



# Desmone's Strategic Plan

Plan Developed: April 2009

Visionary Year: EOY 2016

Last Update: 1 August 2014

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# Objective & Description

- The Strategic Plan was developed by and represents the consensus of the owners and employees of Desmone Architects.
- The Plan serves as both guide and record of our firm's continued growth and improvement.
- This is a living document that will change and develop concurrently with our firm's strategic objectives.
- All firm initiatives and employee actions shall be executed in consideration of the ideals and objectives set forth herein.

# Desmone Architects: Core Values

- Open Culture
- Profitability
- Communication
- Sense of Urgency (Commitment)
- Staff Development
- Quality Clients
- Unwavering Commitment to Quality
- Thought Leadership
- Fun
- Flexibility; Work/ Life Balance
- Creative Freedom
- Trust

# Desmone Architects: Our Vision

Imagine, by 2016, a leading Pittsburgh-based architecture and interiors firm, with 31 FTE employees generating \$6.7M in gross revenue with a 20% profit margin, that is team-oriented with an enviable image and reputation as the most sought-after firm in our region for clients and employees alike.

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# Our Current and Future Purpose

**We will transition from a Business-Centered Practice (BCP) to a Practice-Centered Business (PCB), which will allow us to differentiate our services based on strong project delivery and quality design.**

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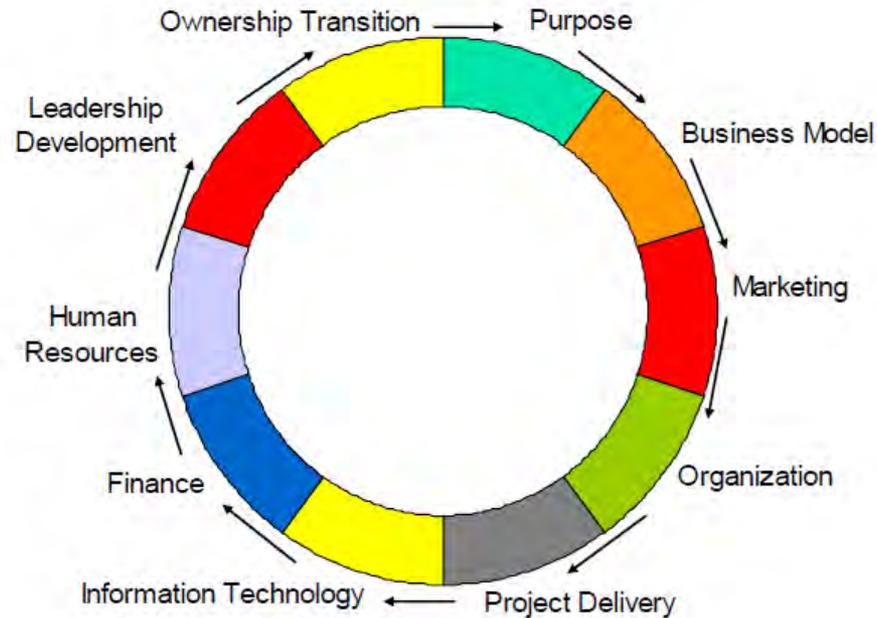
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# Our Vision for EOY 2016

**2013:** \$3.5M in gross revenue, 25 FTE (actual: \$4.1M)  
**2014:** \$4.2M in gross revenue, 28 FTE  
**2015:** \$5.5M in gross revenue, 31 FTE  
**2016:** \$6.7M in gross revenue, 35 FTE

# The Business Continuum



# Component Prioritization

<i>Component</i>	<i>Status</i>
1. Marketing, Sales & Bus. Dev.	Active Focus
2. Organization	<b>Complete</b>
3. Ownership Transition	<b>Complete</b>
4. Project Delivery/Management	Active Focus
5. Information Technology	Active Focus
6. Business Model	Future Effort
7. Leadership Development	Active Focus
8. Finance	Future Effort
9. Human Resources	Future Effort

# Marketing, Sales & Business Development

We will become the firm of choice for clients we seek to serve. We value our internal and external relationships and work hard to honor and preserve them.

