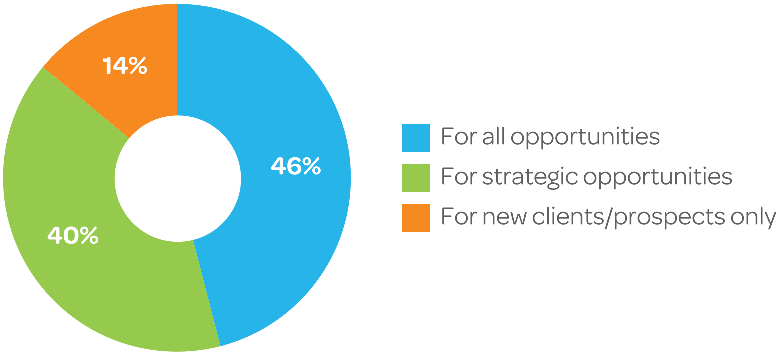
+3.5%

Formal go/no go processes help firms make better decisions about which projects to pursue and ensure they are not allocating time and resources to project pursuits with low probabilities of success. More than 70% of companies (71.5%) responded that they are using a formal go/no go process, up 3.5 points from last year, with small and medium-sized firms driving the increase. Engineering firms showed a significant increase year-over-year (73% vs. 68%). Among those that do not have a process in place, only 21% are considering one, a decrease from 33% a year ago. Firms that have employed a go/no go process may see improvements in win rates and improved employee morale by investing time and resources in pursuing only the right projects for their business.

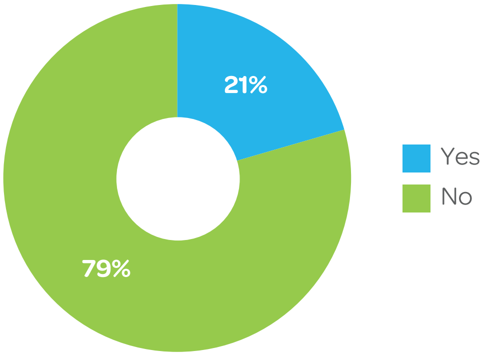
How Firms Compare



Employ Go/No Go Process

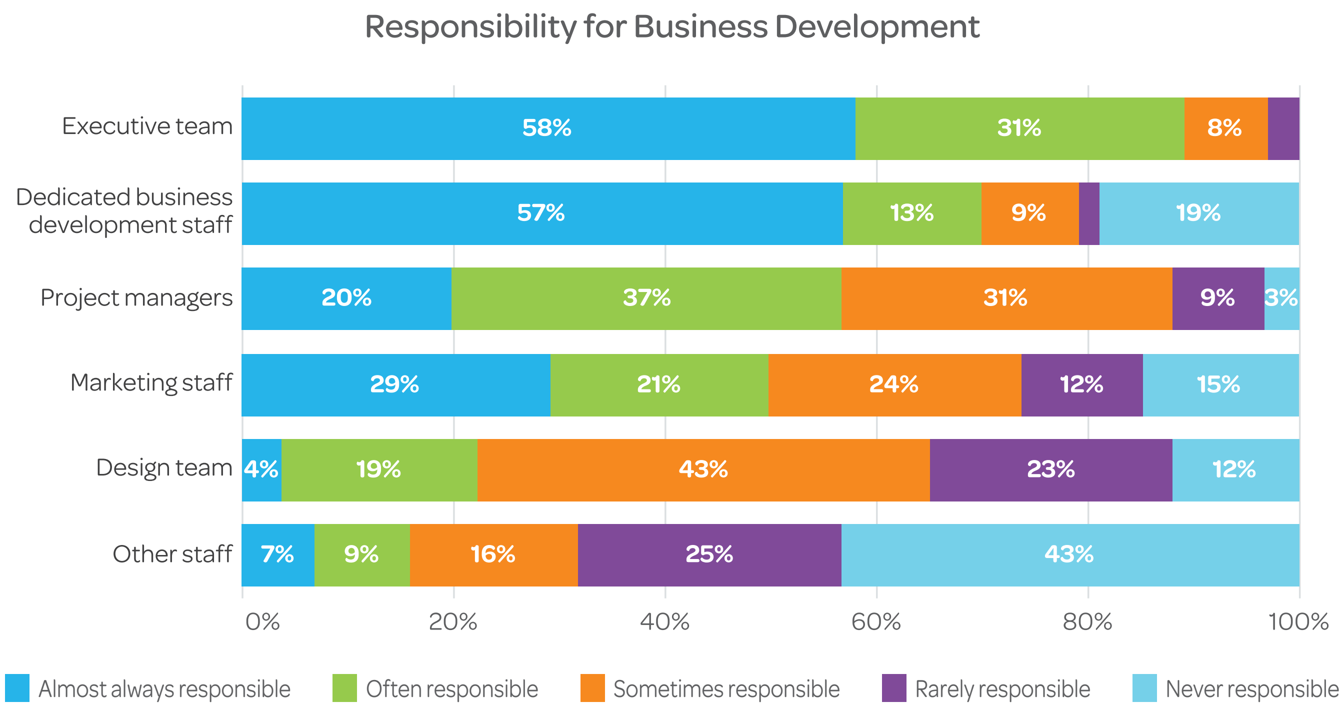


Considering Go/No Go Process



Responsibility for Business Development

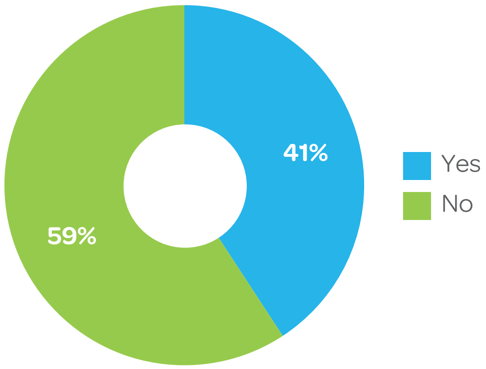
Firms continue to rely primarily on dedicated business development staff and the executive team for business development. Some firms are leveraging design team members as part of business development efforts, but they are not the primary team member responsible. Not surprising, PMs and marketing staff continue to play key roles in business development at varying levels depending on the firm, the client and the expertise of the team member. Although some companies are leveraging more dedicated business development staff, that's not an option for every company. The executive team often has to step up to fill the gap and help balance the business development workload for PMs, thereby diverting attention from more strategic matters. When there is high project volume, firms using the seller/doer model may be limited in the time PMs can commit to pursuing new opportunities.



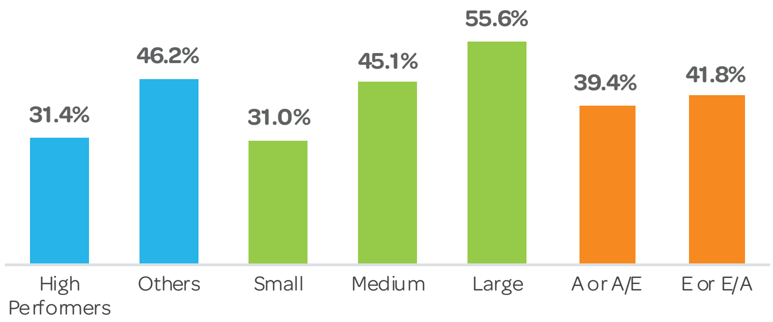
Formal Business Development Processes

Surprisingly, fewer firms this year reported using a formal business development process. Forty-one percent versus 48% a year ago indicated they have a formal process, leaving more than half without a structured process for business development. Large firms were most likely to have a formal business development process (56%) whereas small firms were the least likely (31%). A formal or structured process can help track and maintain client interactions and reduce duplication of efforts by engaging the right people at key points in time. Formal processes don't have to be elaborate and complex, but they provide structure to allow seamless transitions, training of new PMs or business development staff, and better intel for specific opportunities and client history.

Firms With a Formal Business Development Process



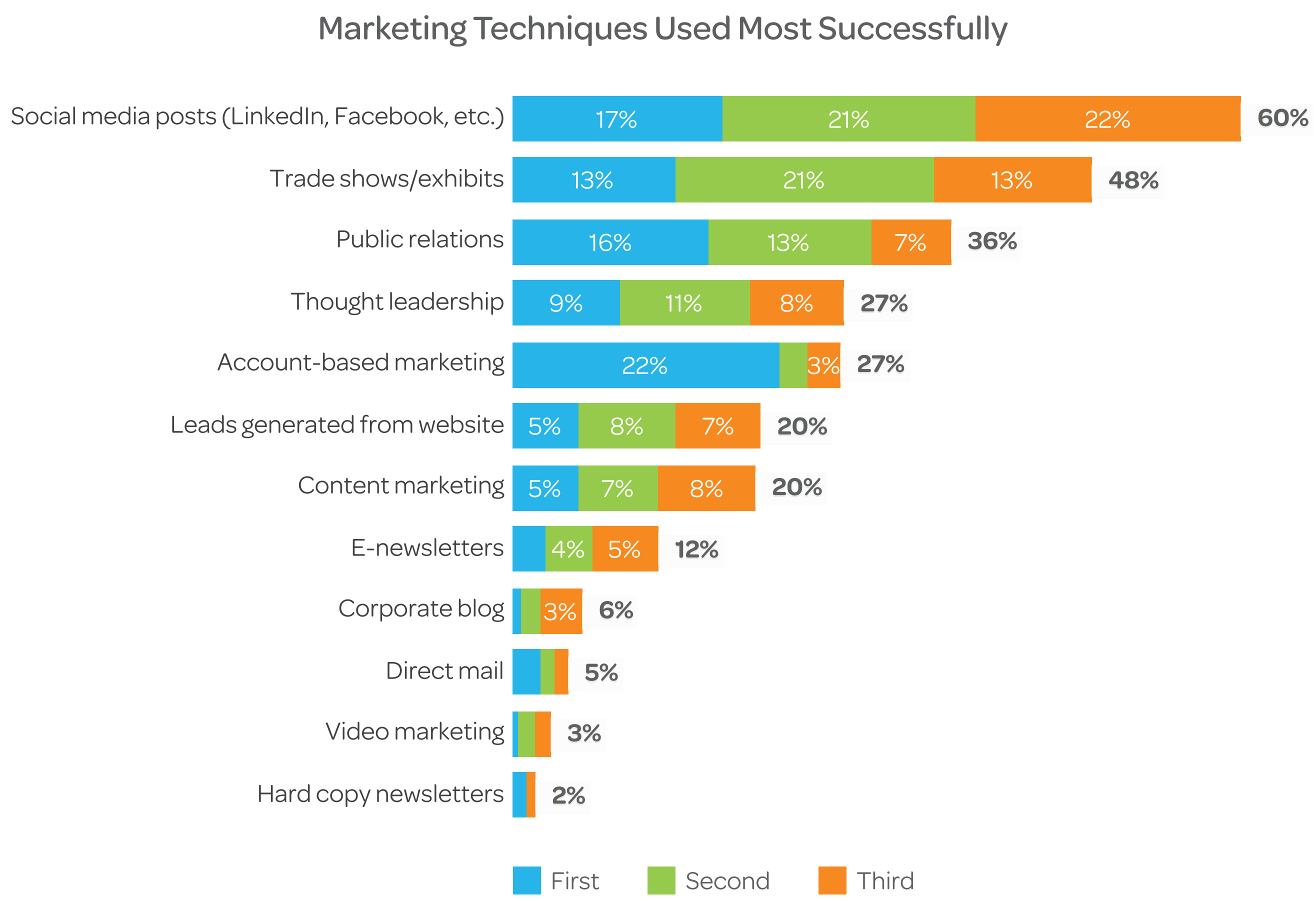
Firms With a Formal Business Development Process



Marketing Techniques

As tactics change, marketing teams are changing and adapting to stay in front of clients, potential teaming partners, and possible future employees. For the first time, we asked firms which marketing techniques they use and which ones are the most effective for their businesses. Social media posts are the primary marketing technique used (87%) and rank as the most successful (60%). Trade shows/exhibits and public relations rank second and third, respectively in use and success as they nurture personal relationships and face-to-face interaction. Forty-eight percent (48%) of firms rely on leads generated from their websites, which have become more sophisticated and are used as a method of tying a firm's narrative and marketing materials together. More companies also selected account-based marketing as their first choice for the most successful marketing technique, which is well aligned with the emphasis on nurturing client relationships. More traditional tools, such as direct mail, video marketing, and hard copy newsletters are used less often and are deemed less successful.

Marketing Techniques

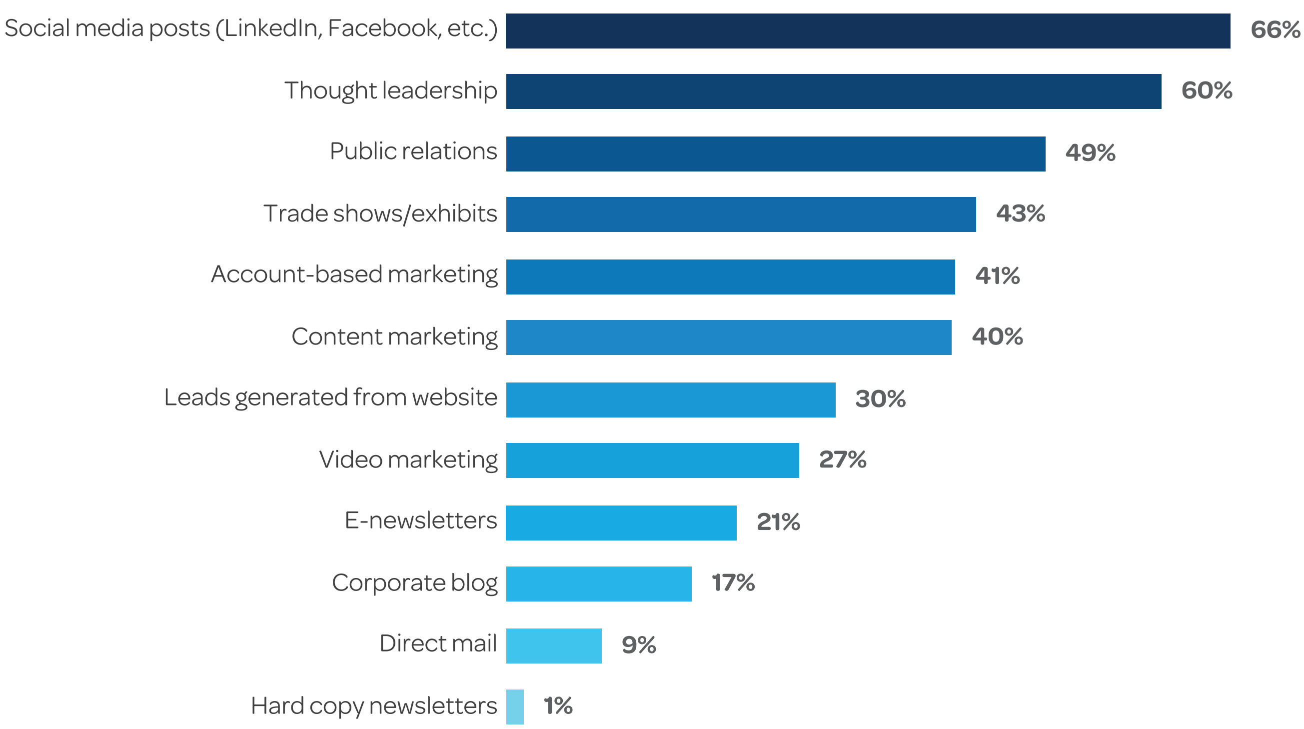


Marketing Techniques Anticipated to Be Most Important in Next Five Years

Although only 44% of firms reported using thought leadership as a marketing technique in 2019, firms anticipate that it will become one of the most important in the next five years. Social media posts are expected to continue to play a vital role. Public relations is also expected to play an important role in A&E marketing, but the methods and outlets may continue to evolve.

As firms evaluate which marketing techniques will be most beneficial and effective, marketing and business development teams should monitor which platforms and avenues clients are most receptive to so they can better align their messaging with the right platform.

