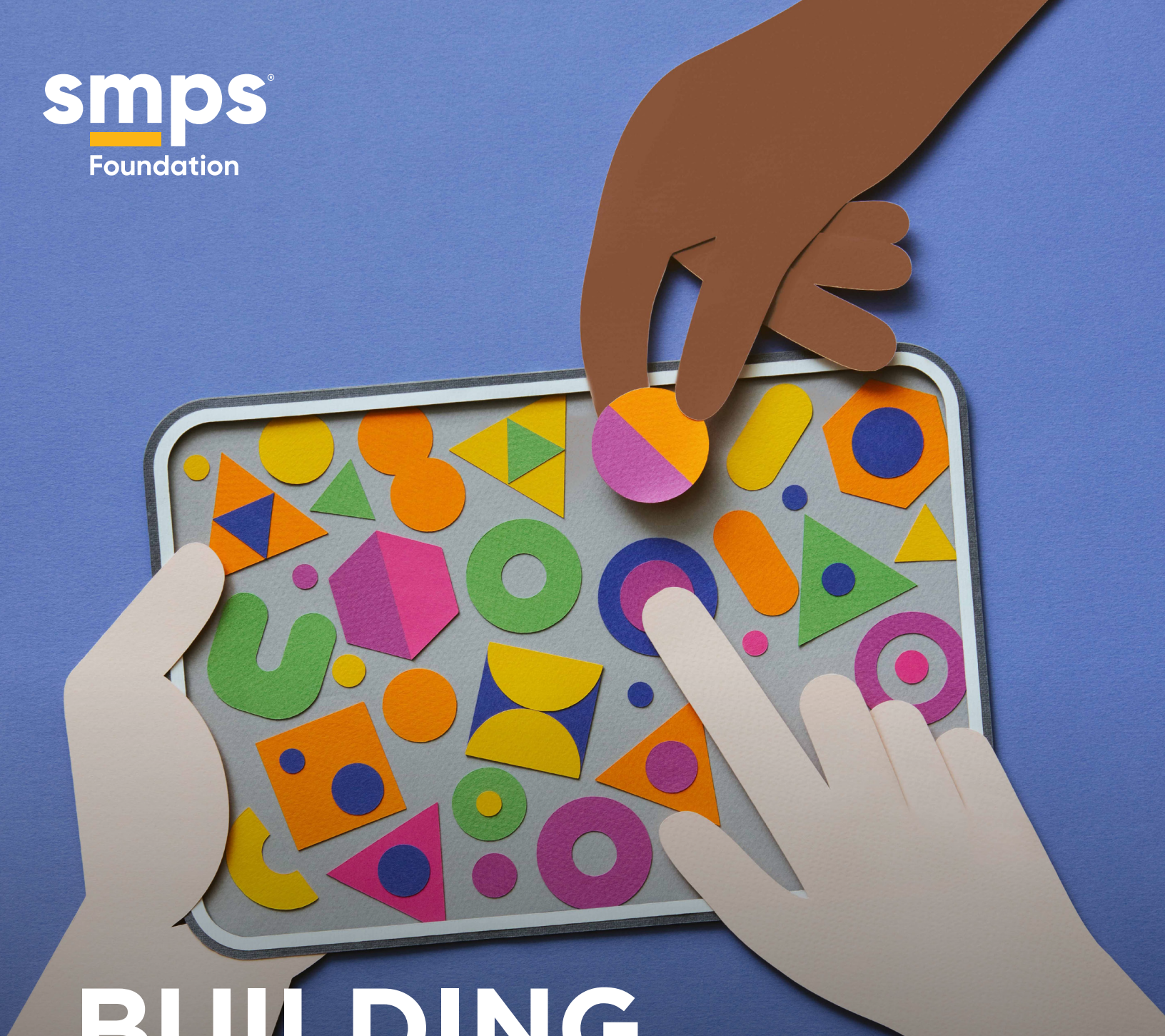
smps Foundation



BUILDING RESILIENCE

A/E/C's Path Beyond 2025

SMPS Foundation 2024 Industry Trends Report

Author: **Carla Johnson**, RE:Think Labs
Foundation Trustee Advisors: **Michele Raftery**, FSMPS, CPSM, WELL AP and **Sarah Kinard**

smps® Foundation

BUSINESS TRANSFORMED THROUGH MARKETING LEADERSHIP.

The mission of the SMPS Foundation is to deliver intelligence and insights for growth professionals and leaders to help them navigate trends, change, and business evolution in a highly competitive marketplace.

Society for Marketing Professional Services Foundation
625 N. Washington Street, Suite 302, Alexandria, VA 22314

www.smps.org/foundation

Author: Carla Johnson, RE:Think Labs

No longer is the status quo the sure bet. In today's world, standing still makes you a sitting duck. Disruption's inevitable. But if anyone's going to disrupt your company, shouldn't it be you? As the world's leading Innovation Architect, Carla Johnson has spent 20 years working with leaders, conducting research and authoring numerous books. She's developed frameworks that teach people how to redefine what innovation means to them, and then equips leaders to make innovation everybody's business. Carla's work at RE:Think Labs transforms organizations by fusing visionary creativity with pragmatic innovation strategies. The result is a culture that becomes a playground of limitless potential while also experiencing unprecedented alignment and growth. Learn more at www.carlajohnson.co.