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# Marketing, Sales & Achievements

- Overhaul of CRM database
- Streamlining of Opportunity and Proposal tracking through Vision
- Hiring of full-time Director of Business Development
- Hiring of full-time Director of Marketing
- Increased social media presence through Facebook, Twitter, Pinterest, LinkedIn
- Fully redesigned website
- Redesigned project profile sheets
- Defined focus markets and established market champions

# Our Quality Client Criteria

- Recognizes value and is willing to pay for it; does not beat down our fee
- Interested in good design
- Offers profitable work
- Pays on time per the agreement
- Offers repeat work
- Sets reasonable expectations
- They promote and recommend us
- They are experienced, understand what a project is and what our processes are, and they are educated
- They are decisive
- Financially sound

# Desmone Architects: Organization

In 2009, we clarified our organizational structure to better understand our roles, reporting relationships, and performance expectations in order to improve the manner in which we serve our clients and provide growth opportunities for our people.

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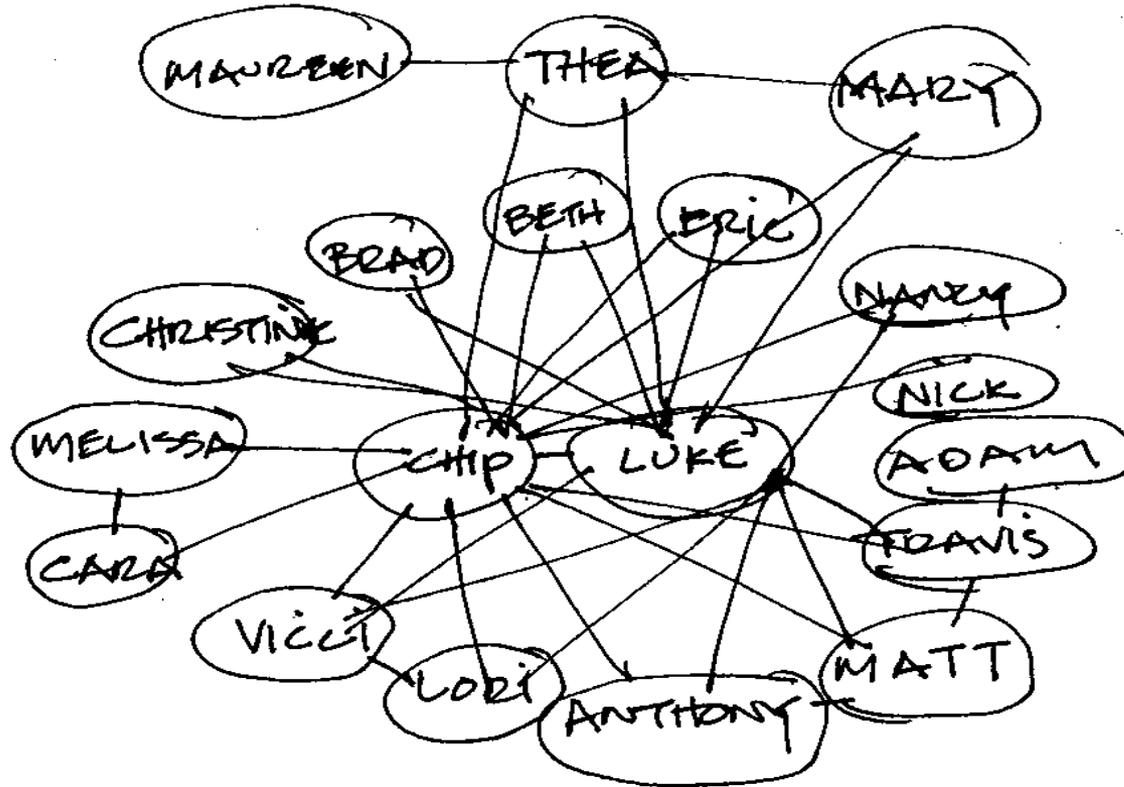
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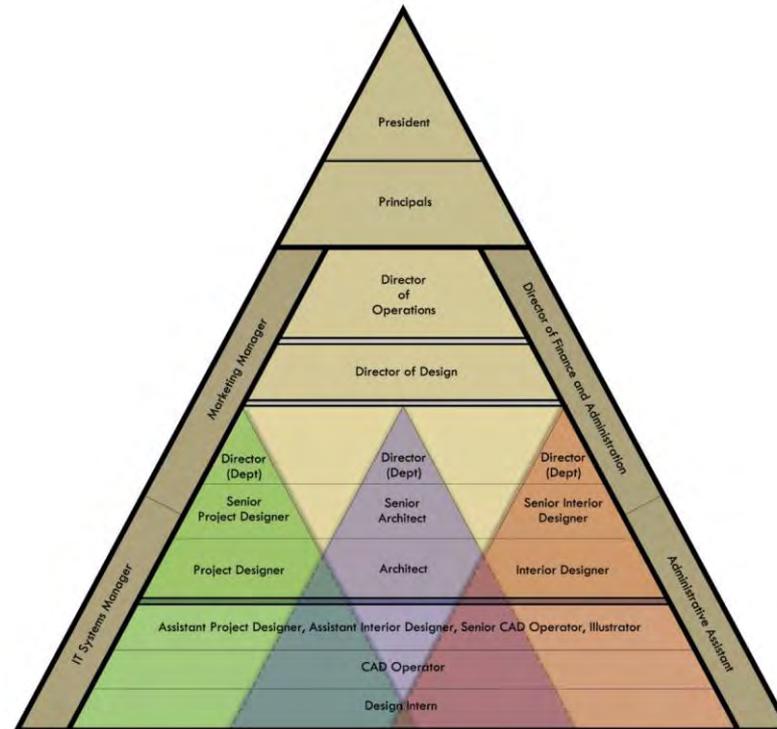
# Organization Achievements

