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'Be diligent about weeding out bad clients'

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BD+C: What advice do you have for AEC firms is this difficult economy?

Mark Goodale: You can't agonize over what's happening in the markets. Instead, focus on what is in your control. One thing is to pick the right clients, the ones that are going pay you. You don't want to get beat up by clients. Clients are getting much tougher; they're weeding out the weaker AEC firms, especially those that don't deliver on customer service, and some clients are bottom feeding, particularly for architectural services.

Be extremely diligent about weeding out bad clients. Take the short-term hit and build a more stable client base. You're not going to get paid anyway, so you're better served using the time and resources to pursue other avenues. Client selection is difficult, but it is in your control.

BD+C: What other tough decisions should AEC firms be making?

MG: AEC firms need to conquer three things: fear, turf, and ego. Fear is typically built around a lack of trust. Leaders need to strip out the fear, and get it out on the table. As for turf, we are naturally territorial, and often people want to defend their turf. But if someone is doing things to protect their piece of turf that's not in best interests of the whole firm, that needs to be addressed by top management. As for ego, it's OK for professionals to have egos. But the cries of the individual cannot drown out the needs of the team.

BD+C: How can AEC firms sustain their core strengths?

MG: In this climate, you shouldn't be the company for every employee or every client. You can't be. Cut the practice areas that are no longer valued. Keep the underperforming studios that have potential—for example, an alternative energy group—but keep them on a short leash.

Then ask: Are the resources we need now—software, for example—the same as we needed a year ago? If not, it's time to retool. Do we need to upgrade a certain manager who has tech background but could be out selling? For firms that have been on the rise for so many years, to restructure almost feels like failure. But AEC firms have to make those changes, to build something new and better.

BD+C: What tactical measures can AEC firms take?

MG: Firms should do a weekly cash flow forecast, looking four weeks out. Then you can project your cash flow, slow some payments down if you need to, and avoid going into credit.

I believe in open book management. When things are going bad, people think it's 10 times worse than it really is. Firms that have put open book management in play will tell you that it made the biggest difference in their businesses. It's definitely something that should be practiced.

Firms should also be fearlessly challenging the rate of spending for such things as travel, and negotiating lower lease and loan terms—now is the time to do that.

Also, develop a collections process with teeth. Have a signed contract with your client that gives milestones: “If we will deliver such-and-such by this date, we get paid in 10 days,” and so on. Stipulate very clearly the terms of payment. At 10 days, your accounting department should contact their accounting department; at 30 days, a copy should be sent; at 45 days, the project manager should be calling the client, and so on. If you're doing the job, there's no reason to not be paid.

BD+C: What's your view on “core strengths”?

MG: There's a good filter you can use to review every business line in your company. Look at these five things, and if you have three or more no's, scale back or get out:

Does the business line have the potential to position the firm as the industry leader?

Does the business line allow the firm to provide superior service?

Does the business line lead to the firm being a great place to work?

Do you have an inside champion for this business?

Do you as an organization have a passion for that business?

It's not a scientific filter, but it gives you a good check on whether to get into a business line or to scale back on existing ones.