©2024 by Society for Marketing Professional Services and the SMPS Foundation. SMPS is a registered service mark of the Society for Marketing Professional Services. All rights reserved. No part of this research report may be reprinted or reproduced or utilized in any form or by any electronic, mechanical or other means, now known or hereafter invented, including photocopying and recording, or in any information storage or retrieval system, without permission in writing from the Society for Marketing Professional Services (SMPS).

Image Credit: Cathy Hutchinson ("Sketch Notes" produced live at the trends roundtable on pages 2, 5, and 11)

BUILDING RESILIENCE

A/E/C's Path Beyond 2025

SMPS Foundation 2024 Industry Trends Report

This year, the SMPS Foundation undertook its first-ever A/E/C marketing and business development trends roundtable to assess where firm leaders believe the industry is headed and what to do now to prepare for change. The insights we received from the participants fueled this first-annual Industry Trends Report.

During the SMPS Amplify A/E/C annual conference in Salt Lake City, we gathered 75 firm leaders to investigate key issues surrounding the A/E/C profession, challenges, opportunities, and where the participants believe the profession is headed in the next three to five years. The results are a rare look into the urgent challenges facing leaders and how they expect to prioritize them in a constantly changing marketplace.

Inside

2 **2025 and Beyond: The Tipping Point**

3 **Workforce: Properly Fueling the Talent Pipeline**

6 **Technology: Adapting to Change**

7 **Sustainability: Responding to Shifting Landscapes**

9 **Strategy: Foresight in Action**

> This [industry trends roundtable] was more impactful than anything else I'll experience in other sessions."
>
> — 2024 Attendee

2025 AND BEYOND: THE TIPPING POINT

As we approach 2025, new challenges and opportunities mean business strategies and expectations continue to evolve. This makes the A/E/C industry's ability to adapt, collaborate, and respond with certainty and clarity more important than ever. In the midst of a changing workforce, technology disruption, and a morphing of what the practice looks like, the A/E/C industry now faces its own moment of truth.

Profound changes are refashioning the future of the A/E/C industry and posing formidable tests. Fundamental changes—such as hybrid work, technology's impact on processes and productivity, politics, economics, and the influx of outside investment—means we're at a tipping point: the way we've always done business will not be the way we'll continue to do it.

The purpose of the SMPS Foundation's first-ever Industry Trends Roundtable was to hear from A/E/C marketing and business development leaders, dive deep into their own experiences, and learn from their insights. Understanding that flux is now a constant, we also asked about experiments their firms have conducted to deal with change, and what they've learned in the process.

It's clear that A/E/C firms of all sizes and areas of the country face common hurdles. What varies is the degree and speed to which they impact strategy, and where they see their business going as a result.

In our conversations, we uncovered four trends with the greatest affect on the industry as we look to 2025 and beyond, which we'll explore in the following pages.

1. **Workforce:** Post-COVID work expectations, a multigenerational workforce, recruiting talent, transitioning leadership and client relationships to a younger generation, and skills, training, and mentorship.
2. **Technology:** What tech we adopt and how we use it, its impact on strategy, assumptions about outcomes, and client expectations.
3. **Sustainability:** Defining a strategy, its impact on marketing and business development efforts, meeting client expectations, and our commitment and challenges when it comes to implementation.
4. **Strategy:** How we document, communicate, prioritize, and measure our strategy, our process for transitioning firm ownership to a younger generation, and private equity involvement and impact.

WORKFORCE: PROPERLY FUELING THE TALENT PIPELINE

We're in the midst of planning for 2025, but to be honest, we're still dealing with the aftermath of 2020. Leaders grapple with post-COVID work expectations, blending multigenerational teams, and developing talent through training, upskilling, and mentorship. The Great Resignation, The Great Dropout, and "quiet quitting" are all affecting what 'work' looks like as we continue to witness its rapid pace of change.

When it comes to the challenges we face with today's workforce, the attitudes of owners and firm leaders set the tone for what everyone on staff believes is possible. Creating an aligned, clearly articulated vision of the firm's future makes it easier to make tough decisions about transition, quell feelings of entitlement, and makes it clear that longevity isn't the only path to seniority.

Many firm leaders fall into a traditional management mindset of a hierarchical structure. While quite goal oriented, they struggle to understand the priorities of mid- and early-career professionals who expect greater flexibility. Mid-career employees value advancement based on competence, rather than age or seniority on the job. Younger team members prioritize work that matters and an enriching workplace culture. With these competing dynamics in place, proper alignment requires a clear understand of the firm's vision and a belief that each person's contributions are valued.

There isn't a single blueprint of how to navigate this new culture of transition, particularly since expectations around technology and how to use it have skyrocketed. Each firm's journey will have their own unique fingerprint. The elephant in the room, however, is that unless leaders want to close their doors, merge, be acquired, or consider selling to a private equity firm, they must address the undeniable pressure of generational transition.

This is the lens through which we must look as we evaluate what it takes to attract, retain, and elevate employees, and create an aligned, multigenerational workforce that values what each brings to the table.