- Implemented a project staffing/resource allocation system: Project Planning in Vision (2009)
- Defined individuals responsibilities /accountabilities by creating and assigning job descriptions (2009)
- Established a firm-wide organizational chart and authority matrix (2009)
- Created the *Staff Organization Manual*, identifying position descriptions and project role descriptions (2009)
- Transitioned from a “horizontal” organization to a “tiered” organization capable of achieving and sustaining growth (2009)
- Established a standardized annual review process (2010)

# Our Previous Organizational Structure



# Our Current Organizational Structure



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# Ownership Transition

We developed a plan to transition ownership of our firm to candidates who express desire and demonstrate commitment to share in the rewards and continue the growth of Desmone. We envision our firm as a widely recognized, established and long-lived brand.

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# Ownership Transition Achievements

- Met our 2009 goal to have two additional owners by 2012.
- Expanded ownership from 2 to 6 individuals (2012).
- Developed a written *Ownership Program* document (2012).

# Ownership: General Terms

- Opportunity for ownership is by invitation only.
- Ownership criteria is discretionary. The existing Owners will evaluate candidates on a person-by- person basis and reserve the right to waive certain requirements.
- Ownership is open to all levels of full-time staff, not solely to registered Architects. However, percentage of ownership shall be consistent with Pennsylvania regulations for professional service firms.
- Ownership is tiered and keyed to level, seniority, and/or tenure.
- Ownership transition is a continual process.

# Ownership Levels

- Associate
- Senior Associate
- Principal
- Senior Principal

For full details on the requirements of ownership, see the *Desmone Architects Ownership Program*.

# Project Management

We are committed to improving our standards and protocols so that our staff can effectively manage the project delivery process, deliver quality results to our clients and generate stable, profitable earnings for our company.

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# Project Management Achievements

- Updated firm-wide template files (2010).
- Revised protocols for marketing/graphics files (2010).
- Updated protocols for electronic & hard-copy filing (2010).
- Updated standard templates and protocols for proposals and contracts (2010).
- Began firm-wide transition to Revit software (2012).
- Revised document production, naming and creation protocols (2012).
- Developed and implemented standard drawing templates for Revit projects (2014).

# Project Management Goals

- Goal #1: Make full transition to a Revit workflow by EOY 2014.
  - Objective #1: Increase efficiency of drawing production.
  - Objective #2: Streamline and incorporate project visualization.
- Goal #2: Establish, document and implement Project Management policies and protocols

# Information Technology

We will equip ourselves with the tools and technology necessary to deliver our services in an efficient and timely manner.

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## Information Technology Achievements

- Firm-wide implementation of a centralized accounting, CRM, and project management system – Vision (2009)
- New telephone system (2011)
- Third-party computer systems maintenance (2011)

# Information Technology Goals

- Goal #1: Update/replace all desktop hardware to ensure maximum efficiency
- Goal #2: Upgrade design software to latest Revit workflow suites
- Goal #3: Replace existing server hardware
- Goal #4: Transition to Office 365 Workflow

# Leadership Development

We seek to grow talent from within the firm, hiring externally only when required to meet our growth needs. We have a depth of leadership talent in place to enable us to reach our desired vision firm for 2016.