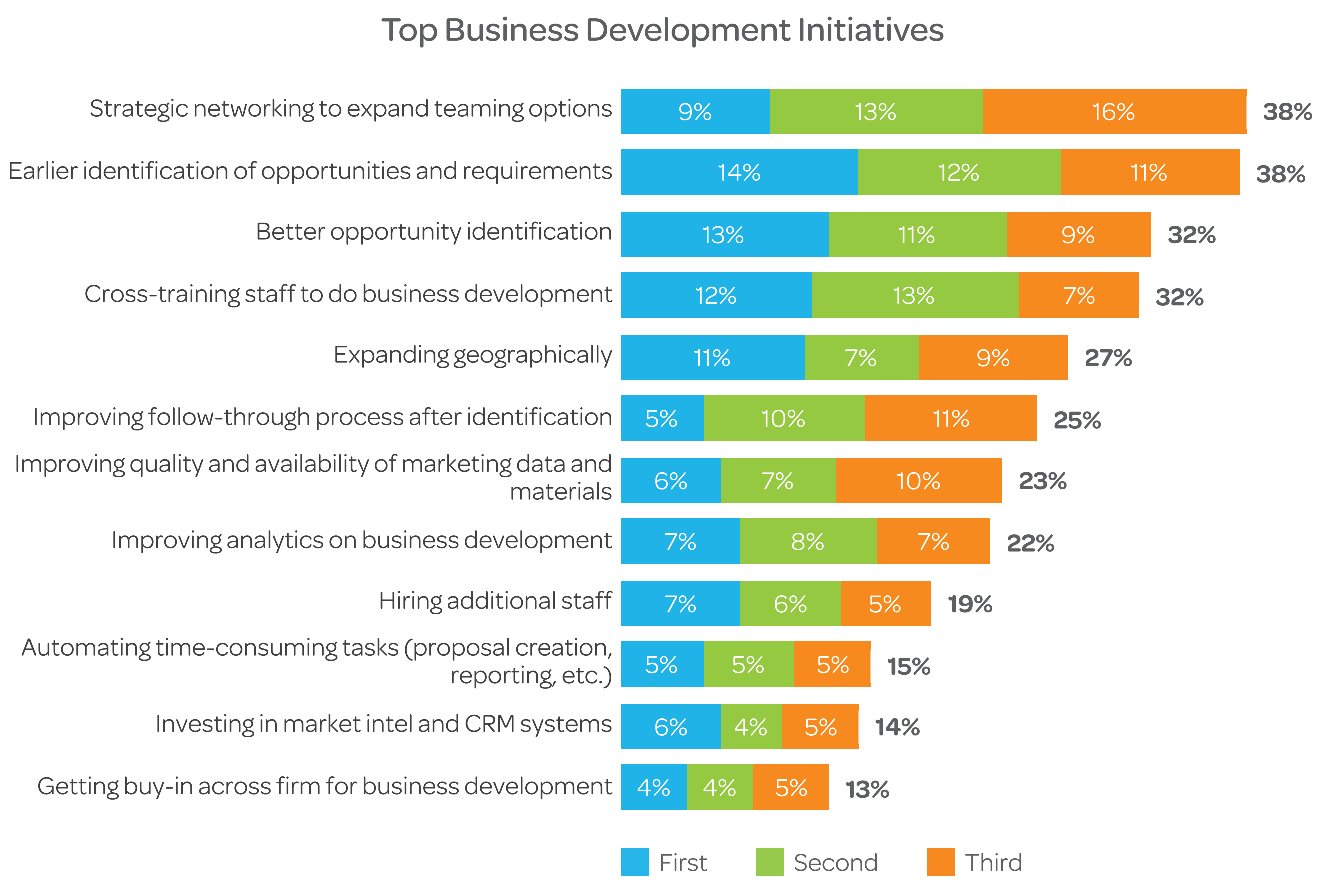
Top Marketing Techniques Over the Next Five Years



Top Business Development Initiatives

The top business development initiatives for 2020 are well situated to address challenges all firms face in finding new clients and nurturing existing client relationships. Companies are focused on strategic networking to expand teaming options (38%), earlier identification of opportunities (38%), and better opportunity identification (32%) as the three top business development initiatives for the next three years. Respondents also identified the need for cross-training of staff for business development and the need to expand geographically. Hiring additional staff had the biggest decline, dropping seven points to 19%.

Although investment in automation, market intelligence, and client relationship management (CRM) systems did not score highly, some firms may already be leveraging these effectively. Overall, firms should take a closer look at ways to improve business development efforts with greater use of technology and business intelligence.



CLARITY OUTLOOK

Business Development

Most firms have stayed financially well-positioned the last 10 years, built strong pipelines, and been more strategic about project pursuits. As companies face economic uncertainty, adapting business development approaches, leveraging technology and using staff effectively will give firms an advantage.

Business development teams are more focused than ever on identifying the right projects, clients and the markets. With better defined business development processes, firms should make the most of their business development investments and ensure they are in front of the right clients at the right time. Formal business development processes are more important than ever and can help teams make better go/no go decisions and better allocate PMs, developers, and proposal teams.

As markets change and client demands evolve, firms will need to have the flexibility to change the course while continuing to invest in their long-standing client relationships. Time should be taken to revisit the strategic planning and budgeting processes to align with other areas of the business and adapt accordingly.

SECTION FOUR

Project Management

Firms recognize the need to more clearly define responsibilities for project management, improve project management information processes, develop best practices, and invest in PM training. At the same time, PMs need greater visibility into key metrics and the ability to manage projects to meet performance criteria. Firms need to be sure they are tracking the right KPIs to give PMs the information they need to succeed.

66.2%

Projects on or ahead of schedule

44%

Firms measuring client satisfaction

29%

Closure phase of project lifecycle is most challenging

In an environment with competing priorities, staffing and technology are the foundation of improving project management. Firms need to leverage technology in every aspect of project management so PMs can focus on the most meaningful priorities.

Firms expressed a strong desire to improve project management across the company. The key hurdles revolve around both the quality and quantity of staff. Many companies are facing staff shortages and struggle to support inexperienced PMs. These conditions make it challenging to excel in the area of project management across all projects. Not all project leaders are at the same level of expertise, and companies are trying to keep up with training through a wide range of formal and informal methods. As firms face challenges not only in project management, but also in overall project delivery, they may need to look at creative ways to elevate their teams' expertise.

Firms acknowledge the need to invest in the time and programs necessary for training and developing PMs. Those programs should include training in financial risk management and the automation of day-to-day tasks to increase the PM's effectiveness in managing projects, teams and clients.

Key Data Points from the Survey

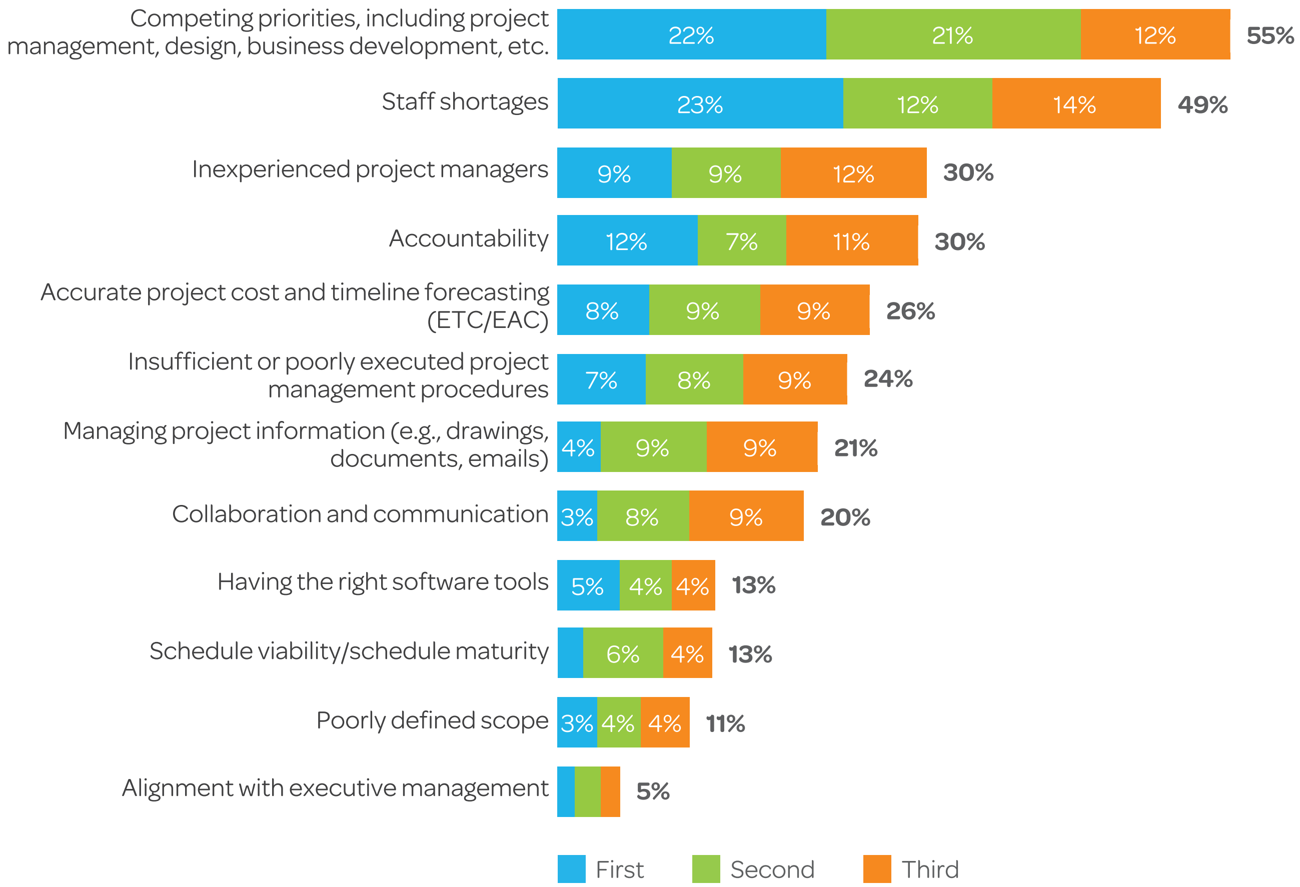
- Firms saw incremental increases in the number of projects on or under budget (71%) and on or ahead of schedule (66%).
- Only about 13% of firms have a project management office or center of excellence.
- The number of firms utilizing a clearly defined project management process for 100% of projects dropped compared to the previous year. Only 7% of firms reported doing so this year compared to 15% the previous year.
- The percentage of firms that measure client satisfaction (44%) remained about the same as the previous year.
- Firms continue to struggle with managing project information with email remaining the primary method for sharing large files internally and externally.

Top Project Management Challenges

For the third straight year, firms ranked the top three project management challenges as competing priorities, staff shortages, and inexperienced project managers. The need for more experienced PMs across all projects is impacting firms' ability to deliver successfully.

Since project management is the heart of a firm's ability to execute on projects won, firms can and should focus on the development of highly trained PMs and firm-wide best practices to help guide those with less experience.

Top Project Management Challenges

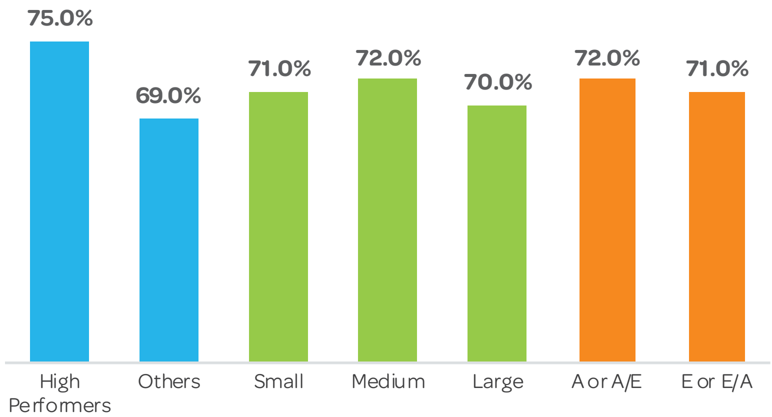


Projects On or Under Budget

71.2%

+0.6%

How Firms Compare



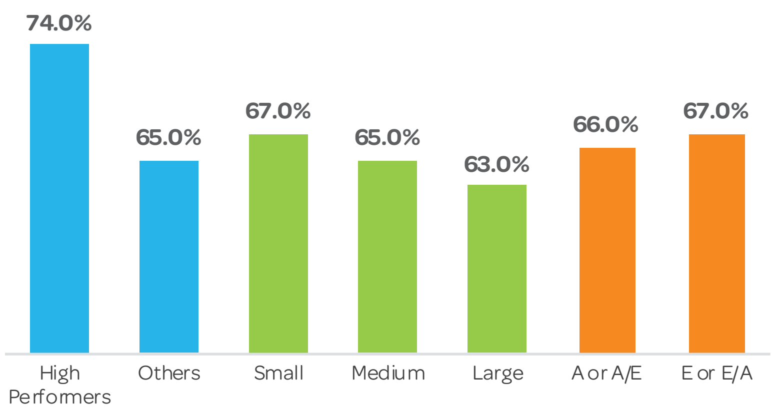
The number of projects reported as on or under budget is up slightly compared with last year. Architecture firms improved by six percentage points to 72%, while high performers maintained an advantage over all other groups with 75% of projects on or under budget. As PMs strive to keep projects on track, there are many factors that can derail a project quickly. Low visibility into project metrics such as schedule and costs makes it difficult to take corrective action mid-stream. Project managers with visibility into KPIs can react and correct problems with greater efficiency, which can have a positive impact on a project before it's too late.

Projects On or Ahead of Schedule

66.2%

+2.3%

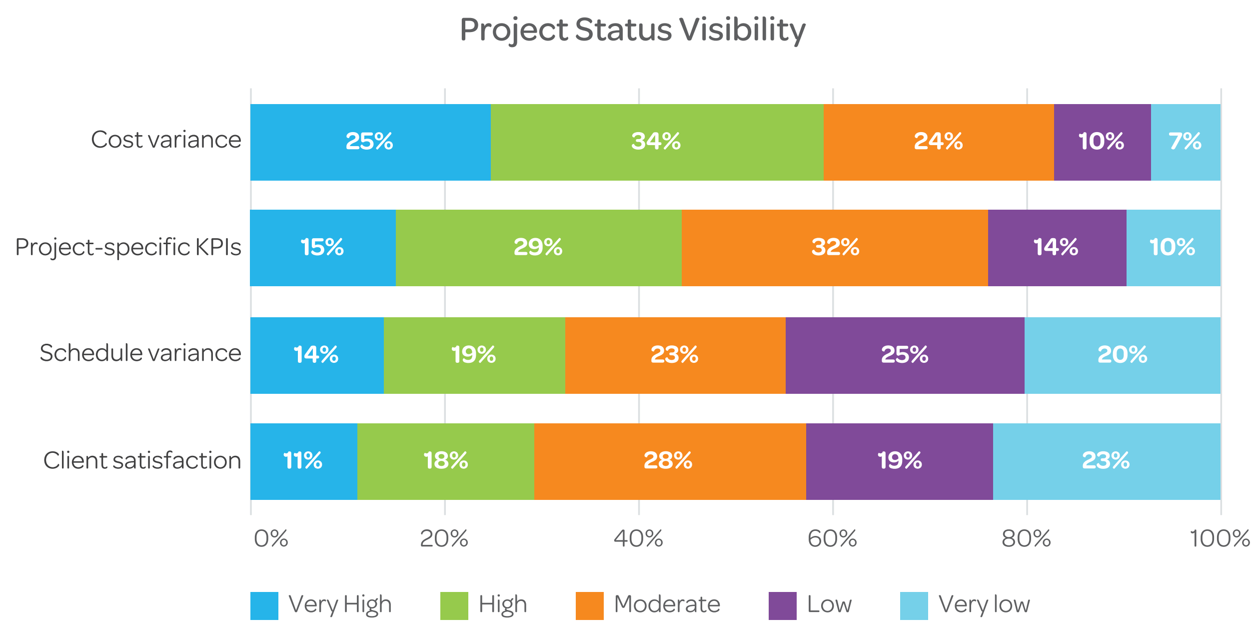
How Firms Compare



Firms reported two-thirds of projects are currently on or ahead of schedule, up two percentage points compared to last year. It is not entirely clear if projects failing to meet timelines are impacted by poor project management, errors in scoping, client-requested changes, or a combination of all three. Visibility into data that captures actuals versus budgeted amounts enable firms to learn from experience and improve project planning and execution. Targeted project management training, combined with greater visibility into project financials and KPIs throughout the life of a project, will have a positive impact on project execution.

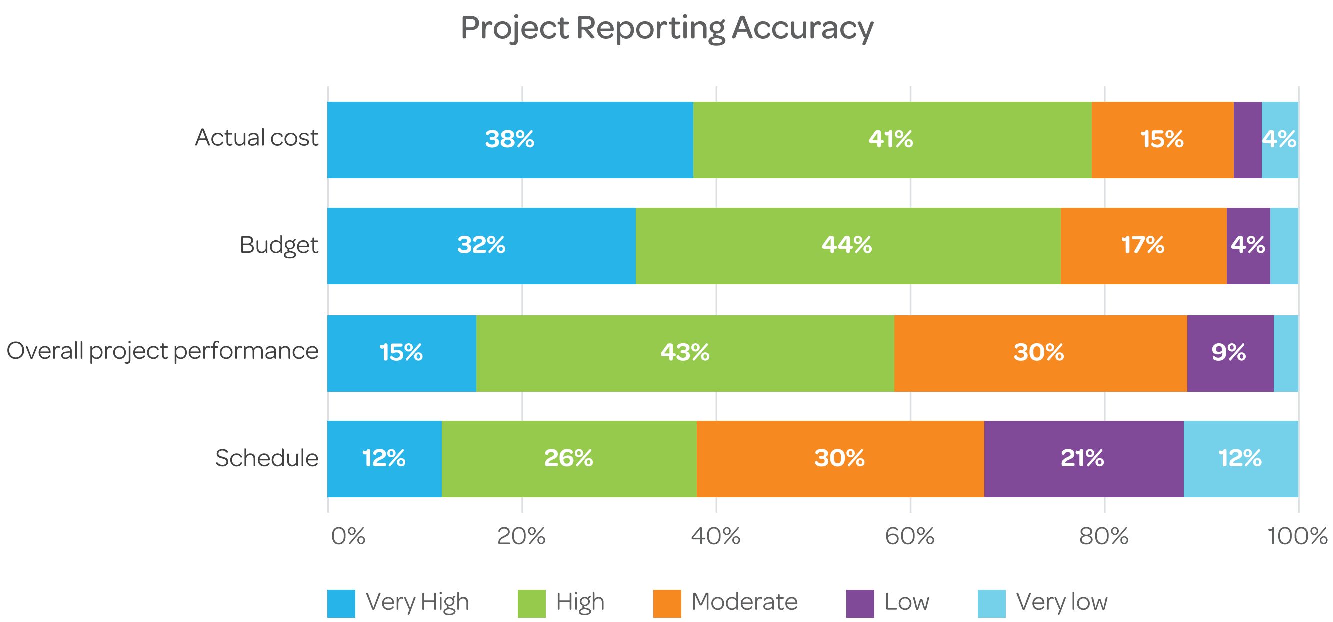
Project Status Visibility

Although visibility into cost variance and project-specific KPIs remained steady year-over-year, it dipped for schedule variance and client satisfaction. More than half of respondents reported very low, low or moderate visibility into project-specific KPIs, further suggesting that PMs lack the ability to not only see, but proactively manage these metrics. Only 25% of respondents had a very high level of visibility into cost variances, while 14% have very high visibility into schedule variances. It would stand to reason then, that relatively few firms (29%) had a very high or high level of visibility into client satisfaction. These data points indicate that PMs may be working at a disadvantage. Project managers that can access a total view of the project in real time will be able to identify and adjust for project risk more quickly and proactively.