Attracting workers

Perhaps the biggest struggle for the A/E/C industry is attracting people to—and keeping them in—the industry.

One roundtable participant noted that there aren't enough people in the industry to address the challenges that government and business face. For example, clients' attention is shifting from water to power, and the number of data centers that draw incredible amounts of power needs to be addressed.

The participant pointed out that 40% of the construction leadership will meet retirement age within three to five years. This includes all trades for construction as well. Research from Jobsite confirms this number[1] and states that by 2031, the construction industry will look significantly different. Leaders should ask themselves whether we have missed an opportunity to recruit top-tier technical professionals into the A/E/C workforce. The pool of potential employee candidates continues to shrink, while the size of projects continues to grow and become more complex. That creates a drastically different picture for the kind of person firms are looking to attract.

Another posed a bold question: Do we need to maintain the same educational requirements as in the past? It isn't just the industry asking the question, many young people are reevaluating what higher education looks like for them. A poll by the Educational Credit Management Corporation (ECMC) suggests that teens are beginning to question a four-year degree as the post-high school default. A full 86% of surveyed teens say while they feel pressure from family, parents, and society to attend a four-year degree program, 58% believe a vocational education makes more sense.[2] What does this mean for college recruiting into the A/E/C industry? We'll take a closer look in the Strategy section.

Where we work

Remote work, once considered a novelty, has now become an integral part of how A/E/C firms execute projects. Roundtable participants noted that with the challenge in finding and hiring candidates, remote and hybrid work offers several advantages. First is a much larger pool of talent. When geography no longer poses a barrier, firms can recruit top talent from anywhere. This helps to staff projects with diverse and specialized expertise.

Second, there are cost savings. Foregoing an office altogether or needing a smaller footprint reduces overhead expenses, which firms can save or reallocate to other areas of the business. Last, it offers greater flexibility and work-life balance. Participants pointed out that this leads to the potential of employees having greater control over their schedule and personal commitments, which leads to increased job satisfaction and productivity.

The downside includes challenging communications when teams aren't face-to-face. Misunderstandings can arise, which leads to errors and delays. Roundtable participants noted that technology can help communication *if* leaders are willing to

1 *The Next Generation Is Ready To Work* – Go Get Them, Jobsite, June 21, 2023.

2 *Four-Year College Has Lost Its Luster Among Teens; Less Than Half Considering a Four-Year Degree or Believe One Is Necessary for Success*, ECMC Group, November 9, 2021.

make the proper investment and not allow the tech to become a barrier to communication itself.

Another common hiccup is security, especially when it comes to sensitive project data and even intellectual property. It's easy to claim that cybersecurity is important for the tech industry, but there's no denying it's a critical element for A/E/C firms. Dealing with errors in login credentials, providing remote access to important project details, and getting the right credentials to make sure work is done on time can make the balance between productivity and security feel like a tilt-a-whirl.

Who we work with

A common and vocal concern across firms of all sizes from the roundtable revolved around integrating the generations. As the workforce shifts and more Baby Boomers look to retire, bringing younger workers into important conversations and mentoring them into new roles is important for employee retention and growth, but it's imperative for business continuity.

It's not just about experienced workers passing along 'the way we do it,' but rather opening up conversations to build relationships between team members and clients. As generations have the opportunity to work together in multiple contexts – business development, project management, client relationships, firm management – younger workers get an early holistic understanding of the profession and a clearer picture of where they would like to go with their careers.

Several participants mentioned the power of bi-directional mentorship. In a traditional mentoring relationship, experienced team members teach younger staff the ropes, intending to have them carry on with legacy processes. With bi-directional mentorship, younger team members flip the script and take turns teaching longer-term professionals about shifts in technology, social media, communication styles, and team collaboration, among other topics.

How we learn to work

"Where do I go from here?"

It's a common question for those entering the A/E/C profession. Roundtable participants were clear in their opinions in that it's difficult to attract talented professionals into the industry, much less retain them, without a clear career path. With competition from higher-profile organizations, such as fast-paced tech companies and high-paying consulting agencies, investing in learning and development can be a critical differentiator. The key is making it clear that there's a well-defined plan for how learning applies to work and how it helps grow a person's long-term career goals.

While workshops, conferences, on-the-job training, and certifications may feel like a budget and time squeeze, they're becoming critical to business strategy due to labor shortages. In fact, a recent Gallup report pointed out that organizations that make a strategic investment in employee development experience 11% higher profitability and are twice as likely to retain their employees.[3]

> **Constant learning – driven by both workers and organizations – will be central to the future of work, extending far beyond the traditional definition of learning and development."**
>
> — Jean-Marc Laouchez, president of the Korn Ferry Institute

SMPS Foundation Recommendations:

- The difficult reality is that it's hard to win work without team members who have worked together on applicable projects. By starting with a 'win work' approach, marketing and business development professionals can illustrate that transitioning ownership of projects and client relationships isn't something that can be put off until tomorrow. Rather, it's a critical element of winning work today.
- Review selection criteria at the federal, state, and local levels. Higher governmental organizations require proof of experience of team members working together, including firms and their subconsultants. While your firm may not be actively pursuing work in these areas now, without foresight in planning and staffing, you clearly will never be a contender.
- Competition for great team members isn't just an industry challenge. Companies outside the A/E/C industry have their eye on eager young talent and invest in higher salaries and ample benefits. This is your real competition. Evaluate companies who win new recruits away from you and compare what they offer to that of your firm. Clients award work to firms they believe can get the job done. Make sure you're perceived in that light.