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# Leadership Development Goals

- Goal #1: Establish a formal leadership development program
  - Objective #1: Promote the professional and personal growth of each individual staff member
  - Objective #2: Ensure the long-term growth and sustainability of the firm

# 5 Practices of Exemplary Leadership

- Model the Way
- Inspire a Shared Vision
- Challenge the Process
- Enable Others to Act
- Encourage the Heart

# Leaders vs. Managers

## **The Leader:**

- Does the right things
- Creates a better system
- Motivates people
- Focuses on achieving the overall vision
- Looks for long-term effectiveness

## **The Manager:**

- Does things right
- Improves the system
- Directs people's activities
- Focuses on the job at hand / in the moment
- Looks for short-term achievements

# Our Leadership Criteria

- Lives the vision
- Business savvy
- Excites people
- Trustworthy
- Consensus builder
- Confident, but not arrogant
- Articulate
- Knowledgeable
- Empowering
- Takes control

# Our Management Criteria

- Planner
- Organized
- Holds others accountable/willing to be held accountable
- Competent (business, technical)
- Experienced
- Efficient
- Problem solver
- Has good knowledge of the business
- Provides guidance
- Business development knowledge
- Sets clear expectations (and manages them)

# Finance

All of our employees are well informed about the business aspects of our firm and its practice and are empowered to take the necessary actions to assure we continue to grow and prosper as a stable, efficient, productive and rewarding practice.

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# Finance Goals

- Goal #1: Streamline process for obtaining real-time data on firm and project financial performance
  - Objective #1: Develop standard project report templates for PM/staff use
  - Objective #2: Develop forecasting and modeling tools using information in Vision

# Human Resources

**We will continually strive to raise the level of quality and performance of all Desmone employees, and will reward superlative performance at all levels and functions in the firm.**

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# Human Resources Achievements

- Updated *Employee Handbook* (2012)
- Voted “Best Places to Work” by staff: 2006, 2009-2014
- Implementation of Employee Incentive Compensation Program (2009)
- Established standardized formal review process (2010)

# Incentive Compensation Plan

Desmone & Associates Architects

## Incentive Compensation Plan Worksheet

Worksheet last updated: 9/24/2014

Fiscal Year: **2014**  
 Gross Profits: **--**  
 Program Share: **--**  
 Program Source Fund: **\$40,000**

**Notes:**

Seniority/Salary as of October 2014  
 Utilization based on June 2013-2014 performance  
 Profits based on JTD Active as of July 2014 (same used in Employee Evaluations)  
 A/B removed from list because they are owners