Project Reporting Accuracy

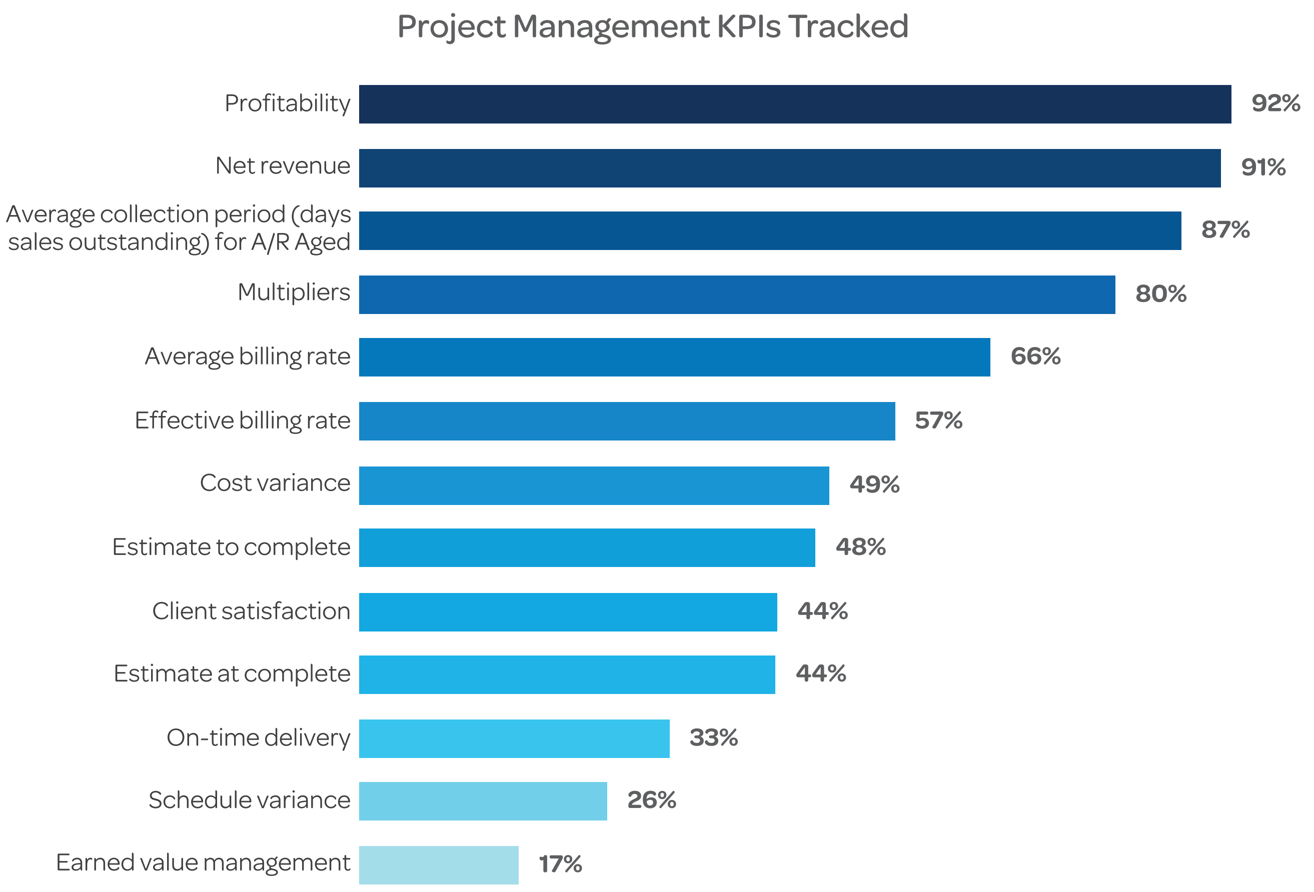
Although actual cost and budget reporting accuracy improved year-over-year, overall project performance and schedule reporting accuracy decreased slightly. The percentage of firms that report a high or very high level of project reporting accuracy for overall project performance is only 58%. Furthermore, only 38% of firms have a high or very high level of schedule reporting accuracy. This is a cause for concern. Without accurate and timely information, PMs, project accountants, and other team members are at a distinct disadvantage.



Project Management Key Performance Indicators Tracked

Consistent with the previous year, most firms track profitability (92%) and net revenue (91%), followed closely by average collection period (87%) and multipliers (80%). Additionally, on-time delivery, schedule variance, and earned value management remained the least-tracked KPIs. This speaks to a need for better project visibility.

Ramping up efforts to track these KPIs could yield not only greater project success and business performance, but also client satisfaction. The failure to track schedule variance would be reflected in a firm's percentage of projects identified as being behind schedule.



Maturity of Project Management Process

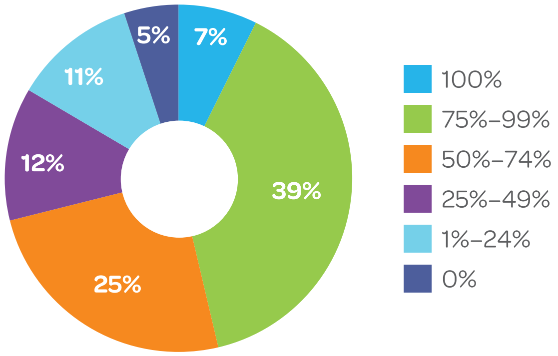
Three elements of project management maturity are a clearly defined project management process, a project management office (PMO), and formal project management training for leaders.

The number of firms using a defined project management process for all projects is only 7%, a decrease compared to the previous year. A larger segment (46%) used a defined process for more than three quarters of projects, but 48% did so for less than three-quarters of projects. Five percent did not use a clearly defined process. By adopting a better project management process, firms can more consistently bring projects in on time and on budget. Reviewing project management processes more closely can pinpoint adoption challenges and increase willingness to implement processes.

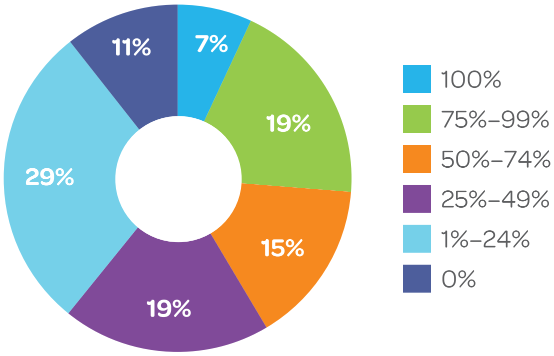
Architecture firms were more likely to use project management processes for more projects, with 53% adopting it for three quarters or more of projects. Nearly 90% of large firms, and more than two thirds of high performers, use a clearly defined project management process for more than half of their projects.

Only 12.8% of firms reported having a PMO, down from 20.1% last year. However, other responses show a willingness to invest in more strategic processes improvements. This is a source of documentation, guidance and metrics on delivering projects. . Making the discipline of project management a priority provides greater visibility and improves overall project delivery. Notably, only 41% of firms had at least half of project leaders trained in project management. As firms strive to deliver successful projects, investments in training and tools can better equip PMs for success.

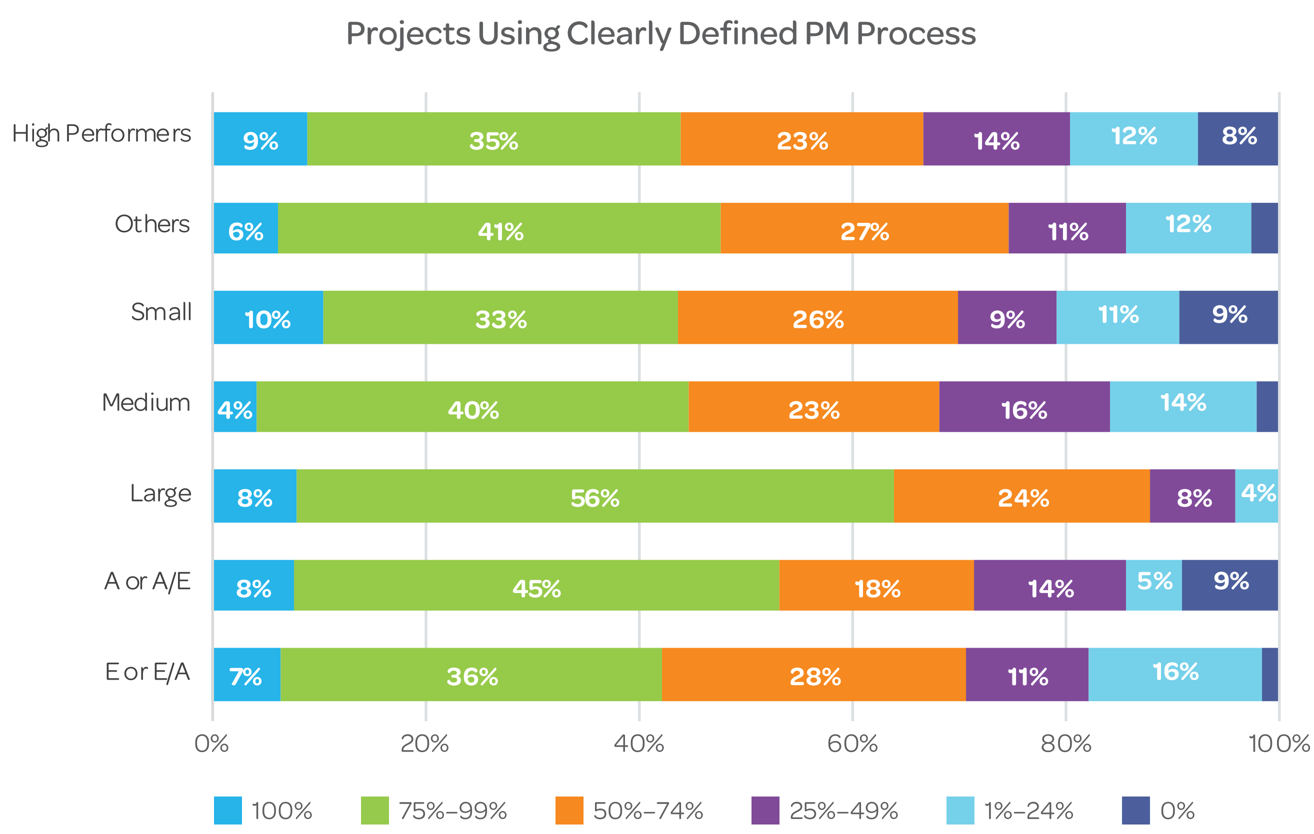
Projects Using a Clearly Defined PM Process

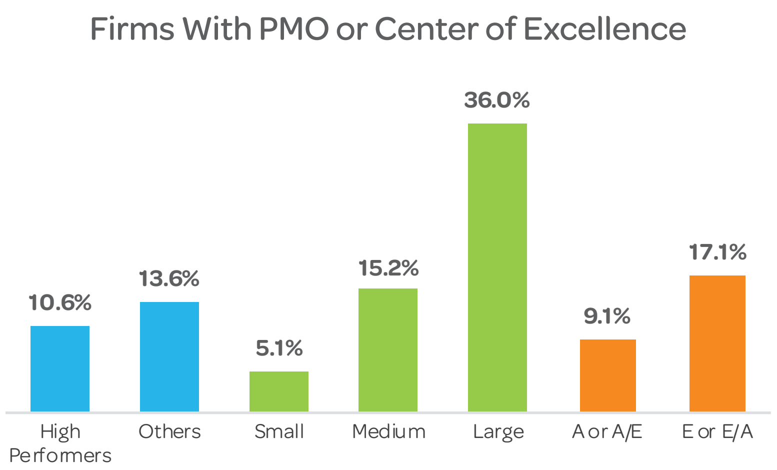


Project Leaders with Formal Project Management Training



Maturity of Project Management Process

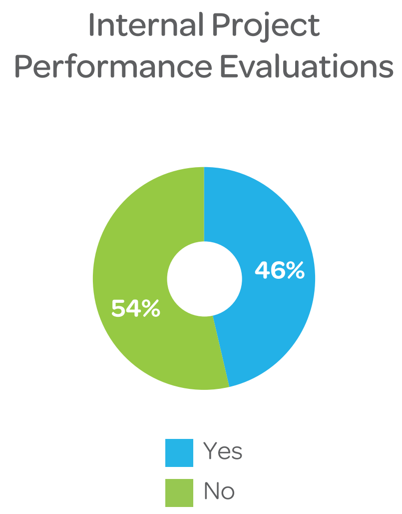


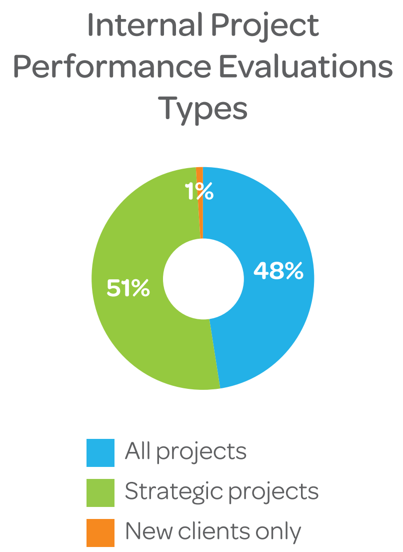


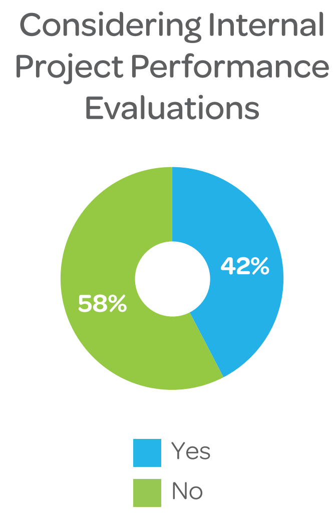
Internal Project Performance Evaluations

The use of internal project performance evaluations retracted by five percentage points in this year's survey. Large firms were more likely to conduct project-based evaluations with nearly twice as many of them indicating the usage of these evaluations as compared to medium-sized or small firms. Firms are evenly split between conducting internal evaluations for all projects (48%) and only for strategic projects (51%). Very few firms (1%) conducted internal project performance evaluations on new client projects only.

When reviewing responses to whether or not firms are considering internal project performance evaluations, engineering firms appear to be considering evaluations to a greater degree than architecture firms (44.9% vs. 39.0%). In general, slightly fewer firms are considering internal performing evaluations in the coming year. But as companies look for better ways to engage and retain employees, project performance evaluations can provide the valuable insight a team member needs to keep them staffed and thriving on the next project.







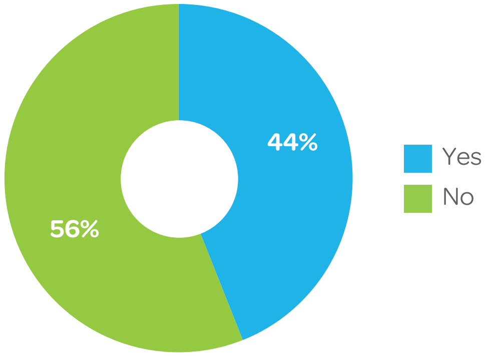
Client Satisfaction

Forty-four percent of firms measure client satisfaction, while a majority of those not doing so are considering it in the coming year. Directionally, the larger a business, the more likely it is to consider measuring client satisfaction. Engineering firms are more likely to consider client satisfaction measurement than architecture firms.

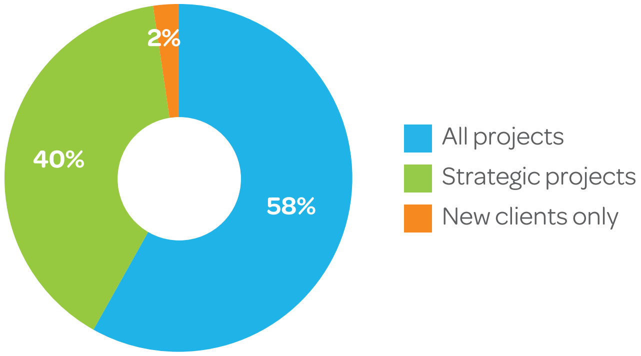
Firms measuring client satisfaction are most likely to do so for all projects (58%) and execute those evaluations at the end of a project (32%). A wide range of techniques are employed by firms that measure client satisfaction, ranging from in-person to electronic surveys and informal project discussions. The executive team is most likely tasked with contacting clients about satisfaction (50%), although large firms relied heavily (56%) on PMs.

Firms that do not regularly measure client satisfaction are at a disadvantage when it comes to process improvement, nurturing key client relationships, and potentially positioning for the next big project. It's also an opportunity to give teams constructive feedback from the clients they support.