3 *Improve Work Performance With a Focus on Employee Development*, Gallup

Calculated Risks: Why Businesses Must Invest in Experimentation

These days, many companies are experimenting with ways they can boost their growth and performance. Why? The market's tough and tech is changing faster than even a fortune teller can predict. Keeping pace with change is table stakes. But it's time to elevate the importance of running experiments in order to outmaneuver your competition and stay relevant in any environment.

Some experiments work the first time. Others need iteration to realize their potential. When ideas don't work out the way we planned, it's best to discover this in a low-risk environment, make small-scale adjustments, and try again. There's plenty we can gain through trial, error, input, and reflection that doesn't require us to stop all other work or break the bank.

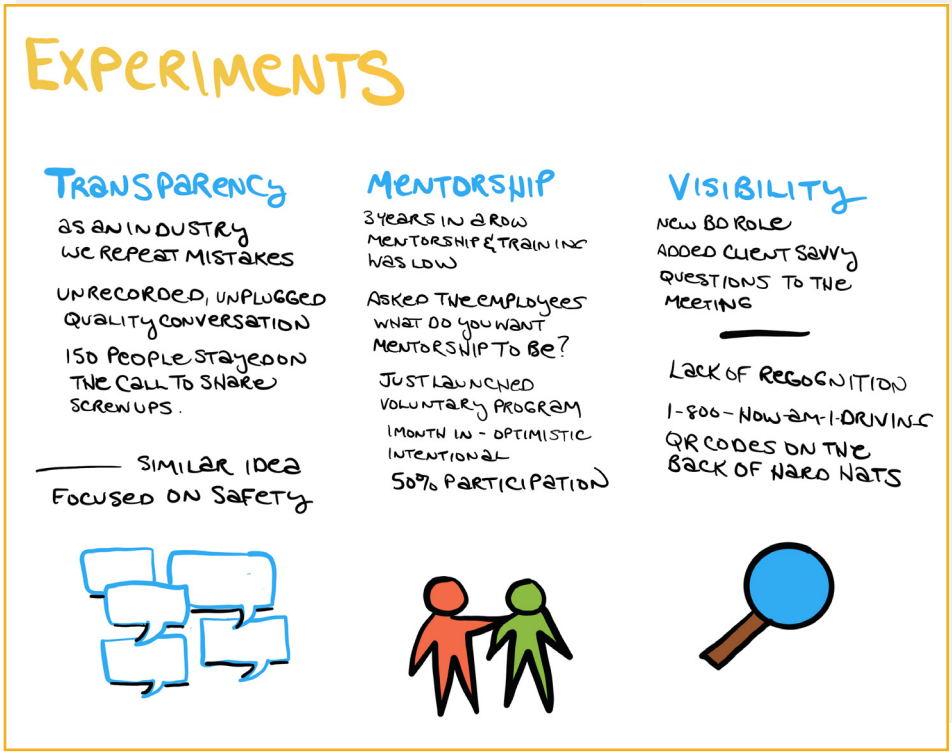
Following are some examples that A/E/C leaders shared during our Industry Trends Roundtable.

An engineering firm launched a content marketing experiment that helped potential clients determine if they should keep a specific asset in their existing structure. The assessment was based on the firm's expertise and led potential clients through self-evaluation. Industry associations picked up on the campaign, which not only led to inquiries, but also new work.

An on-the-spot employee recognition program involved QR code stickers on the back of hard hats. Others could scan the code and immediately submit recognition for the employee, similar to a 1-800 number on a vehicle to recognize good driver behavior. While initially popular, interest in the program faded because no one championed it. The firm considered it a success because it was an easy-to-use way for anyone to recognize a fellow worker. They plan to revisit it and evaluate ways to make it more sustainable.

Motivated by a desire to improve learning and share insights across the company, a construction firm tested a quality 'unplugged' program. The purpose was to openly share things that hadn't gone as planned, what was repeated because learnings weren't shared with other locations, and how teams resolved these issues. On a call with 150 participants, one of the firm's vice presidents created a safe space and encouraged everyone to tell their own stories. The firm's leader led by example and began the conversation by talking about their mistakes and what they learned from them, leading to better outcomes. Because the executive was willing to be the first one to show vulnerability and admit mistakes, others on the call quickly shared their own experiences. The result was rapid learning that immediately helped other team members avoid missteps, and understand how to deal with those that happened more effectively.

An architecture firm onboarded a new customer relationship management (CRM) system. The test sought to address the issue of employees putting billable time on nonbillable projects. Leadership bought into the new process and IT integrated it with the accounting system for accurate tracking. The challenge came when people tried to circumvent the new protocol. Realizing this detail, the firm now has built-in quarterly check-ins and reports to help with accountability. In hindsight, the team learned it would have helped to have an education session to teach people about the new processes, have more realistic expectations about deadlines, and set expectations for everyone involved and adhere to them.



