

SURVIVING THE RECESSION

From Anshen + Allen

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“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness” Charles Dickens.

What have we learned from our experience in surviving the economic downturns of the 60s, 70s, 80s, 90s and how do we intend to apply that experience to today’s troublesome economic environment? A sense of optimism always helps. When we look back we see that our firm emerged from each of the downturns stronger than before and with more energy and focus as a result of decisions we made in response to the circumstances. Difficulty often forces us to do the things we should have done sooner, hence the quote from Dickens. It may be bad times, but from it comes great opportunity.

In the past we were not able to forecast and business plan far ahead, but now we can do this forecasting with considerable accuracy and plan for the good upswings, as well as the bad times. When the first signs of a downturn became apparent this time, Anshen+Allen principals and staff systematically reviewed the current practice using the following guidelines.

We start with the money – the item that may become in short supply.

Revenue. Attention to maximizing revenue from all sources is, obviously, essential. Have all projects been invoiced? Are clients still in a position to pay? (Sometimes the downturn hits your clients as hard as or harder than you). What will we do if our clients are having difficulty? Have we documented and billed all additional services? Have we billed all reimbursable expenses? In really bad situations – do we need liens? Although Anshen+Allen has never done this, some firms have used bill collectors.

Cash. Cash must be conserved. If we are to win in the battle for survival, then cash is ammunition. There are several simple practices a firm can consider and implement to maintain cash flow without taking drastic measures:

Determine what cash expenses can be deferred. It is often prudent to have a staff committee review the expenses list and prioritize. More often than not, one department’s priority may not equal the firm’s priority. The

prioritized list with staff buy-in helps mitigate dissent and fosters staff support and solidarity.

Evaluate what kind of support you can expect from your bank.

Determine what the cash infusion capabilities of the share holders are. Can they add more cash into the firm if needed? Can you expand shareholders and/or create a new stock vehicle for staff investors?

Consider invoicing bi-weekly instead of monthly.

Bill the largest invoices first.

Know when clients cut checks and establish an invoice schedule that coincides with their timing.

Consider whether or not your clients are willing and able to turn around invoices more expeditiously.

Do you retain earnings rather than distributing bonuses or profit sharing? Demand “cash/revenue” accountability from staff/shareholders (in good times we tend to let this slide).

Expenses. The mantra during economic downturns should always be “Cut, Cut, Cut”. If an expense is not absolutely essential to the firm’s operations, it must be eliminated or deferred. Ensure that staff are aware of cuts. While it can be a painful exercise, the following areas are often a good place to start when reducing expenses:

Eliminate as many consultant expenses as possible.

Limit overtime to Principal-approved activities only.

Do not fall behind with payroll taxes.

Rent. Review alternatives such as sublets. Consider allowing some staff to work from home.

Temporarily suspend any extraneous allowances like auto allowances.

Reduce travel to the bare minimum.

Eliminate extraneous conferences, seminars and associations.

Defer competitions and reduce printing costs whenever possible.

Defer, (if possible), IT upgrades, licenses and improvements. Research outsourcing some services – evaluate whether or not in-house is more cost-effective.

Use your staff as a resource for cost-saving ideas. They are very aware of waste and the younger generations, are very technologically savvy and can suggest ways to employ technology to cut waste.

Allow staff to “play”. It will provide a much needed relief that can produce more focus and drive.

Demand expense accountability from everyone!

Capital. A detailed review should be made of the capital requirements of the practice to assure an understanding of the minimum capital necessary to cover overhead. How much capital can be used to support non-revenue activities during the down turn in order to conserve the investment in and for the staff?

Staff. Sensitivity to staff's morale and well-being is an essential part of Anshen + Allen's culture. During financial crises, it becomes especially important to be aware of, and sympathetic to, staff members' economic hardships.

We once had a group that discovered a co-worker had just bought a house and could literally not afford a reduction in schedule or pay, so the others offered to make up the difference for the younger staff member. It is events such as these that remind us about the personal sacrifices made during a recession and it is events such as these that make the workplace environment worth being in.

Decisions have to be consistent, fair, and the impacts on families carefully considered. The burdens have to be borne by all. For example, if you intend to reduce the work week in order to conserve jobs, be aware this can be problematic as diligent workers may resent receiving the same treatment as "slackers". One alternative way to deal with this is to consider furloughs. Another option is to "loan" staff to other offices.

Other practices you can employ to increase staff morale and minimize the weight of their burdens, include:

Advise that staff take vacations now, during the downturn, so when the impending upturn occurs, staff are rested, revitalized and ready to work.
Encourage staff to teach. Seek appointments at local universities/colleges.
Implement pay cuts across the board with higher ratios borne by Principals. (And they need to go first in line).

Communication and Transparency. Communication about decisions is essential. Let staff know what was considered, what the factors were, how long it took to reach a decision. By doing this, you reaffirm that you value your staff and that every decision that affects their well-being was seriously considered; that decisions were not based on popularity or politics. Evaluations should be considered; let staff know you were trying to be fair. All Principals and staff deserve a consistent evaluation of performance.

Communicate often. In the absence of truth and frequent communication the rumor mill takes over. Communicate about the past and actions taken – but end every communication with the future – THE PLAN. Address rumors quickly and directly.

Arguments should happen only behind closed doors and once everyone leaves the room, there should be one clear vision and no whining. Public doubt and dissent by and amongst firm leaders only destabilizes staff and makes it more enticing for core staff members (who you want to keep) to leave the firm.

Share the numbers with the staff. Engage them in the truth and the problem. They have enormous intellect that you can harvest to be directed collaboratively at the problems the firm faces. Engage all staff in the issues to get the best ideas, and get buy in for changing behaviors. Our youngest generation comes equipped with incredibly new insights into ways of working and technology. Engage them, and prepare to be impressed. Although it's counterintuitive, when firms are busy and financially secure, everyone tends to stick to the status quo. It's during the slow downturns that firms benefit from the lack of business to reflect, change course, and improve practices.

Use this opportunity to focus on important internal activities:

- Update brochures and project data for analysis for future marketing.

- Update personnel intake and exit standards.

- Archive and consider digital formats (which may save you money).

- Get those research proposals out of the desk drawer and get them funded.

- Look at internal teaching and learning needs like 3D design essentials, marketing skills, BIM. Enhance the skills that we usually have no time to foster when we're so busy. In the off season great athletes keep training and they get stronger for the new season!

This is a key opportunity of an economic downturn, but in order to truly reap the benefits, all staff needs to be engaged in it. This is a job that is never done; it is always a work in progress.

Consider ALL Markets. Some of the best new ventures started during down times. . . out of necessity. So be aware existing market trends and the direction they're taking in the future. Ask yourself if you can attract new clients in the existing market. If not, are there new markets in which you can thrive? Can you leverage existing experience and skills to enter new markets that have current or longer term potential?

Ask staff to be involved. This is how Google keeps expanding market share – all levels of staff are openly and frequently engaged. Redefine what a client is.

In every case, you cannot afford to just wait it out and be complacent. Be proactive in evolving the firm. Not only will staff recognize the strong leadership and stick it out, but the industry will take notice of your ingenuity, and drive.

These are the best of times, and the worst of times. And it is essential to be forthcoming with that truth. Your staff may find the news disturbing but that's a perfectly appropriate response, and its okay as long as they feel their leaders are being truthful, and that they continue to trust and respect them. When the downtime ends – your reputation remains.