Firms Measuring Client Satisfaction

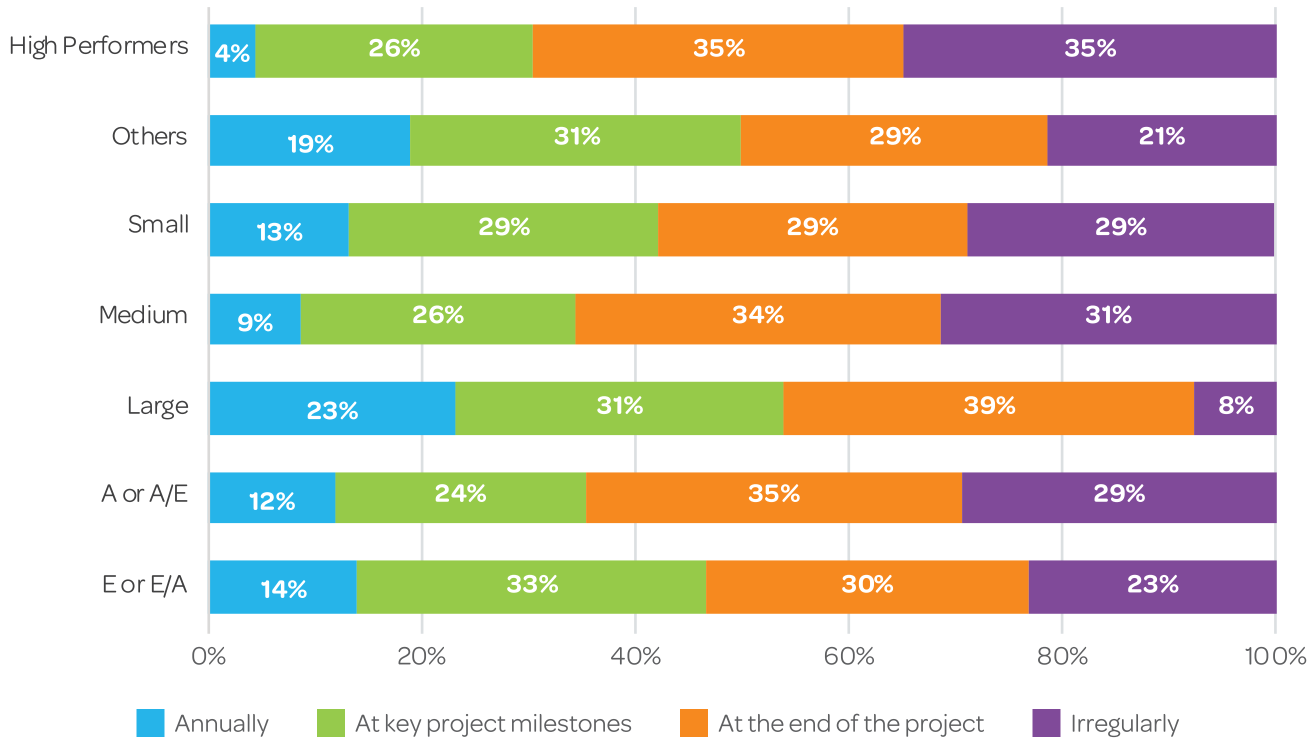


Measuring Client Satisfaction by Project Type

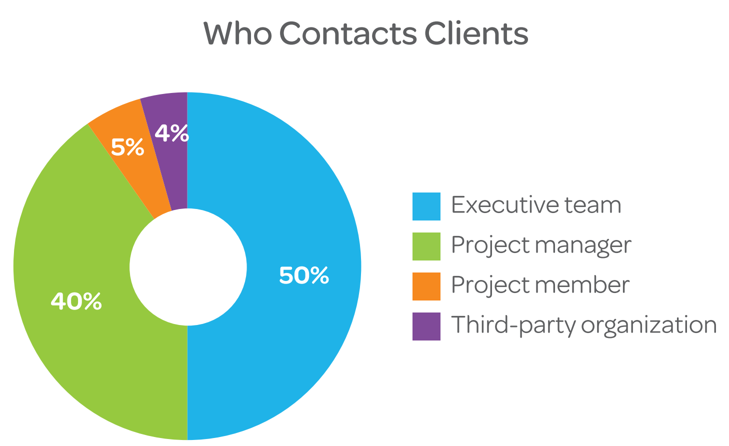


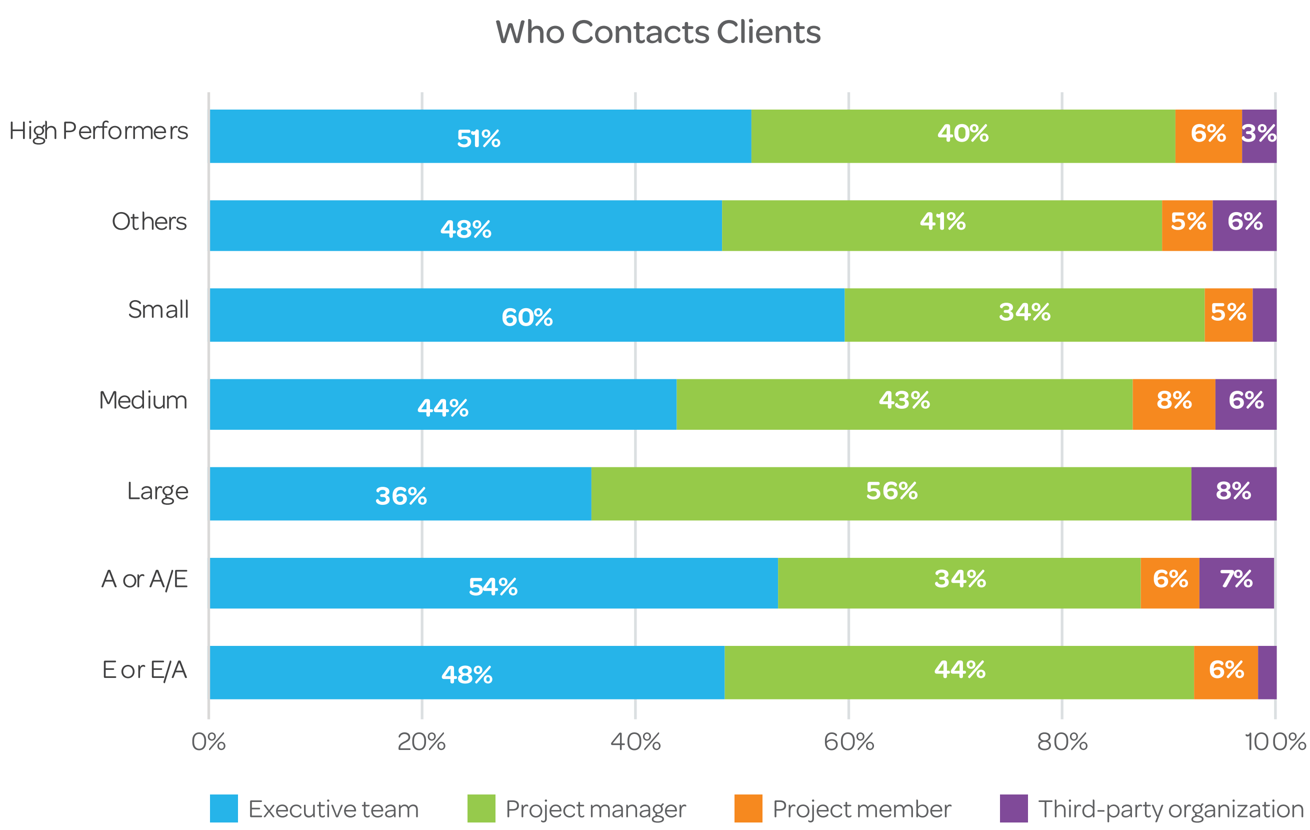
Client Satisfaction

Frequency of Measuring Client Satisfaction



Client Satisfaction

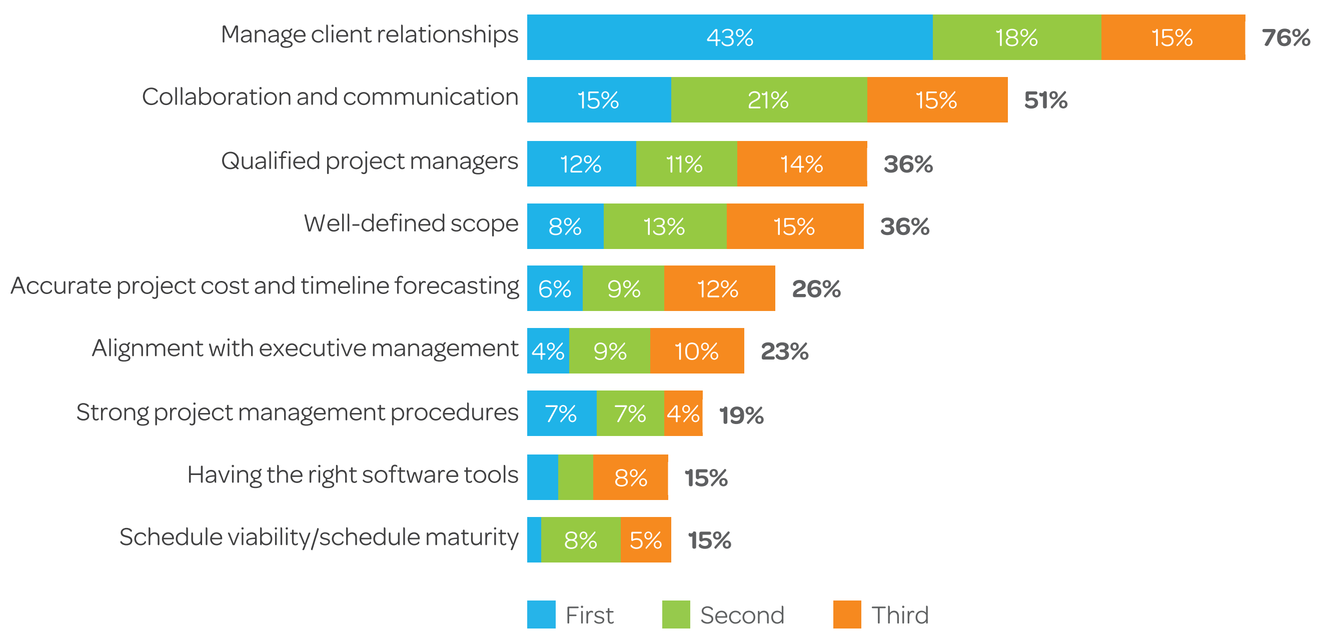




What Firms Do Well in Project Management

Despite the fact that less than half of firms measure client satisfaction, firms indicate they are effective at managing client relationships. Collaboration and communication are key to this effort and were identified as another area of excellence for firms when it comes to managing projects. Firms were less likely to report strong performance for other project management areas such as having qualified PMs (36%) and strong project management procedures (19%). Schedule viability and maturity ranked last at 15%, highlighting again the challenges created by lack of visibility and inexperienced PMs. Well-defined project scope was cited among the top four things that firms do well (36%), but accurate project cost and timeline forecasting was significantly lower at 26%.

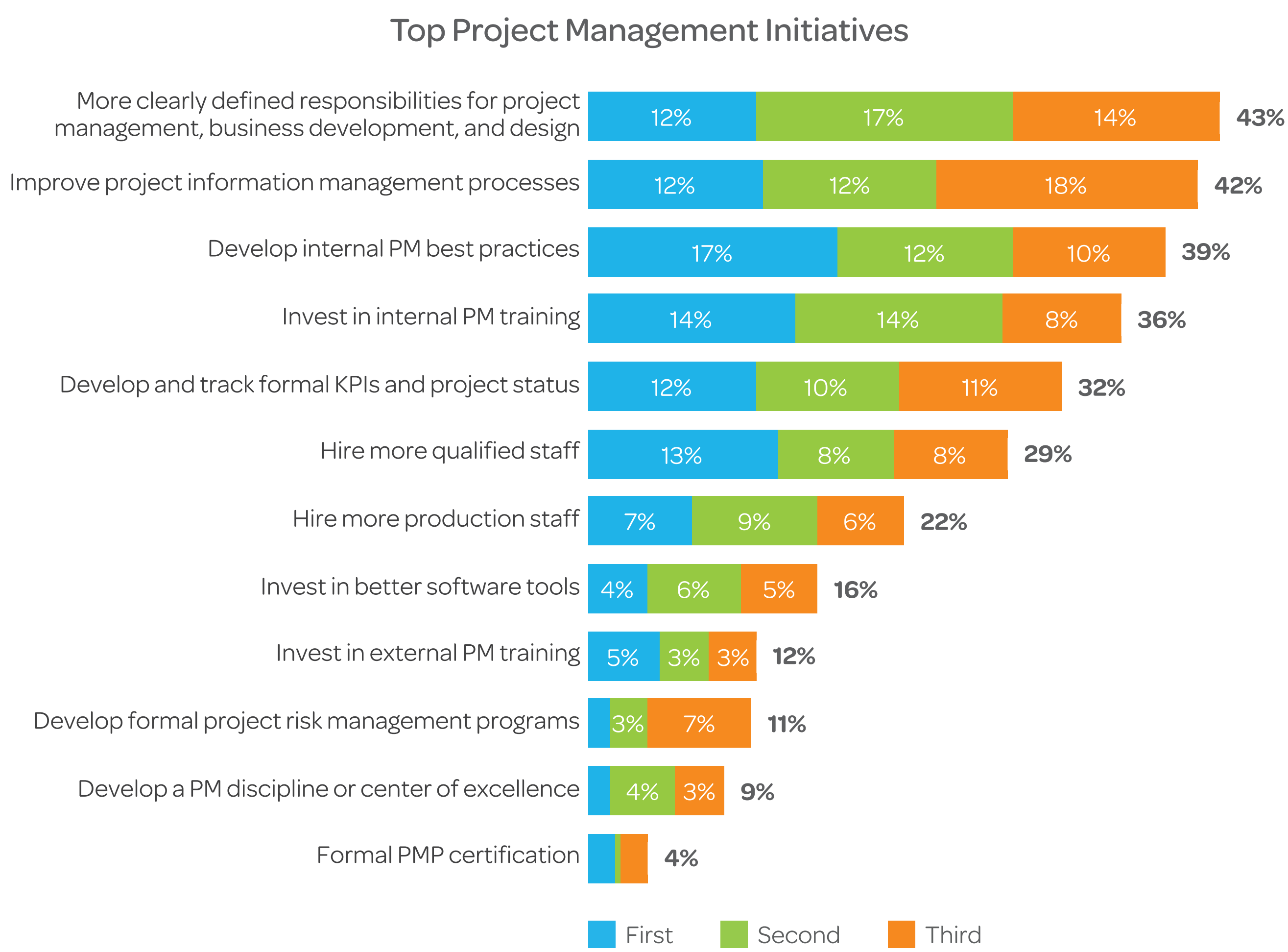
What Firms Do Well in Project Management



Top Project Management Initiatives

The top three initiatives reveal areas in project management that need to be standardized to support PMs and successful project delivery. These include: to more clearly define responsibilities for project management/business development/design, to improve project information management processes, and to develop internal project management best practices. These are accompanied by a desire for greater investment in PM training.

The need to invest in internal project management training and specialized software tools, coupled with hiring more qualified staff, are foundational efforts and offer significant opportunities for improvement. That said, firms have consistently recognized these needs as top priorities. Firms lacking the bandwidth for more strategic project leadership will continue to fall short of productivity gains needed to achieve prosperity and future growth.



CLARITY OUTLOOK

Project Management

Firms see the need to improve project management training and access to information. Training is essential to developing talent, giving inexperienced staff clarity, improving financial understanding, and leveraging software systems. Operationalizing access to KPIs will improve performance and reflect positively on client satisfaction.

With project management being at the core of every A&E business, it's time for companies to focus on their key metrics, leverage specialized tools to streamline project delivery, and empower PMs to proactively manage their projects. Investing in the people, processes, and tools it takes to deliver projects will not only provide a competitive advantage, but also help retain the best and brightest talent.

SECTION FIVE

Human Capital Management

Talent acquisition continues to be a major challenge for architecture and engineering firms. The availability of quality candidates and the ability to offer competitive compensation could be addressed with greater technology adoption and improved human resources practices.

13.2%

employee turnover

43%

have succession plans

32 days

average lead time from hire to billable

Employee turnover did not change significantly year-over-year. Firms are taking slightly longer, however, to fill open positions. Tracking metrics focused on recruiting and onboarding can help firms to identify opportunities for improvement. Recognizing that top candidates do not stay on the market for very long, firms need to continue focusing on building relationships with potential employees and providing an excellent candidate experience.

A&E firms continue to lag behind when it comes to succession planning and development plans. These are key areas for improvement that impact both business continuity and employee retention. Tracking actionable metrics and thoroughly training managers can help organizations improve employee engagement and hang on to key contributors.

As generational turnover occurs and younger workers replace Baby Boomers, firms need to evaluate the competitiveness of offerings to candidates and employees, and if they are reflective of current workforce desires. Leveraging technology to offer more flexibility and remote working options, when possible, may broaden the universe of available candidates and build the talent pipeline.