TECHNOLOGY: ADAPTING TO CHANGE

As technologies such as AI, predictive analytics, and BIM automate and streamline business, A/E/C leaders must be open to tech's role in bringing greater capacity and value to our work. An intelligent, forward-looking response to the industry's rapidly-evolving expectations can strengthen its visibility and viability.

Digital transformation is rapidly reshaping industries around the world. For the A/E/C industry, which features intricate processes and multidisciplinary operations, the promise of digital transformation isn't just about new tools; it's about revolutionizing the way that work gets done.

A/E/C firms have historically been seen as hyper-traditional and resistant to rapid change. But now we're on the cusp of a monumental shift. While this presents industry leaders with a wealth of opportunities, it also comes with its fair share of challenges.

What are firms searching for in their technology strategy? It depends on who you ask.

Strategy first

A common theme during roundtable conversations is the concern over adopting new technologies—especially AI— simply for the sake of adoption. Several participants expressed remorse for their firm's tendency to fall for 'shiny object syndrome' with technology (buying what's new for the sake of buying it without a clear strategy for how it will support the business, how to implement and integrate it, and how to train staff).

The pandemic forced many firms to innovate and adopt technologies out of desperation. It became blatantly obvious to decision-makers that the A/E/C industry needed to embrace technology and all it could offer. However, matching concrete needs with the lure of possibilities that tech offers hasn't been a clear path.

Without a thoughtful, cohesive technology strategy, some roundtable participants feel their firms throw money at a problem they don't fully understand, and try to address it with a solution that's perpetually in motion.

Digital transformation and AI

Imagine a world where designs are optimized in real time based on environmental data, predictive maintenance can preemptively identify and resolve issues before they escalate, and resources—both human and material—are aligned with impressive precision. These are the realities being shaped through digital transformation, supported by AI.

However, like all transformation journeys, the digital transformation path is non-linear and challenging. There's a great divide between firms that have dived headfirst into digital transformation and AI, and those still leery and risk-adverse.

Every firm struggles to keep pace with constantly changing circumstances. Leaders grapple with identifying the right strategies, driving top-line revenue growth, attracting high-quality talent, ensuring alignment between resource availability and workloads, delivering improved training, and adapting to new modes of work, especially in a hybrid environment.

Roundtable participants openly recognized that technology is an enabler for change, forcing them to rethink how they work and use technology. The group shared robust conversations about areas of the business where they see the greatest impact.

Firm strategy

The group shared specific questions for leaders to consider when they evaluate using AI in their firm:

- What do we think AI can do for us?
- Where have we already successfully used AI?
- What other areas of our business could benefit from AI and why? For example, cost savings, creativity, predictive communications, etc.
- What would we like AI to do for us that it isn't already doing?
- Which areas of risk are too big for us to consider using AI?

These questions will help executives identify low-hanging fruit where AI can be immediately implemented in any areas that need to be tested and give greater consideration to the risks involved. They can also establish the 'no-fly zones' where using AI is too risky compared with the potential positive outcomes. By considering these prompts, leaders can establish safe boundaries for using the technology.

> According to HR Firm Trinet, **91% of Gen Z** say technological sophistication will impact their interest in an employer.[4]

4 *Here Comes Generation Z: What Businesses Need to Know Now to Prepare for the Next Generation of Work*

Marketing and business development. Clients expect firms to keep pace with modern technology, but how do you tell that story so clients better understand how it benefits them? Technology also enables these teams to build deeper relationships with current and prospective clients through consistent, personalized, automated email outreach, education from a measurable content marketing program, and helping technical staff be more aware and respond quicker to what clients say they need. What's *their* driver for this project?

Quality assurance. There's much to be gained by implementing AR, VR, and AI technologies in this business area. It can optimize building design, construction processes, and resource management through advanced algorithms.

One attendee mentioned using AR to walk a client through a project during construction. The firm's employees scanned QR codes in various project areas, which were tied to a BIM model. When scanned, the AR technology recognized where they were in the room and identified issues that needed to be addressed. This gave the entire team real-time checks without needing an on-site inspection.

Several roundtable participants expressed concern about too much dependence on technology and the associated risks. For example, if an engineer uses AI during design and chooses to sign off on the drawing, that puts their license on the line. Are we willing to hand that much control over to AI? While it's valuable in the quality control space, it's clear that there's still a great need to use it without close human involvement. Participants believe that the place to start using AI is with initial evaluations or quality checks of designs.

Today, AI functions best within the context of set guidelines, standards, and well-defined boundaries. This, too, is a critical element of the overall strategy A/E/C leaders clearly identify—where and in what specific situations will it be used, and perhaps more importantly, when it will *not* be used.

Trained staff

One of the greatest challenges with implementing BIM is the lack of qualified staff. Educational institutions don't properly prepare graduates, and they're ill-equipped to use it on the job. Like BIM, firms fear that adopting more technology, especially AI, will be a slow, painful process that leads to errors and inefficiencies—something that few firms can afford to risk.