Key Data Points from the Survey

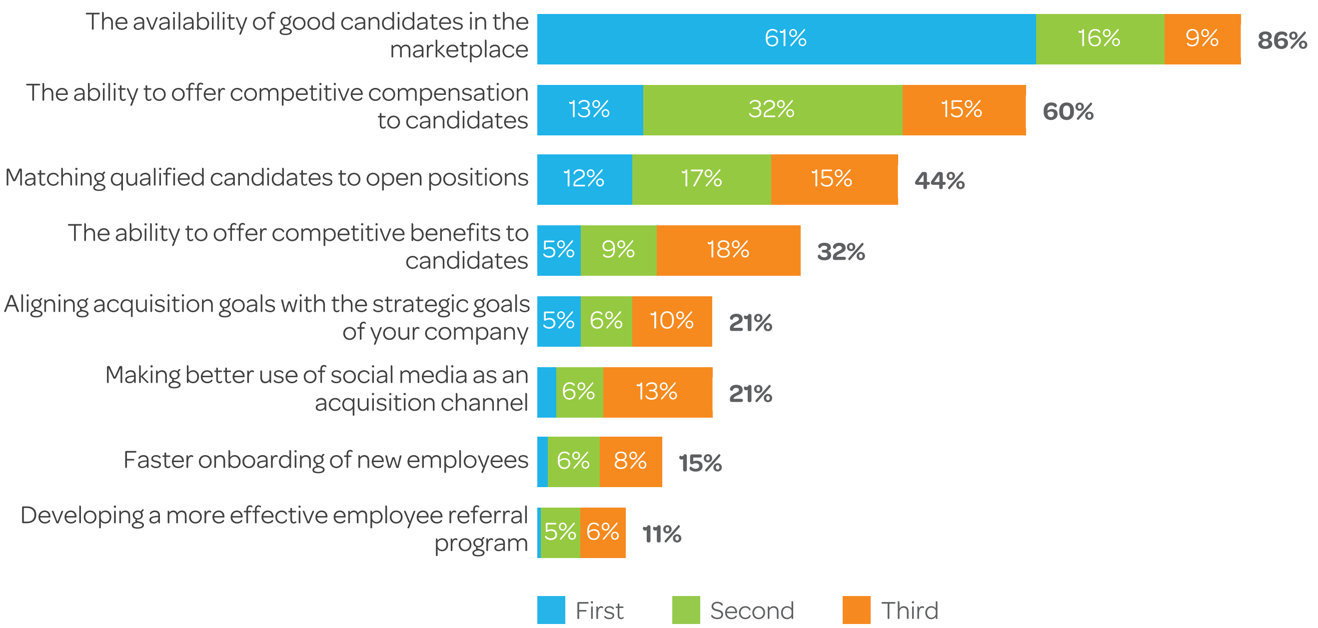
- Employee turnover remained relatively flat year-over-year at approximately 13%, with staff growth slowing to 3.7%.
- Only 43% of firms had succession planning processes, posing a challenge to business continuity when new leaders are placed in roles without prior development.
- Career development plans were offered at only 29% of firms, impacting employee engagement, retention, and project delivery.
- A small number of firms (14%) have a Learning Management System (LMS), while nearly a third (32%) maintain a skills repository. Investment in these resources offers important career development opportunities that can help improve operations and even upskill existing employees' skills and competencies.

Top Talent Acquisition Challenges

There was no change in the prioritization of top challenges in talent acquisition year-over-year. The availability of good candidates in the marketplace was cited as one of the top three challenges, followed by the ability to offer competitive compensation, and matching qualified candidates to open positions. The ability to offer competitive benefits to candidates was the fourth most-cited challenge. Firms can address compensation and benefit shortfalls by benchmarking current offerings and making adjustments where needed to attract the right candidates and retain key contributors. The availability of candidates for some roles may be impacted by the current uncertainty in the economy, but many highly qualified and specialized roles will likely continue to be difficult to fill.

Better sourcing of candidates is also a challenge, with 21% of respondents looking to social media as an acquisition channel and 11% looking for development of a more effective employee referral program. There continued to be a sense of disconnect in the alignment of acquisition goals with the strategic goals of the firm (21%).

Top Talent Acquisition Challenges

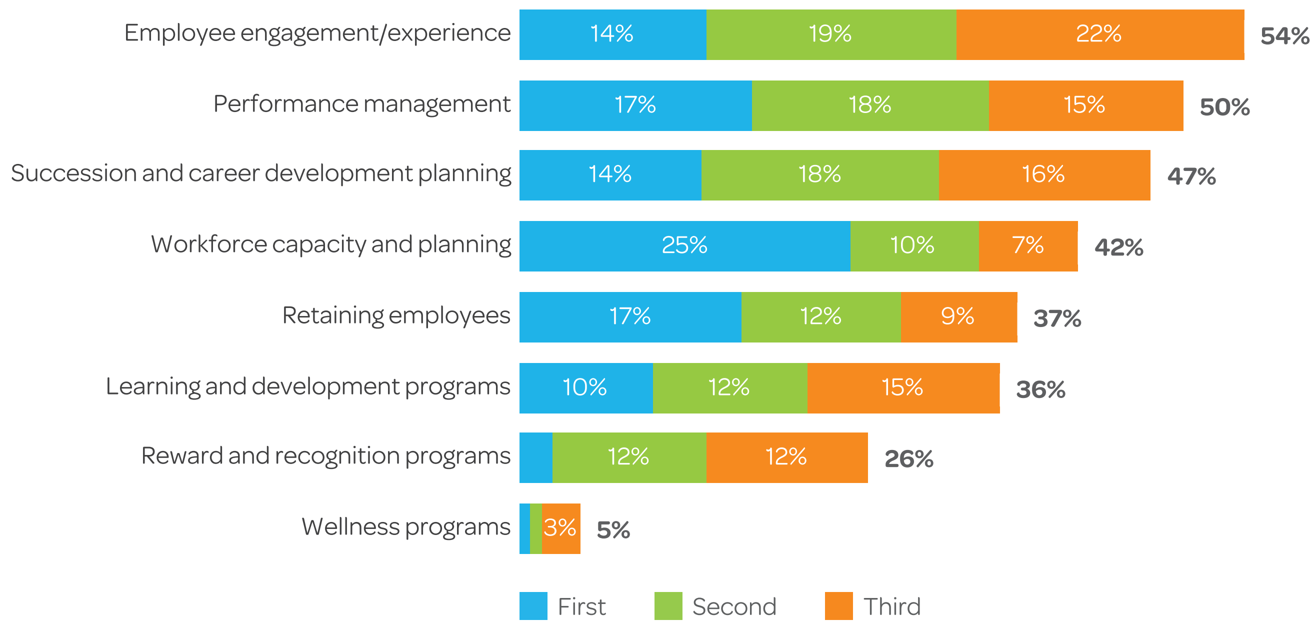


Top Challenges for Managing Talent

Firms were asked to identify the top three challenges in managing talent for their firm in the next three years and said they are continuing to prioritize the employee experience and invest in development in response to hiring and retention challenges. Employee engagement and experience was cited as the top challenge (54%), rising four points and continuing a growth trend from previous years. Performance management also received ongoing emphasis, rising slightly to 50% and landing in the second position. On the other hand, succession and career development planning dropped to third from first place last year.

Emphasis on workforce capacity and planning remained steady but jumped by six points as a first-choice ranking, pointing to firms' desire to smooth workloads and better manage the demand for increased capacity. Learning and development programs were rated in the top three by only 36%, with reward and recognition programs rising slightly to 26%. As talent acquisition is cited as the most expensive business process to support, finding ways to retain and develop employees can produce meaningful cost savings.

Top Challenges for Managing Talent

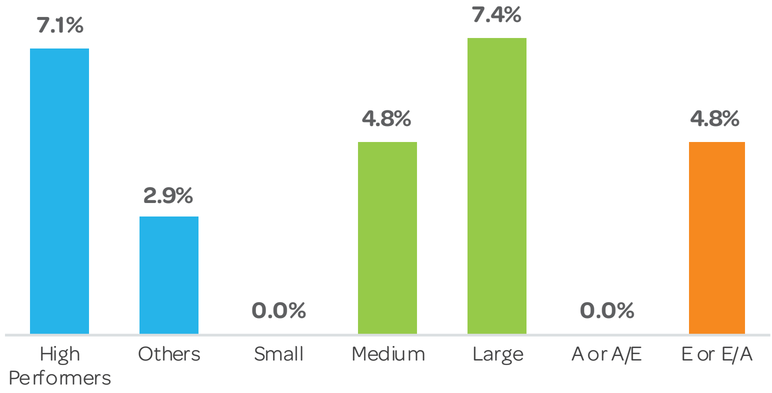


Staff Growth/Decline

3.7%

-0.5%

How Firms Compare



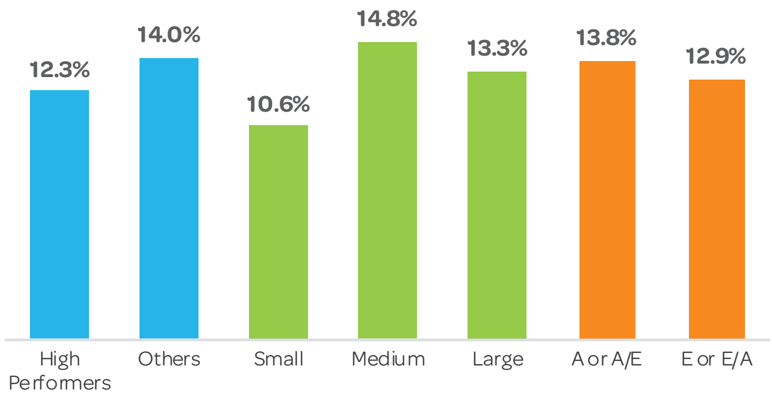
Firms continue to grow headcount, albeit at a slower pace from previous years. Staff growth slowed to 3.7%, down from 4.2% the prior year. Small businesses continued to see no change in headcount while high performers and large firms continued to add staff, growing more than 7%. High performers and large firms may be showcasing a competitive advantage in attracting candidates and may be able to achieve billability more quickly with more efficient hiring and onboarding practices.

Employee Turnover

13.2%

-0.6%

How Firms Compare



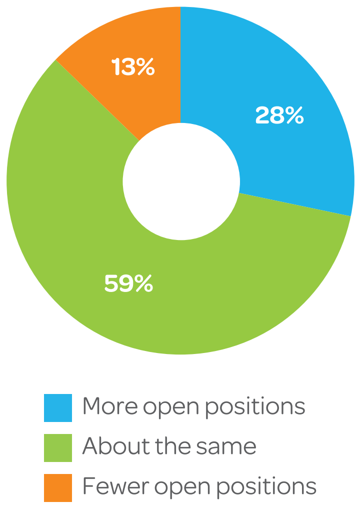
Overall, employee turnover remained relatively flat compared to last year, with high performers and small firms reporting the lowest rate of turnover. High performer turnover dropped from 14.3% to 12.3%, while small firm turnover dropped from 13.2% to 10.6%. Considering the strong economy and healthy market for job seekers last year, turnover rates were trending in the right direction. To continue this trend, firms will need to increase their focus on improving employee engagement by improving performance management and offering opportunities for learning and development.

Open Positions

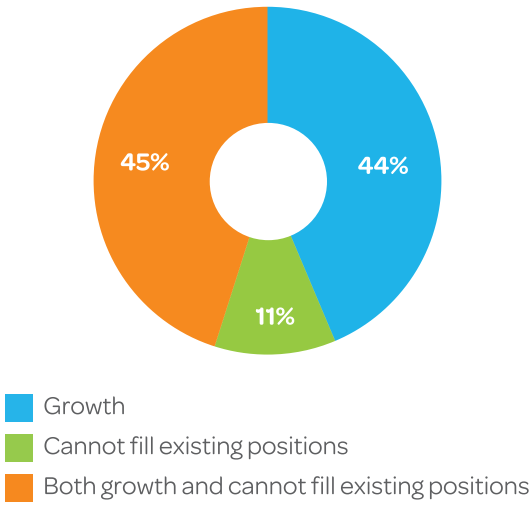
Fifty-nine percent of respondents indicated having about the same number of open positions as last year, an increase from 49% a year ago. Twenty-eight percent of firms had more open positions, compared to 36% last year. Companies with fewer open positions remained relatively flat at 13%.

The reasons cited for open positions were growth (44%), an inability to fill existing positions (11%), or a combination of both (45%). The inability to fill existing positions increased two points from 9% a year ago. This trend is consistent with the top-cited acquisition challenge, the availability of good candidates. To ease the burden of talent acquisition, firms will need to focus their attention and continue investing in employee retention.

Number of Open Positions



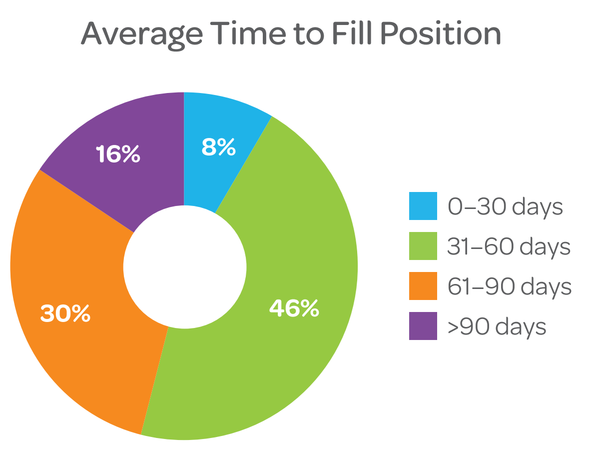
Reason for Open Positions

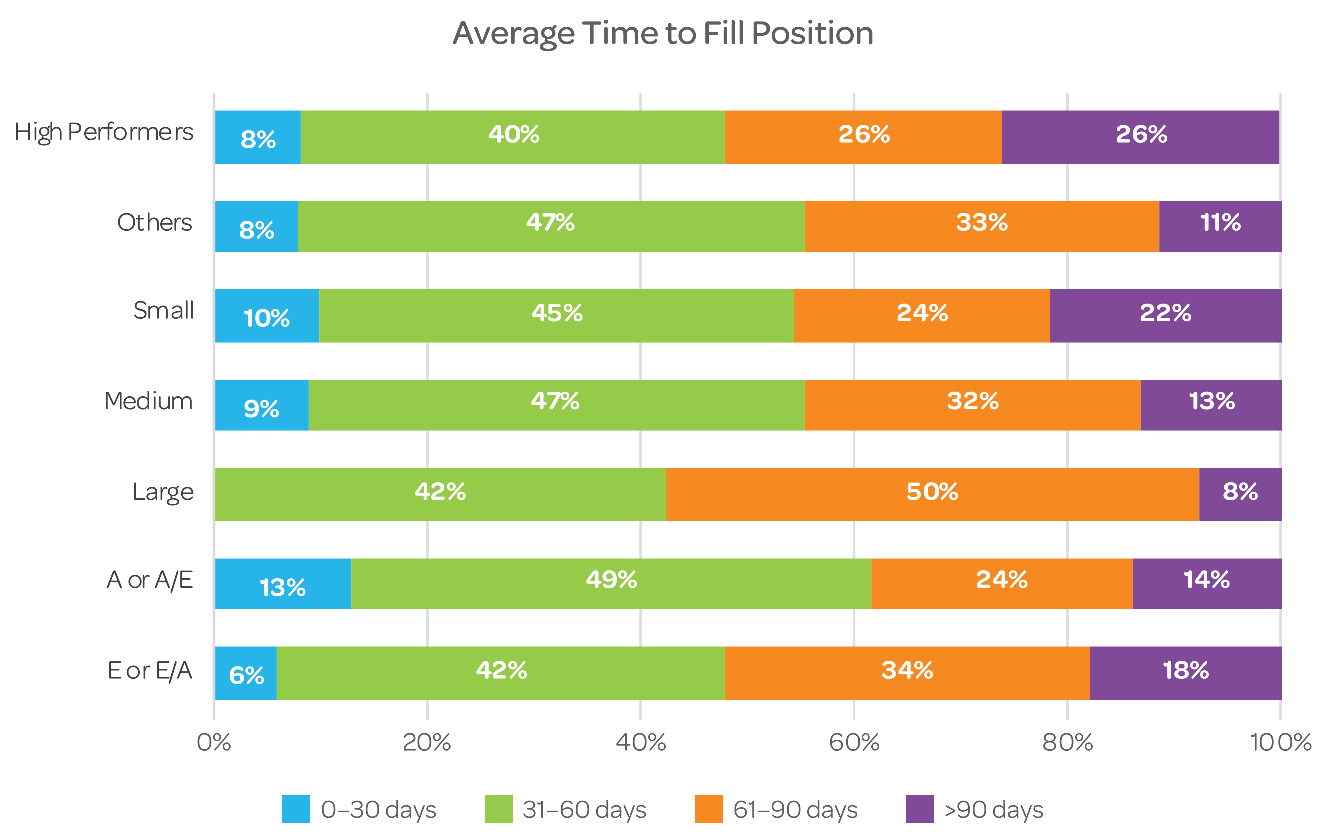


Average Time to Fill Position

The amount of time reported to fill a position was largely unchanged, although there was a shift in mix, from the 0-30 day (11% to 8%) to the 31-60 day (44% to 46%) category. Sixteen percent (16%) of respondents required more than 90 days to fill a job, which indicates the presence of bottlenecks in the process that need to be addressed. Desirable candidates are not likely to stay on the market for long or be willing to work through a lengthy and cumbersome process.

Large firms reported the longest time to fill positions with 58% requiring greater than 61 days to fill a position. Additional interviews and multiple decision makers can slow acquisition efforts in large firms. Actively tracking average time to hire can highlight bottlenecks and identify areas to start streamlining processes.





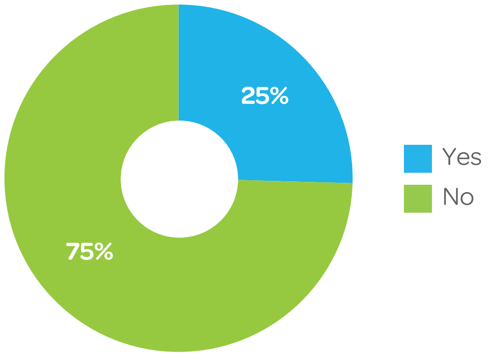
Percentage of Offers Accepted

77%

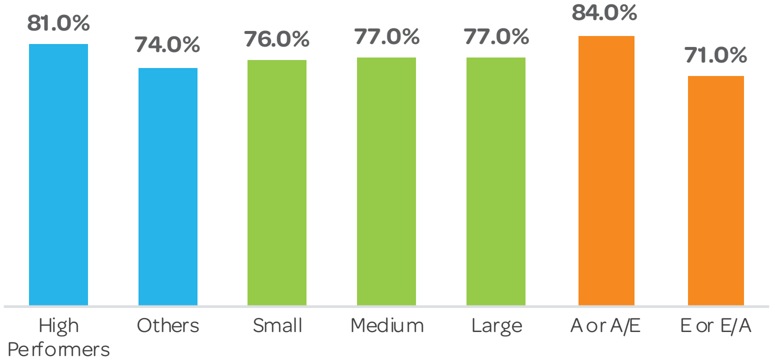
-1%

The percentage of firms tracking accepted offers remained flat at only 25%. Of those companies that are tracking accepted offers, the average percentage of accepted offers was 77%, which is low for the industry. High performers and architecture firms reported the highest offer acceptance (81% and 84%, respectively). Firms should analyze why offers are not being accepted, as getting to the offer phase of a search is expensive and time-consuming. Compensation packages should be reviewed to ensure alignment with the industry and success rates. Overall, improving the percentage of offers that are accepted could ease the burden of filling open positions and reduce the loss of time and effort spent evaluating candidates.

Percent of Firms That Track Accepted Offers

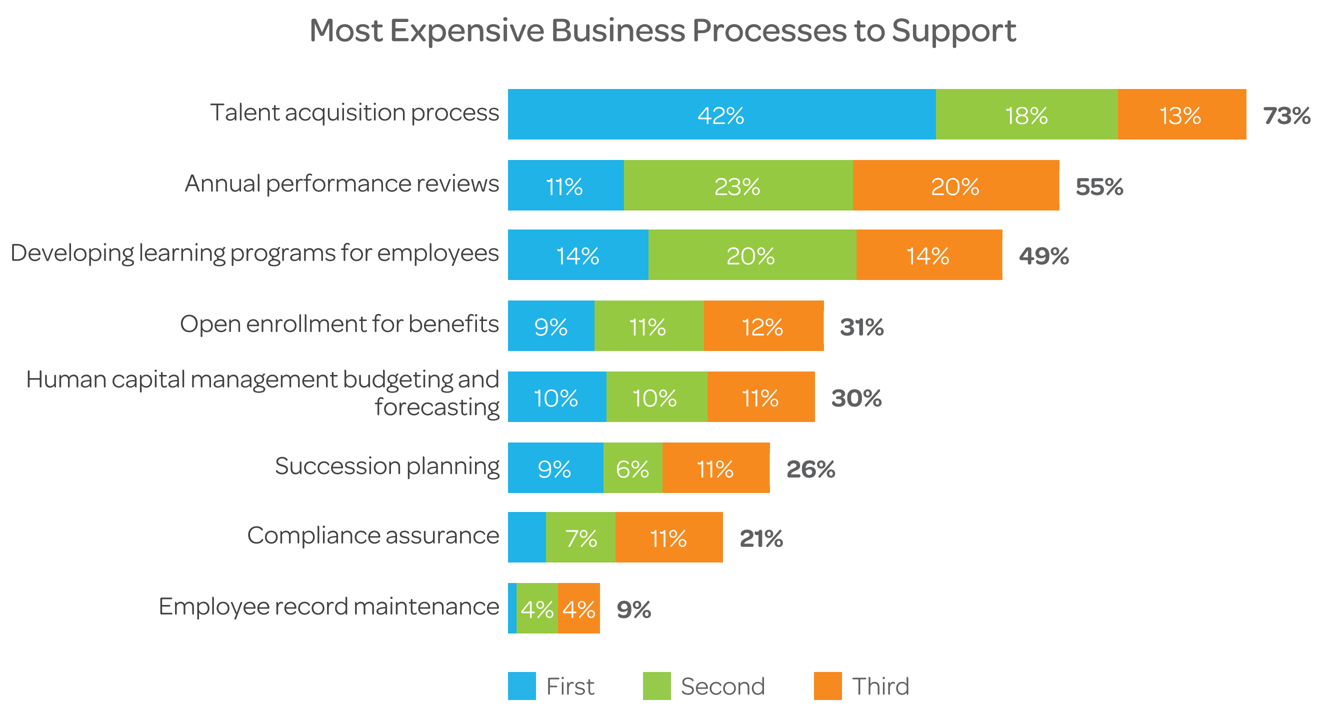


Percentage of Offered Accepted



Most Expensive Business Processes

The top three most expensive business processes remained the same, with the talent acquisition process cited as the most expensive to support. Annual performance reviews rose eight percentage points to the number two spot, with 55% of companies selecting it as one of their most expensive processes. An analysis of costs and benefits related to annual reviews could lead to more efficient and effective methods like project-based appraisals and continuous feedback. Using learning management solutions can significantly reduce the cost associated with developing learning programs. Succession planning, along with human capital management budgeting and forecasting, received relatively low attention at 26% and 30%, respectively, but still offer significant opportunities for improvement.



Top Tools Used to Develop Talent

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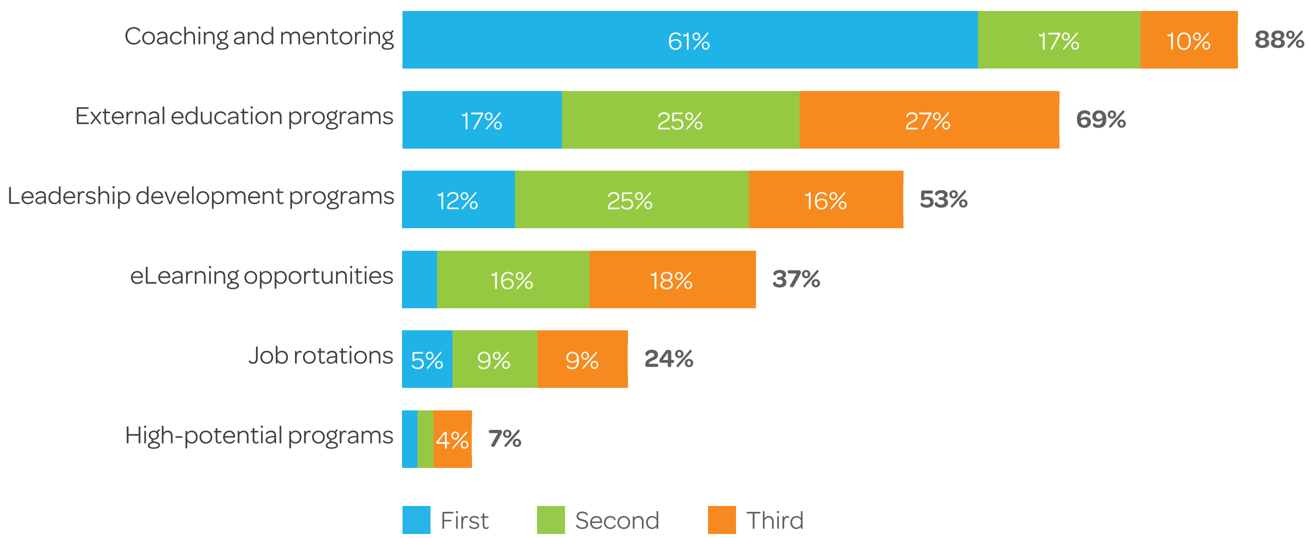
Top Tools Used to Develop Talent

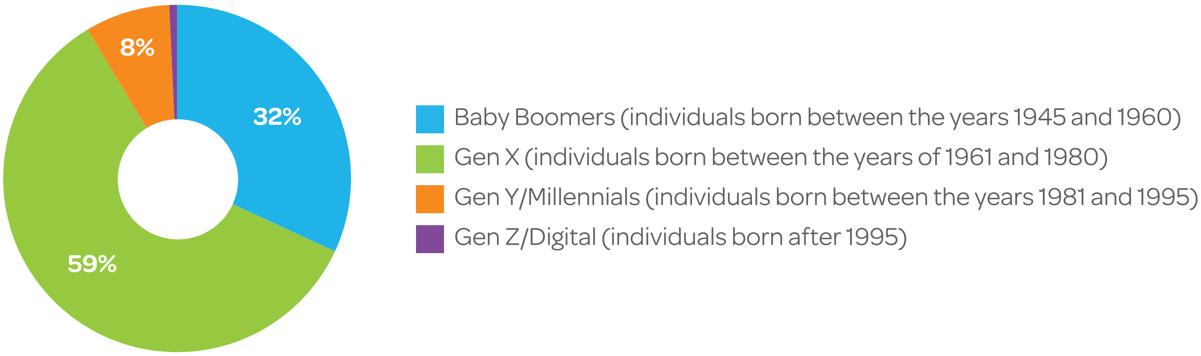


Levels of Management at Firms

As was the case last year, nearly all firms (98%) had a top level of management. Most firms (80%) had a level of middle management (department heads, branch managers, etc.) and had a cadre of lower level managers such as supervisors and office managers (77%). Baby Boomers (born between 1945 and 1960) and Gen X individuals (born between 1961 and 1980) dominated the ranks of top level management. As Baby Boomers (32%) continue to retire, firms must build a strong management pipeline of talent to step in behind Gen Xers as they ascend the ranks. Middle level management showed an increase from 18% to 24% in Gen Y individuals (born between 1981 and 1995) and a continuing decrease (19% to 14%) among Baby Boomers. Gen Y and Gen Z (born after 1995) are assuming more lower-level management positions (39% vs. 36%) as Baby Boomers exit (11% vs. 14%). This important generational transition indicates a strong need for management and career development programs, so firms can accomplish a seamless move to new generations of leadership.

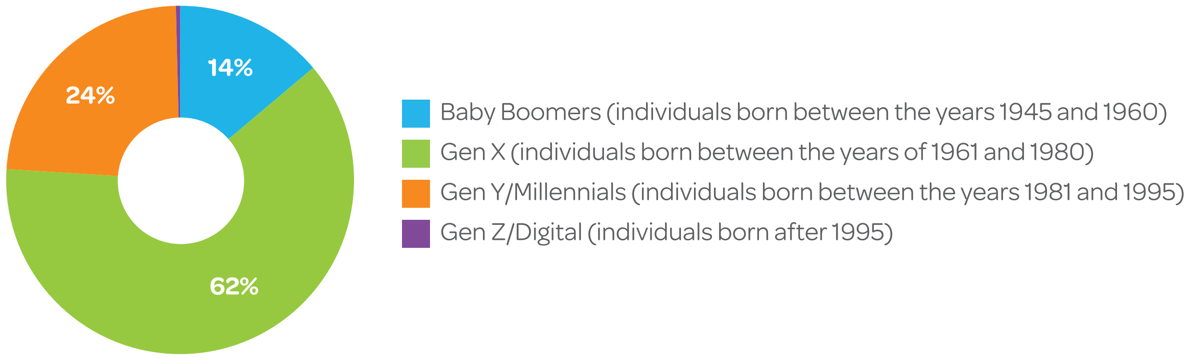
Levels of Management at Firm

Top Level Management by Generation

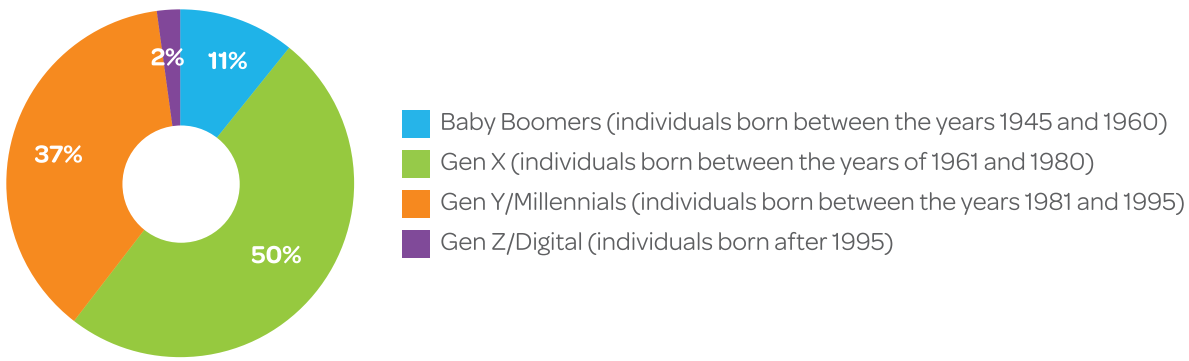


Levels of Management at Firms

Middle Level Management by Generation

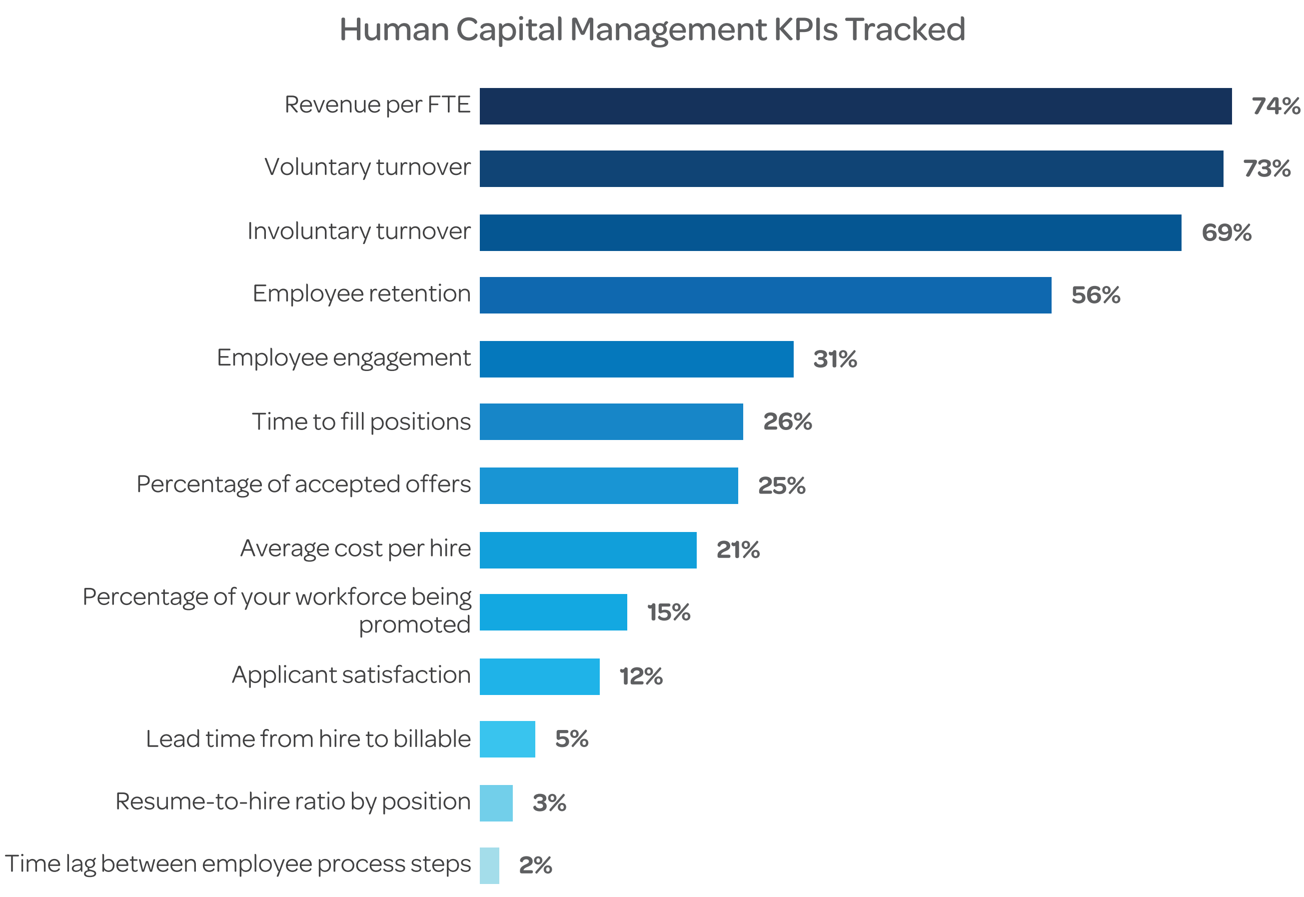


Lower Level Management by Generation



Human Capital Management KPIs Tracked

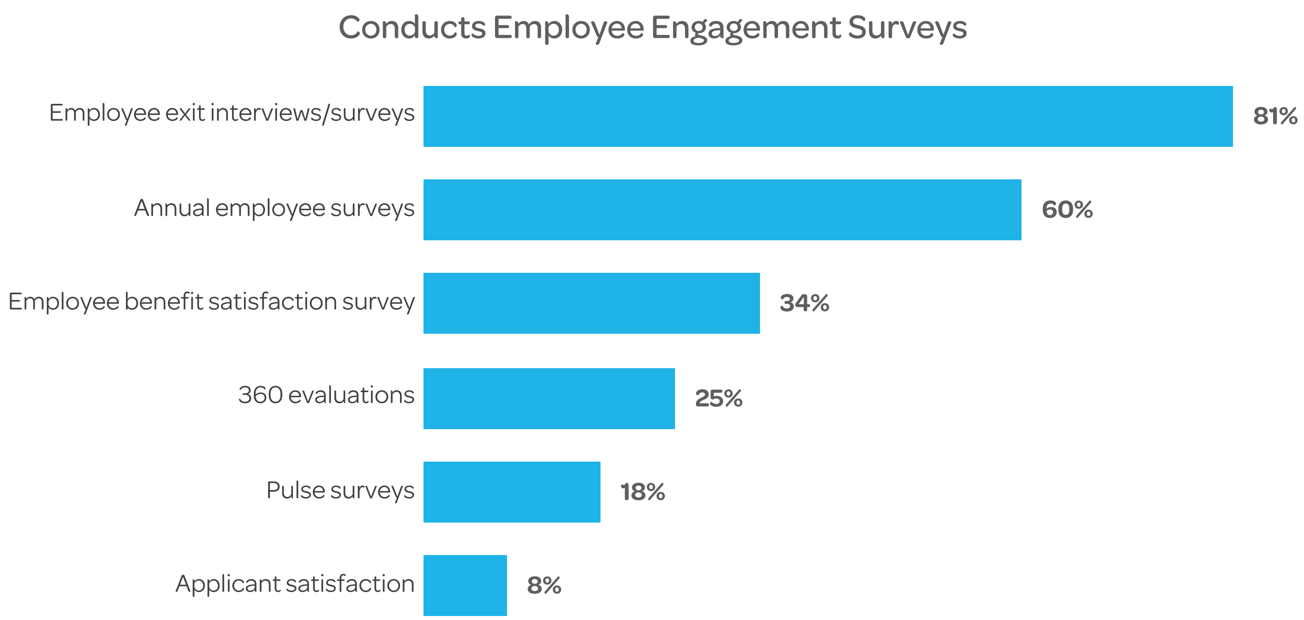
Employee turnover and retention dominated the top four KPIs tracked, which is consistent with firms' attention to employee retention. Revenue per full-time employee (FTE) occupied the top spot among KPIs tracked, with 74% of firms tracking that metric. Only a minority of firms are tracking other financial-related metrics. For example, only 5% of firms track the lead time required between hiring and billable status – an important measure of hiring cost. Twenty-one percent track the average cost per hire, suggesting that efficiencies could be harvested in this area. Firms that analyze the complete hiring and retention process are likely to have more successful and less costly human capital management systems.