For smaller firms, the upskilling process is often left to staff members to take on outside their normal work hours and not as part of their regular workload. This leaves the opportunity up to fewer employees, who are then often recruited by bigger firms with higher salaries.

On the flip side, will the next generation of employees who grow up with AI be too dependent on it to do tasks for them? Roundtable participants posed the question: Will AI and other technologies make younger workers less knowledgeable about the needs of the profession and overly dependent on technology?

While adopting new and constantly changing technologies can feel risky, the true question A/E/C leaders need to ask themselves is this: What risk do we face by standing still?

SMPS Foundation Recommendations:

- Assess the impact of emerging technologies and trends on workplace quality, efficiency, connection, productivity, and training and development. Firm leaders will inevitably ask the cost of investment in new technologies. However, marketing and business development professionals must also be prepared to press the issue of the cost and consequences of inaction.
- Clearly define your team and department's gaps, determine the priority to address them based on your overall strategy and budget, and then evaluate which (if any) technologies support your top initiatives. Consider how each technology can contribute to the firm's greater objectives and revenue goals.
- Enhance your competitive differentiation in RFPs by talking about an ecosystem of technology (i.e. AI, VR/AR, drones, BIM, CRM, etc.). This allows your firm to describe the types and combinations of interactions and experiences that bring value to clients based on your specific strengths without feeling the pressure to over invest.

SUSTAINABILITY: RESPONDING TO SHIFTING LANDSCAPES

Net-zero, carbon emissions, embodied carbon, resilient buildings, biophilic design, and circular economy. The A/E/C industry urgently needs to adapt to ever-evolving sustainability demands. Firms must develop comprehensive strategies that address environmental concerns while also informing marketing and business development efforts. Clients need help determining how to meet targets in order to release funding or regulatory compliance. Communities expect a genuine commitment to sustainability. However, implementing such strategies often challenges firms to balance their sustainability goals with practical constraints and financial considerations.

Raging fires, extreme heat, and water shortages. Climate change is raising sea levels, increasing extreme weather events, and causing resource scarcity, all of which directly impacting the built environment. According to a 2022 statistic reported by the UN Environment Programme Global Alliance for Buildings and Construction, buildings contribute 37% to carbon dioxide emissions globally.[5]

5 *Beyond foundations: Mainstreaming sustainable solutions to cut emissions from the buildings sector*, UN Environment Programme, 2024.

In 2020, the Urban Land Institute launched its Net Zero Carbon Operations by 2050 Goal. The program seeks to create a building portfolio with net zero carbon emissions by 2050, and align with the Paris Agreement and the Intergovernmental Panel on Climate Change's recommendation to limit global warming to 1.5° Celsius.

In its *State of Green*, a Greenprint Performance Report, ULI points out many factors have strengthened the business case on climate action, even moving into global momentum.[6] These range from government regulations, investor and tenant demands, new sources of capital and financial incentives, and physical and transitional climate risks.

The approach has evolved into a whole-industry effort: The construction supply chain has begun to create lower-carbon materials and adopt environmental product declarations (EPDs) to communicate a material's relative amount of embodied carbon. Developers work with architects and engineers to analyze the entire life cycle of various building design and materials so they can understand their environmental impact. Governments are rolling out policies for embodied-carbon reductions. It's certain that more is on the way.

Despite our best efforts, the A/E/C industry is falling short of meeting sustainability and emissions goals. Not only those noted above, but also the AIA 2030 Commitment, which is only six years away. These sobering realities emphasize the importance and impact of traditional building design and construction approaches.

Defining a strategy

Government regulations create baseline sustainability practices for building performance, energy efficiency, and the environmental impact of new construction and major renovations. Some communities offer tax breaks, grants, or faster permitting processes to encourage clients and their firms to invest in sustainable building practices voluntarily.

Roundtable participants pointed out that commitments to sustainability and how regulations and environmental initiatives are met vary by firm. These aspects differ by firm size, industry, and geography. Not every firm will have the resources to dedicate to sustainable practices—either internally or on the job.

Without reservation, the group agreed that the first step is for firms to define what sustainability means to their teams and how and where they intend to position their firm in the greater conversation.

Communication and commitment

The group agreed that, in our environmentally conscious world, defining a comprehensive sustainability strategy is table stakes for A/E/C firms when it comes to marketing and business development. This strategy shouldn't just include the firm's approach to sustainable design and construction but also how it operates internally and influences the broader industry.

As clients increasingly prioritize environmental considerations during firm selection, a strong sustainability focus can be the key differentiator in winning new business. A/E/C firms can leverage their sustainability strategy to:

1. Attract environmentally conscious clients, if that is an important business objective.
2. Showcase innovative thinking in their sustainable projects in marketing materials.
3. Position the firm as a thought leader and industry influencer through whitepapers and speaking engagements.
4. Enhance the firm's reputation and the perceived value of its expertise to clients.