Employee Engagement Surveys

Eighty-one percent of respondents said they conduct employee exit interviews and surveys. Fewer firms (60%) conduct annual employee surveys, suggesting a missed opportunity to identify and address issues before an employee departs. Just a third of respondents use employee benefit satisfaction surveys, and only one quarter take advantage of 360-degree evaluations.

Pulse surveys did not make up the difference, rising only by three points to 18%. Pulse surveys continue to be an underutilized engine to facilitate gathering more frequent and actionable feedback from employees. Firms should consider moving away from more traditional methods of gauging employee sentiment and toward more frequent models.



Professional Development Opportunities

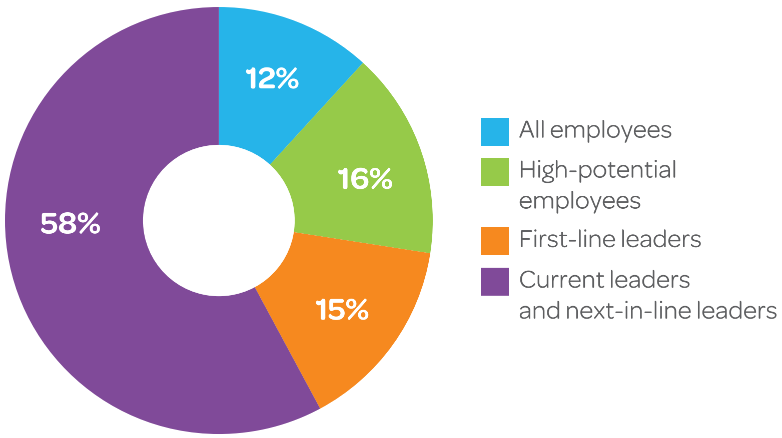
Professional licenses, conference attendance, and professional certifications remained the top three professional development opportunities, with professional certifications declining six points year-over-year. For firms with highly specialized roles, these opportunities are important and primarily benefit the needs of the firm. Middle management leadership programs and the ability to volunteer rose, indicating a small shift toward professional development geared more to the benefit of the individual rather than the firm. Mentorship programs offer an important opportunity for firms to transfer invaluable knowledge to new managers but are leveraged by only 48% of firms. Employee engagement and retention can benefit from a focus on professional development.

Succession Planning

43%

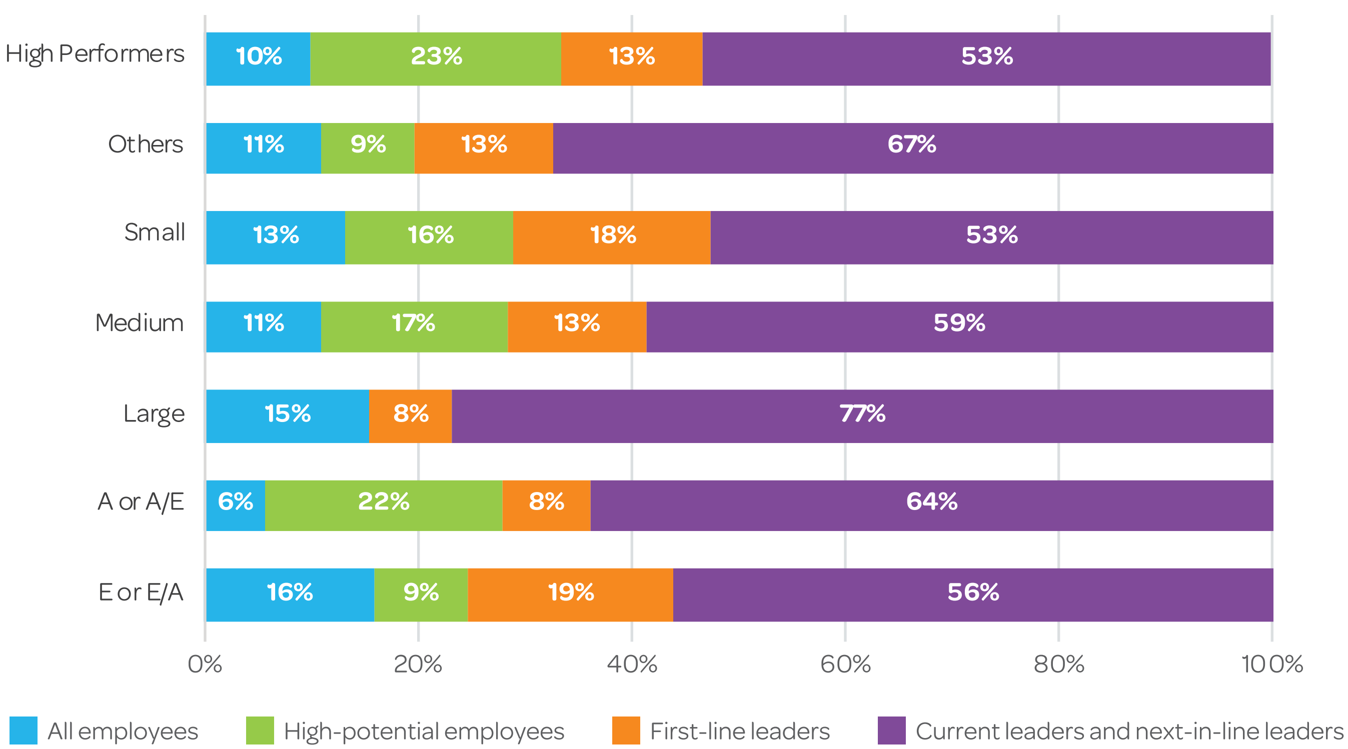
-2.0%

Who Succession Plan Applies to at Firm



Most firms do not have formal succession plans, and the percentage that do slightly declined from 45% to 43% year-over-year. Firms with formal succession plans tended to include a broader range of employees. Succession planning for high-potential employees grew to 16%, up six points from the previous year, and first-line leaders increased to 15% from 8% a year ago. The percentage of firms that include all employees in succession planning efforts increased from 8% to 12%. With a generational transition in firm leadership occurring, succession planning efforts are even more important.

Who Succession Plan Applies to at Firm



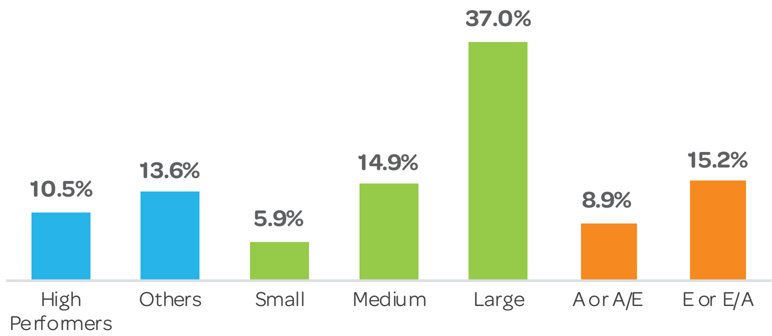
Learning Management Systems & Skills Repository

13.8%

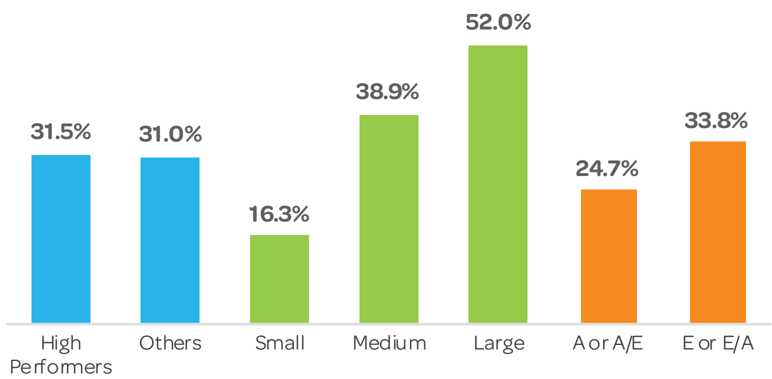
-0.4%

Firms continue to grow headcount, albeit at a slower pace from previous years. Staff growth slowed to 3.7%, down from 4.2% the prior year. Small businesses continued to see no change in headcount while high performers and large firms continued to add staff, growing more than 7%. High performers and large firms may be showcasing a competitive advantage in attracting candidates and may be able to achieve billability more quickly with more efficient hiring and onboarding practices.

Firms With Learning Management System

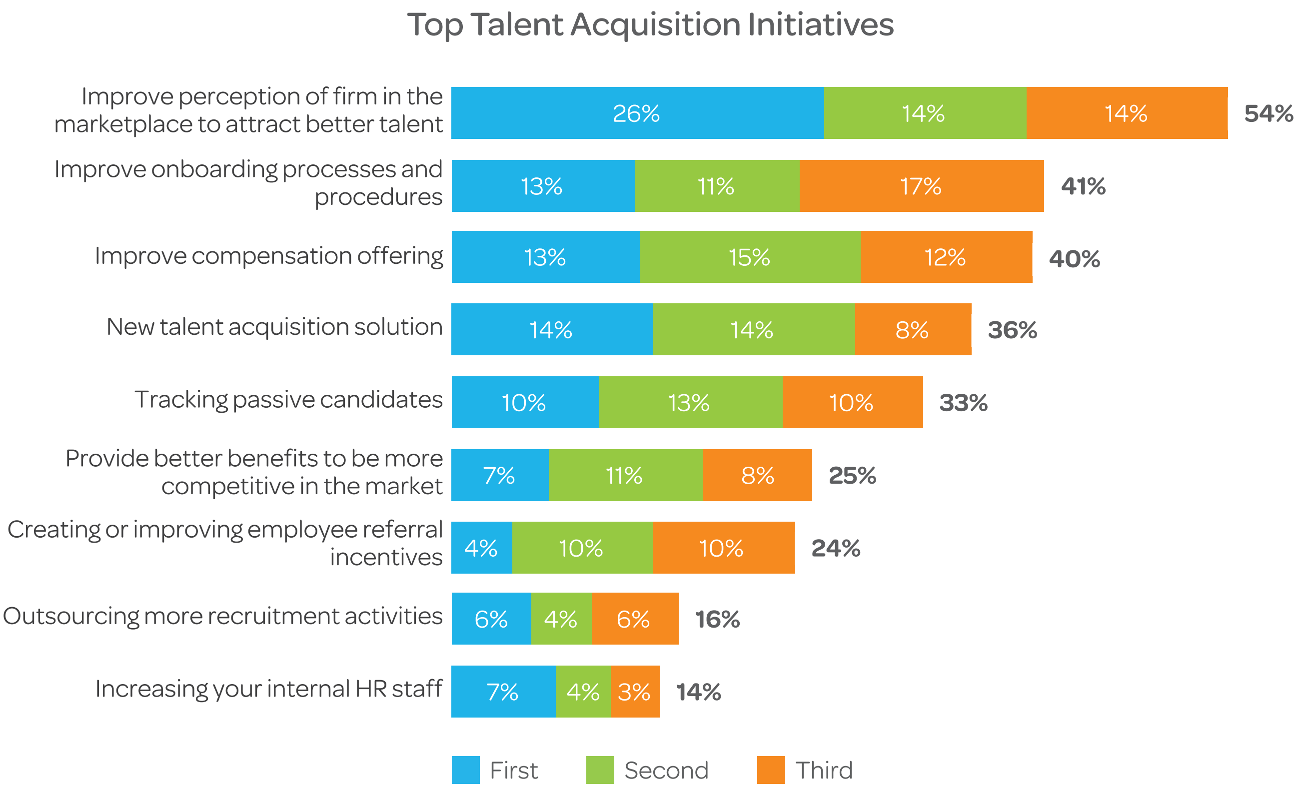


Firms With Skills Repository



Top Talent Acquisition Initiatives

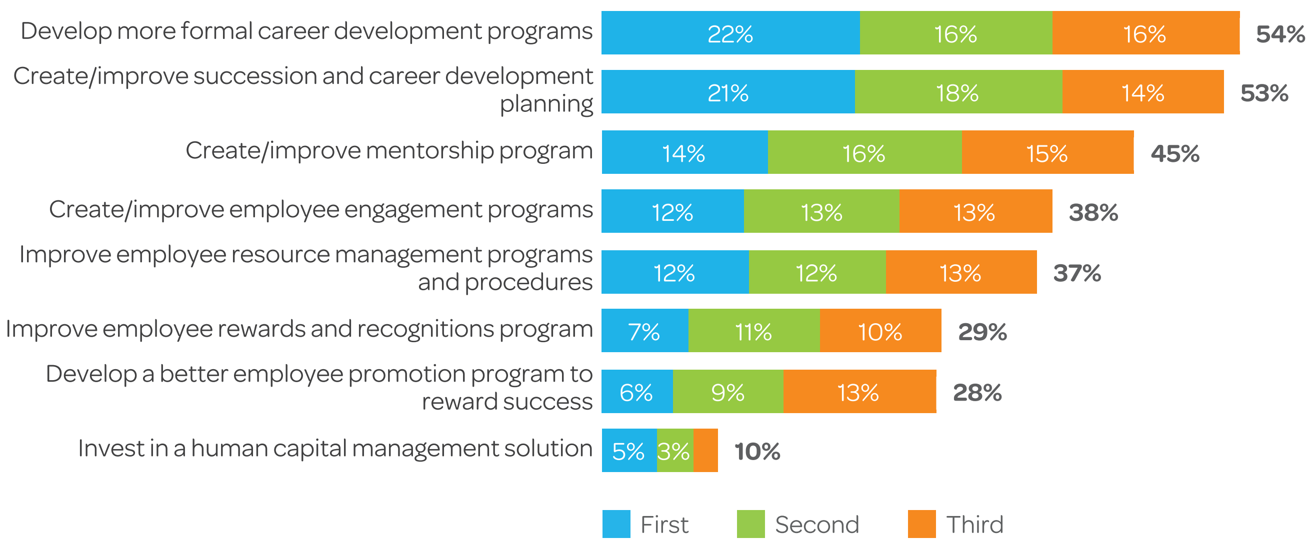
Improving the perception of the firm remains one of the top three talent acquisition initiatives (54%), since firms often attract better candidates by raising their reputation. The effort to improve onboarding processes and procedures was selected by 41% of respondents, up from 37% the prior year. Only 40% of firms considered improving the compensation offering as one of their priorities. Tracking passive candidates experienced an increase of 8%, a recognition that having a pipeline of candidates identified before they are needed speeds up the hiring process.



Top Initiatives for Managing Talent

Employers are continuing to focus on programs to increase employee retention and development. Although the top two initiatives for managing talent remained the same, creating or improving mentorship programs jumped to the third spot, growing from 28% to 45%. Firms are increasingly seeing the need to facilitate knowledge transfer to less experienced employees. Interestingly, only 10% of firms identified investing in a human capital management solution as a priority despite the fact that 40% of firms have not added to or replaced their HR solutions in the last five years. Utilizing technology more fully to manage talent could improve efficacy and reduce costs.

Top Initiatives for Managing Talent



CLARITY OUTLOOK

Human Capital Management

Firms continued to improve HCM processes while facing a tight labor market. Economic uncertainty may make it difficult to find and retain top talent, but will remain a priority in coming years.

Firms should continue to look for ways to improve the talent acquisition process by tracking key metrics, leveraging technology, and building a strong candidate pipeline. Retention efforts should continue to focus on modernizing performance management practices, managing succession, and building career development plans. Re-evaluating compensation and benefit packages, and offering increased flexibility and even remote working options, could attract a wider group of potential candidates and increase the attractiveness of a firm to existing and potential employees.

Summary

Due to the strong economy and improvements made in the last 10 years to drive the performance of A&E firms, results in 2019 were positive with the financial positions of many A&E firms strengthening in the process. Although the economic uncertainty is likely to dampen the near-term outlook, firms should focus on process improvement, employee engagement, and protecting cash flow.

Across the A&E industry, finding and retaining qualified staff is a challenge that will require a concerted effort to address. Technology improvements, organizational changes, and a commitment to career development and training can better position firms to be competitive, agile and responsive. During a period of business disruption, those firms able to retain staff and support teams with specialized solutions and efficiency-driving information systems and software will be able to pivot most quickly to attack new opportunities.

Going forward, the current economic uncertainty poses significant challenges to the industry that are difficult to forecast. However, firms that focus on the financial fundamentals and best leverage metrics and business intelligence to clearly understand the state of their business will be in the best position to continue to drive their business forward.

Statistics at a Glance

KPIs/Balance Sheet Details

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
Key Performance indicators			
Net Revenue Per Employee	$ 144,462	$164,945	$134,605
Total Revenue Per Employee	$177,940	$210,416	$168,321
Operating Profit on Net Revenue	15.8%	24.3%	10.4%
Operating Profit on Total Revenue	11.6%	18.8%	8.1%
Utilization Rate	59.9%	59.9%	60.4%
Net Labor Multiplier	3.03	3.40	2.81
Total Payroll Multiplier	1.78	2.03	1.65
Overhead Rate	154%	155%	151%
Staff Growth/Decline	3.7%	7.1%	2.9%
Employee Turnover	13.2%	12.3%	14.0%
Total Employee Cost	$97,884	$95,731	$100,637
Net Fixed Assets Per Employee	$7,203	$6,593	$7,788
Average Collection Period (Median)	73.4	67.0	75.8
Win Rate	46.5%	50.0%	47.8%
Balance Sheet Ratios			
Work-in-Process per Employee	$5,064	$3,806	$5,403
Total Assets per Employee	$80,082	$84,724	$75,430
Total Liabilities per Employee	$31,055	$29,177	$31,134
Total Equity per Employee	$40,407	$48,654	$36,739
Return on Assets	12.3%	26.4%	6.3%
Return on Equity	21.7%	39.0%	14.2%
Backlog - End of Year per Employee	$115,403	$123,125	$110,329
Backlog in Months	7.5	7.3	7.6
Current Ratio	2.87	3.16	2.67
Debt to Equity Ratio	0.76	0.66	0.81

KPIs/Balance Sheet Details

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
Key Performance indicators				
$141,577	$147,325	$150,082	$152,781	$142,657
$176,144	$177,940	$211,616	$230,443	$167,285
15.9%	16.0%	11.3%	17.8%	15.0%
11.6%	12.5%	9.6%	11.4%	12.3%
61.6%	59.5%	60.0%	60.9%	60.4%
3.01	3.06	2.93	3.07	2.98
1.76	1.80	1.71	1.81	1.77
149%	154%	158%	152%	153%
0.0%	4.8%	7.4%	0.0%	4.8%
10.6%	14.8%	13.3%	13.8%	12.9%
$94,917	$98,226	$106,674	$97,840	$98,530
$5,634	$7,456	$10,881	$6,714	$7,665
67.1	76.5	72.2	77.3	69.8
41.9%	50.0%	52.2%	45.1%	47.1%
Balance Sheet Ratios				
$4,198	$5,973	$8,308	$4,324	$7,055
$68,887	$80,892	$91,315	$90,540	$71,274
$22,892	$33,025	$49,802	$36,990	$27,943
$39,939	$40,020	$42,038	$46,767	$37,333
16.5%	11.9%	7.5%	14.0%	11.1%
24.4%	20.6%	17.1%	20.6%	21.7%
$94,780	$121,621	$143,965	$125,000	$110,643
6.3	7.6	8.4	7.2	7.7
3.42	2.88	1.92	2.57	3.09
0.50	0.79	1.18	0.74	0.78

Income Statement Detail (Per Employee)

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
Total Revenue			
Total Revenue per Employee	$177,940	$210,416	$168,321
Direct Expenses			
Consultants per Employee	$23,107	$29,953	$21,382
Bad Debt per Employee	$209	$245	$222
All Other Direct Expenses per Employee	$1,221	$770	$1,330
Total Direct Expenses per Employee	$34,445	$36,638	$34,189
Net Revenue			
Net Revenue per Employee	$144,462	$164,945	$134,605
Direct Labor			
Direct Labor per Employee	$48,303	$46,918	$48,603
Gross Profit			
Gross Profit per Employee	$97,600	$116,833	$90,319
Indirect Labor			
Vacation, Holiday, Sick & Personal per Employee	$7,932	$7,986	$7,932
Marketing per Employee	$5,311	$5,346	$5,236
All Other Indirect Labor per Employee	$18,763	$18,241	$19,186
Total Indirect Labor per Employee	$31,749	$30,660	$32,021
Labor-Related Expenses			
Statutory Taxes per Employee	$6,423	$6,405	$6,431
Workers' Comp. per Employee	$217	$210	$218
GroupHealth, Life, Etc. per Employee	$6,741	$6,348	$6,889
401(k) Match, Pension Plan, Etc. per Employee	$2,579	$2,647	$2,494
All Other Labor-Related Expenses per Employee	$735	$684	$751
Total Other Labor-Related Expenses per Employee	$16,770	$16,205	$16,797
Other Staff Expenses			
Professional Licenses, Registrations, Dues, per Employee	$1,046	$1,089	$1,038
Marketing Expenses (Non-Labor)			
Marketing Expenses (marketing and business development expenses including materials, conference expenses, travel, etc.)	$1,405	$1,501	$1,387

Income Statement Detail (Per Employee)

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
Total Revenue				
$176,144	$177,940	$211,616	$230,443	$167,285
Direct Expenses				
$21,704	$20,899	$36,976	$55,620	$15,059
$0	$211	$366	$0	$300
$757	$1,364	$1,222	$1,280	$1,185
$31,996	$33,628	$50,043	$75,766	$22,150
Net Revenue				
$141,577	$147,325	$150,082	$152,781	$142,657
Direct Labor				
$46,768	$47,653	$51,735	$48,593	$48,265
Gross Profit				
$95,419	$99,315	$96,592	$103,747	$95,391
Indirect Labor				
$7,864	$7,825	$8,922	$8,326	$7,803
$4,269	$5,897	$4,514	$5,979	$5,038
$17,331	$18,598	$22,122	$18,275	$19,086
$28,887	$31,973	$34,378	$31,744	$34,798
Labor-Related Expensest				
$6,390	$6,406	$6,551	$6,517	$6,433
$212	$211	$265	$210	$213
$6,559	$6,563	$7,537	$6,449	$6,975
$2,456	$2,603	$3,024	$2,436	$2,651
$751	$660	$963	$729	$749
$16,661	$16,349	$19,154	$16,766	$16,878
Other Staff Expenses				
$923	$1,063	$1,092	$1,018	$1,070
Marketing Expenses (Non-Labor)				
$1,314	$1,407	$1,635	$2,122	$1,082

Income Statement Detail (Per Employee) Continued

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
Corporate Expenses			
Professional Liability Insurance per Employee	$1,638	$1,647	$1,643
Other Business Taxes per Employee	$349	$416	$323
All Other Corporate Expenses per Employee	$2,220	$2,562	$1,921
Total Corporate Expenses per Employee	$4,308	$4,698	$4,036
Total Overhead			
Total Overhead Expenses per Employee	$72,834	$72,488	$73,027
Operating Profit			
Operating Profit (Loss) per Employee	$23,858	$40,658	$17,398
Interest, Bonus, Other			
Interest-Net per Employee	$211	$174	$253
Bonuses per Employee	$5,925	$10,028	$4,625
Other (Income) or Expense	$0	$0	$0
Pre-Tax Income (Loss)			
Pre-Tax Income (Loss) per Employee	$13,029	$24,296	$8,274
Pre-Tax Income (Loss)			
Taxes per Employee	$0	$2	$0
Net Profit			
Net Profit (Loss) per Employee	$12,246	$22,582	$7,510

Income Statement Detail (Per Employee) Continued

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
Corporate Expenses				
$1,780	$1,559	$1,499	$1,881	$1,455
$363	$275	$365	$386	$304
$1,942	$2,238	$2,597	$2,224	$2,232
$4,392	$4,359	$4,120	$4,852	$3,852
Total Overhead				
$69,480	$73,305	$76,119	$74,001	$72,331
Operating Profit				
$24,846	$24,115	$17,974	$29,193	$22,508
Interest, Bonus, Other				
$199	$195	$397	$93	$297
$5,025	$6,895	$5,596	$7,221	$6,052
$0	$0	$0	$0	$0
Pre-Tax Income (Loss)				
$14,872	$13,058	$7,170	$16,314	$11,597
Taxes				
$0	$32	$94	$0	$0
Net Profit				
$14,087	$11,523	$7,114	$15,790	$9,848

Balance Sheet Detail (Per Employee)

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
ASSETS *Current Assets*			
Cash per Employee	$8,710	$12,413	$6,012
Accounts Receivable per Employee	$36,226	$39,902	$35,118
Work-In-Process per Employee	$5,064	$3,806	$5,403
Prepaid Expenses per Employee	$2,058	$1,609	$2,239
Other Current Assets per Employee	$156	$219	$145
Total Current Assets per Employee	$58,528	$65,806	$55,530
Fixed Assets			
Fixed Assets (except Goodwill) per Employee	$23,297	$26,449	$22,164
Depreciation per Employee	-$15,333	-$16,591	-$13,621
Goodwill (net of amortization) per Employee	$192	$0	$502
Total Fixed Assets per Employee	$9,753	$8,452	$10,640
Other Long-Term Assets			
Long-Term Notes/Loans Receivable per Employee	$0	$0	$0
Other Long-Term Assets per Employee	$80	$244	$16
Total Other Long Term Assets per Employee	$351	$520	$349
Total Assets			
Total Assets per Employee	$80,082	$84,724	$75,430
LIABILITIES & STOCKHOLDER'S EQUITY *Accounts Payable*			
Accounts Payable - Consultants per Employee	$3,789	$4,485	$3,551
Accounts Payable - Vendors per Employee	$1,247	$1,229	$1,300
Total Accounts Payable per Employee	$6,069	$6,909	$5,476
Accrued Employee Expense			
Accrued Employee Salaries per Employee	$2,242	$2,020	$2,263
Accrued Employee Vacation, Sick, Etc. per Employee	$2,350	$1,937	$2,579
Other Accrued Employee Expense per Employee	$493	$358	$608
Total Accrued Employee Expenses per Employee	$5,337	$3,948	$5,801

Balance Sheet Detail (Per Employee)

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
ASSETS *Current Assets*				
$10,423	$7,378	$7,246	$11,906	$6,214
$32,157	$38,821	$39,882	$45,883	$32,353
$4,198	$5,973	$8,308	$4,324	$7,055
$1,083	$2,241	$4,427	$2,377	$1,894
$58	$323	$80	$80	$163
$51,802	$60,168	$67,474	$71,443	$53,522
Fixed Assets				
$21,761	$23,163	$29,986	$21,440	$25,687
-$13,829	-$15,705	-$18,009	-$13,073	-$16,847
$0	$166	$4,714	$0	$341
$8,421	$8,984	$15,555	$8,967	$10,455
Other Long-Term Assets				
$0	$0	$0	$0	$0
$0	$294	$270	$0	$152
$0	$503	$614	$105	$484
Total Assets				
$68,887	$80,892	$91,315	$90,540	$71,274
LIABILITIES & STOCKHOLDER'S EQUITY *Accounts Payable*				
$2,970	$3,313	$4,407	$13,128	$1,810
$1,015	$1,348	$1,659	$1,108	$1,260
$4,003	$6,079	$10,677	$15,173	$3,302
Accrued Employee Expense				
$1,509	$2,326	$2,563	$1,115	$2,260
$824	$2,703	$2,801	$1,557	$2,653
$59	$1,108	$1,461	$328	$634
$3357	$5,983	$7,297	$3,753	$5,564

Balance Sheet Detail (Per Employee) Continued

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
Other Current Liabilities			
Line-of-Credit and Short-Term Notes Outstanding per Employee	$2,764	$1,417	$3,915
Current Taxes per Employee	$12	$31	$5
Other Current Liabilities per Employee	$2,367	$2,428	$2,393
Total Other Current Liabilities per Employee	$6,667	$5,804	$6,839
Total Current Liabilities			
Total Current Liabilities per Employee	$21,746	$21,686	$22,062
Long-Term Liabilities			
Long-Term Debt per Employee	$4,248	$2,599	$5,253
Deferred Taxes per Employee	$0	$0	$17
Other Long-Term Liabilities per Employee	$340	$1108	$302
Total Liabilities			
Total Liabilities per Employee	$31,055	$29,177	$31,134
Other Long-Term Assets			
Stock & Additional Paid-In Capital per Employee	$1,499	$3,751	$858
Distribution/Dividends - Current Year Only per Employee	-$1,553	-$6,325	-$592
Principal's Equity - Long-Term Notes per Employee	$0	$0	$0
Previous Years Retained Earnings per Employee	$30,312	$36,437	$28,923
Current Net Profit (Loss) per Employee	$10,403	$18,910	$7,335
Other per Employee	$0	$0	$0
Total Stockholders' Equity per Employee	$40,407	$48,654	$36,739
Total Liabilities & Stockholders' Equity per Employee	$74,820	$85,228	$70,286

Balance Sheet Detail (Per Employee) Continued

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
Other Current Liabilities				
$2,149	$2,764	$4,910	$1,746	$2,777
$0	$4	$48	$0	$21
$355	$2,601	$4,999	$2,767	$2,144
$4,036	$6,845	$12,568	$6,007	$6,807
Total Current Liabilities				
$15,863	$23,370	$33,692	$26,204	$16,179
Long-Term Liabilities				
$2,226	$5,039	$8,051	$2,599	$5,122
$0	$168	$1,534	$0	$0
$0	$1495	$2,850	$0	$537
Total Liabilities				
$22,892	$33,025	$49,802	$36,990	$27,943
Other Long-Term Assets				
$900	$1,659	$9,919	$991	$2,143
-$1440	-$1,542	-$724	-$1,951	-$592
$0	$0	$0	$0	$0
$28,785	$33,884	$25,510	$37,342	$27,986
$12,748	$9,597	$5,565	$13,332	$8,319
$0	$0	$0	$0	$0
$39,939	$40,020	$42,038	$46,767	$37,333
$66,967	$77,924	$91,157	$88,598	$69,264

Additional Benchmarks

	CLARITY BENCHMARK	HIGH PERFORMERS	ALL OTHER FIRMS
Business Development Metrics			
Net Revenue Growth Forecast	2.1%	-0.9%	3.4%
Win Rate	46.5%	50.0%	47.8%
Capture Rate	42.3%	42.1%	41.1%
What percentage of your firm's net revenue is contributed by your firm's top three clients? Client A	16%	14%	17%
What percentage of your firm's net revenue is contributed by your firm's top three clients? Client B	10%	9%	10%
What percentage of your firm's net revenue is contributed by your firm's top three clients? Client C	7%	6%	7%
What percentage of your firm's net revenue is contributed by your firm's top three clients? Combined	35%	32%	37%
Project Management Metrics			
What percentage of your firm's current projects are being reported as on or under budget? (Average)	71%	75%	69%
What percentage of your firm's current projects is being reported as on or ahead of schedule? (Average)	66%	74%	65%
Firms that complete internal project performance evaluations (Ratio)	46%	42%	48%
Firms measuring client satisfaction (Ratio)	44%	39%	38%
HCM Metrics			
Staff Growth/Decline	3.7%	7.1%	2.9%
Employee Turnover	13.2%	12.3%	14.0%
Voluntary Turnover	10.0%	10.2%	10.0%
Involuntary Turnover	2.2%	2.1%	2.9%
Average Time to Fill Position	31-60 days	61-90 days	31-60 days
FTE Breakdown by Category			
Technical and Professional	47	45	49
Marketing and Business Development	3	3	3
Financial/Accounting	2	2	3
Technology/IT	2	1	2
Human Resources	1	1	1
Administrative or Clerical	3	3	3
Other Executives	2	2	2
Other Employees	1	1	1

SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
Business Development Metrics				
-9.4%	2.3%	8.2%	-0.5%	3.5%
41.9%	50.0%	52.3%	45.1%	47.0%
45.1%	41.7%	33.3%	43.1%	42.1%
24%	14%	8%	22%	14%
11%	9%	5%	10%	8%
8%	6%	3%	7%	7%
48%	30%	18%	46%	30%
Project Management Metrics				
71%	72%	70%	72%	71%
67%	65%	63%	66%	67%
38%	46%	80%	48%	44%
40%	43%	52%	44%	40%
HCM Metrics				
0.0%	4.8%	7.4%	0.0%	4.8%
10.6%	14.8%	13.3%	13.8%	12.9%
7.8%	10.8%	11.1%	11.0%	9.5%
2.1%	2.3%	2.0%	2.1%	2.4%
31-60 days	31-60 days	61-90 days	31-60 days	31-60 days
FTE Breakdown by Category				
18	70	324	31	53
1	3	13	3	3
1	3	10	2	3
1	2	6	2	3
1	1	5	1	3
1	4	18	2	2
1	2	6	2	2
0	1	11	1	2

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