> **The need to take action has never been greater: about 60 percent of the buildings that will exist by 2050 have not been built yet, and 20 percent of existing building stock needs to be renovated to zero-carbon-ready by 2030."**
>
> — Dechen Tsering, Director, Climate Change Division, UN Global Alliance for Buildings and Construction

However, roundtable attendees made it clear that the true test of a sustainability strategy lies in the firm's commitment to implementation, especially in the face of the challenges that will naturally come. This pledge must

6 https://americas.uli.org/research/centers-initiatives/uli-randall-lewis-center-for-sustainability-in-real-estate/uligreenprint/membership/greenprint-performance-report/

start at the top and permeate through all firm levels and, ideally, associated partners. This involves:

1. Dedicating resources for sustainability initiatives
2. Investing in employee training and development
3. Establishing clear sustainability goals and KPIs, and reporting them publicly
4. Regularly communicating progress and challenges

SMPS Foundation Recommendations:

- One of the most powerful marketing and business development approaches available is helping clients and communities navigate sustainability requirements. In the quagmire of confusion lies great opportunity for A/E/C firms to establish themselves as thought leaders in how to think about, plan, and address these issues. Creating reference content, such as research and thought leadership available through webinars or on-demand learning, and client education sessions. Designated on-staff experts can enable a longer runway for firms to build trusted relationships early.
- Tell your firm's sustainability journey story. Clients, communities, and perspective employees want to know that you 'walk the talk' and have worked through the same stressors as they have to meet the same sustainability metric requirements.
- Develop a robust measurement and reporting framework. This allows you to track progress, identify areas for improvement, and publicly communicate progress on sustainability practices.

STRATEGY: FORESIGHT IN ACTION

A/E/C firms face increasing pressure to develop robust, forward-thinking strategies that anticipate lurking uncertainties and veiled opportunities. Leaders must also effectively establish buy-in to communicate and establish support of these visions with/for their employees, ensuring alignment and commitment across all levels. Prioritizing long-term strategic goals against daily demands requires a steadfast commitment from leadership and measurable benchmarks to track progress and maintain focus. To top it off, firms must address succession planning, ownership transition, and the growing influence of private equity firms on industry dynamics and financial structures.

With all the challenges and elements in flux in the A/E/C industry, the biggest obstacle may be developing a thoughtful strategy that firm leaders agree with and all will adhere to.

In previous sections, we covered challenges related to recruiting young talent and keeping them trained on emerging technologies, the need to develop a cohesive technology strategy, and developing and committing to a sustainability strategy. But there's more on A/E/C firm leaders' plates than just this. There's the business itself.

The question that continually surfaced with each of the other three trends is this: What's our strategy?

Setting your north star

An overarching business strategy is vital for A/E/C firms to thrive in our complex, evolving industry, yet few participants said their firm had a clear strategy. Even more frustrating, those who *did* have a clear strategy did not effectively communicate it firm-wide or report on its progress.

A well-defined, consistently communicated strategy allows employees to make smart resource decisions and create the right investments in talent, technology, and innovative approaches to work. It also lets people adapt quicker to industry changes when they know the direction the firm wants to take. A well-defined strategy shapes client relationships and drives operational efficiency.

A documented strategy informs risk management, innovation efforts, and sustainability initiatives. It provides continuity during leadership transitions and enhances financial performance. Without an intentional strategy, A/E/C firms risk being reactive, potentially missing growth opportunities, and struggling to stand out in a competitive landscape.

Firm positioning

Historically, A/E/C leaders haven't invested in positioning their firms as strong, easily recognized names in the industry. Instead, marketing and business development efforts focus on winning projects and repeat business.

However, as markets become more complex, roundtable attendees pointed out that winning work and being perceived as a strong market leader requires differentiation in a sea of sameness. This begins with how the firm is positioned, how employees are perceived and looked to as experts, and to what degree the company becomes "one to watch" as a *business* leader, not just an *industry* leader.

Attendees pointed out that because marketing touches so many portions of the business, investing in marketing on par with other industries has become crucial. According to Deloitte, that amount is 13.6% of a company's total budget in 2023.[7]

7 *The Spring 2024 CMO Survey Insights*, Deloitte.

When looking at extending the firm's reputation, attendees shared examples of how the reputation of individuals elevated the company's influence, particularly on LinkedIn. While we normally think of TikTok as the platform where content goes viral, several roundtable participants shared experiences of how that happened on LinkedIn through a strategic communications plan aimed at content by individual employees, which subsequently elevated the firm's prominence.

One participant pointed out that the way potential clients find them has shifted dramatically in the last five years. Previously, word of mouth and referrals from existing clients made up the bulk of in-bound requests, supplemented by traditional RFPs. Now, however, firms receive an increasing number of requests that started with online search or outcomes of strategic digital marketing.

> **Are we revenue-producing busy, or busy for business's sake?"**
>
> — Industry Roundtable Participant

Leadership transition

As noted earlier in the workforce section, leadership transition is a hurdle for business continuity as well as winning business today. Leaders struggle to address the expectations of senior staff members who may feel entitled to a corner office because of the years they've invested with the firm. However, younger staff members feel frustrated by these perceived hurdles in advancing their own career.

Roundtable participants repeatedly asked the question: Is waiting it out the only option for ambitious younger team members to advance their career? And if so, what needs to change so that industry outsiders don't recruit highly talented employees away? Attendees shared stories of their firm's experiences in the changing dynamics of business succession.

While employees previously expected the baton pass to occur when the senior leaders reached 60, some leaders stay with their firms longer. This means new leadership is delayed by several years. In other cases, the cost of younger generations buying into the firm requires a longer runway. While younger generations are optimistic about the opportunity, few have the capital to invest.

Along with leadership transition comes knowledge, resources, project, and client relationships. The process is slow, especially for bigger firms that work on complex projects. Sometimes, larger firms buy smaller ones because the latter can't move succession forward with the associated capital costs.

Technology

According to research by Oxford Economics, at $12 trillion in 2023, the A/E/C sector is one of the largest in the world. But historically, it's been among the slowest to digitize and innovate.[8]

As mentioned, A/E/C firms need a clearly defined technology strategy that supports the business's overall objectives. Roundtable participants lamented the number of tech purchases that didn't integrate with existing systems, overlapped existing platforms, or were so closely held by IT that usefulness became questionable.

In addition, participants felt the squeeze of being left behind other industries when it came to technology and the opportunities it provides. This was particularly true with marketing and business development efforts and the ability to create long-term relationships with clients, associations, experts, and the industries they served in general.

Outside investment

Two words made the roundtable room tense with anticipation: Private equity.

The A/E/C industry captured the attention of private equity firms for several reasons. First, firms generate a high return on invested capital. They also have trusted relationships with their clients, which can be leveraged to sell something else. Not only is the industry ripe for consolidation, but A/E/C firms can successfully grow through acquisition. A/E/C firms rarely fail or go out of business completely as an industry, and with the public sentiment that more investment needs to be made in public infrastructure, there's a long road of demand ahead.

Several attendees had been part of an Employee Stock Ownership Plan (ESOP), which, as recently as 2018, accounted for almost 75% of all A/E/C industry acquisitions that year. With the influx of private equity firms, that number quickly and drastically dropped, and by 2021 it had bottomed out at just under 50%. In 2022, private equity M&A transactions accounted for one-third of AE and environmental firm deals in 2022.[9]

The narrative behind private equity firms is that A/E/C leaders are capable of running their firms, and the private equity firms aim to collaborate to assist these A/E/C leaders in realizing their vision. However, the general experience that roundtable participants had with private equity was negative. A/E/C leaders struggled due to the short-term focus of private equity and the subsequent loss of autonomy and control. Investors' restructurings often entailed unreasonable performance criteria that did not consider what makes the A/E/C industry successful: its focus on service and relationships.

---

8 *From start-up to scale-up: Accelerating growth in construction technology*, McKinsey, May 2023.

9 *2022 AE industry M&A: Year-in-Review and Look Ahead*, Morrissey Goodale

> **Smart companies will make themselves more attractive not solely by paying higher salaries, but also by offering employees an opportunity to make a meaningful impact."**
>
> — Jordan Turner, *6 Ways the Workplace Will Change in the Next 10 Years*, Gartner[10]

SMPS Foundation Recommendations

- Realize that an over-arching firm strategy is the highest priority, with approaches for all other areas of the business – workforce, technology, sustainability, and others – directed toward supporting the larger direction. Having this in place is key for establishing marketing and business development priorities.
- The number one challenge to business continuity is not having a plan for leadership transition. This isn't just an internal problem: This affects a firm's viability with government opportunities in that proving a team's track record of working together takes time to build. In order to prepare for the inevitable question of leadership transition, marketing and business development teams must push the uncomfortable conversation of how this takes place.
- While outside investment can appeal to many firm leaders, understand the full picture of what's involved and how it affects your long-term vision. How is private equity perceived by clients? And what is the historical client experience in working with private equity-owned firms? While the opportunity may feel hard to resist, it's important to understand the long-term impact on winning business.

10 Gartner: "*6 Ways the Workplace Will Change in the Next 10 Years*," July 6, 2022.

About the Society for Marketing Professional Services

BUSINESS TRANSFORMED THROUGH MARKETING LEADERSHIP.

The Society for Marketing Professional Services (SMPS) is the only organization dedicated to creating business opportunities in the A/E/C industries. With more than 7,000 members, SMPS provides leadership and professional development programs, industry research, business-building events, and vital marketing resources. Through SMPS, A/E/C professionals in North America tap into powerful networks to form project teams, secure business referrals and intelligence, and benchmark performance. The Society is committed to validating the practice of marketing and business development as essential to the success of all professional services firms. To learn more, visit **smps.org**.

The SMPS Foundation is a not-for-profit 501(c)(3) organization established by the Society for Marketing Professional Services (SMPS) to deliver intelligence and insights. The SMPS Foundation is funded by donations and is underwritten by SMPS. Gifts by U.S. citizens may be tax-deductible for charitable purposes. To learn more, visit **smpsfoundation.org**.

Don't miss the opportunity to bring valuable insights to your organization—reach out today to have a Foundation representative speak at your next event!

WRITE
625 N. Washington Street
Suite 302
Alexandria, VA 22314

CALL
703.549.6117

EMAIL
foundation@smps.org

VISIT
smps.org
smps.org/foundation

smps® Foundation

Copyright © 2024 Society for Marketing Professional Services