Employee	Metric 1: Seniority		Metric 2: Salary Level		Metric 3: Exceptional Performance		Metric 4: Utilization			Metric 5: Profits		Calculated Bonus	Recommended	
	% of Fund	Amount	% of Fund	Amount	% of Fund	Amount	% of Fund	Amount	% of Fund	Amount				
	10%	\$4,000	10%	\$4,000	40%	\$16,000	3%	\$1,200	37%	\$14,800				
Employee	Value (months)	Share	Value (dollars)	Share	Value (score)	Share	Value (%)			Share	Value (dollars)	Share	Calculated Bonus	Recommended
							Goal	Actual	Dif.					
A	148	\$674.26	\$66,322	\$256.54	1	\$533.33	80	77	0	\$0.00	\$61,335	\$1,895.39	\$3,359.52	\$3,300.00
B	12	\$54.67	\$37,440	\$144.82	1	\$533.33	90	76	0	\$0.00	\$0	\$0.00	\$732.82	\$1,000.00
C	176	\$801.82	\$50,400	\$194.95	1	\$533.33	76	60	0	\$0.00	\$0	\$0.00	\$1,530.10	\$1,850.00
D	29	\$132.12	\$39,710	\$153.60	1.5	\$800.00	89	86	0	\$0.00	\$0	\$0.00	\$1,085.72	\$1,350.00
E	31	\$141.23	\$46,305	\$179.11	1.5	\$800.00	90	90	0	\$0.00	\$22,711	\$701.82	\$1,822.16	\$1,950.00
F	75	\$341.69	\$59,086	\$228.55	1.5	\$800.00	85	78	0	\$0.00	\$5,241	\$161.96	\$1,532.19	\$1,750.00
G	35	\$159.45	\$55,016	\$212.80	2	\$1,066.67	90	84	0	\$0.00	\$14,223	\$439.52	\$1,878.45	\$2,200.00
H	41	\$186.79	\$38,198	\$147.75	2.5	\$1,333.33	0	0	0	\$0.00	\$0	\$0.00	\$1,667.87	\$2,000.00
I	7	\$31.89	\$47,000	\$181.80	1	\$533.33	0	0	0	\$0.00	\$0	\$0.00	\$747.02	\$850.00
J	76	\$346.24	\$89,378	\$345.72	1	\$533.33	77	59	0	\$0.00	\$29,873	\$923.14	\$2,148.43	\$2,000.00
K	39	\$177.68	\$65,000	\$251.42	1	\$533.33	0	0	0	\$0.00	\$0	\$0.00	\$962.43	\$1,100.00
L	45	\$205.01	\$75,755	\$293.02	1.5	\$800.00	81	84	3	\$80.00	\$69,099	\$2,135.31	\$3,433.35	\$2,800.00
M	17	\$77.45	\$45,920	\$177.62	3.5	\$1,866.67	90	108	18	\$480.00	\$0	\$0.00	\$2,121.74	\$2,500.00
N	91	\$414.58	\$60,629	\$234.51	3.5	\$1,866.67	85	101	16	\$426.67	\$160,433	\$4,957.74	\$7,473.50	\$7,000.00
O	6	\$27.33	\$65,000	\$251.42	1	\$533.33	0	0	0	\$0.00	\$0	\$0.00	\$812.09	\$900.00
P	2	\$9.11	\$34,000	\$131.51	1	\$533.33	0	0	0	\$0.00	\$0	\$0.00	\$673.96	\$800.00
Q	16	\$72.89	\$46,640	\$180.40	2	\$1,066.67	88	96	8	\$213.33	\$0	\$0.00	\$1,319.96	\$1,800.00
R	18	\$82.00	\$72,800	\$281.59	1	\$533.33	80	73	0	\$0.00	\$116,015	\$3,585.12	\$4,482.05	\$2,200.00
S	14	\$63.78	\$39,520	\$152.86	1.5	\$800.00	90	82	0	\$0.00	\$0	\$0.00	\$1,016.65	\$1,300.00
	0	\$0.00	\$0	\$0.00	0	\$0.00	0	0	0	\$0.00	\$0	\$0.00	\$0.00	\$0.00
<b>Firm Totals</b>	<b>878</b>	<b>\$4,000</b>	<b>\$1,034,119</b>	<b>\$4,000</b>	<b>30</b>	<b>\$16,000</b>	<b>1191</b>	<b>1154</b>	<b>45</b>	<b>\$1,200</b>	<b>\$478,930</b>	<b>\$14,800</b>	<b>\$40,000</b>	<b>\$38,650</b>



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# Measurements

- What you can measure you can manage
- Marketing & Business Development
  - Tracking of leads and opportunities
- Backlog
- Hit Rate

# Hit Rate

$$\text{Hit rate} = \frac{\# \text{ Sold Projects}}{\# \text{ Sold projects} + \# \text{ Dead projects}}$$

Desmone current hit rate = 43%

Note: Dead projects include jobs we didn't win (also known as "lost") plus projects we abandon or decide not to pursue.

# Transparency

- Don't be afraid to share the numbers!

# Culture

- Why we are one of the Best Places to Work in Western Pennsylvania 7 times, 6 years in a row

# It's about the little things



Frosty Wednesdays



Beer-thirty Fridays & local happy hours



Treats just because



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Cash perks for employees when we have great months



Offering employees sporting event tickets



Movie tickets for having time sheets completed on time



Luxury Box for a baseball game



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# Family Amusement Park Picnics



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Sponsor a firm softball team

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Celebrate Birthdays



Staff lunches



Bowling



Mentor younger staff/interns

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## Promote Networking Events



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Our firm has a sense of fun which encourages creativity



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- Personal attention to employees from principals
- Being centered around employee happiness
- Flexibility which allows for a great work/life balance
- Create an environment of equality and creativity
- Sense of family that extends to all employees

Sample Stock Purchase Schedule Created by CLD II 10.10.2011

Level	Employee	Begin 2010	YR 1 '11	YR 2 '12	YR 3 '13	YR 4 '14	YR 5 '15	YR 6 '16	YR 7 '17
Senior Principal	LD	500	475	425	375	300	100	0	0
Senior Principal	CD	500	500	500	500	500	500	500	500
Principal	EB	32	60	80	100	150	200	225	275
Principal	TM	21	40	50	75	100	150	175	200
Senior Associate	TBD	0	0	20	40	50	75	100	125
Associate	TBD			20	40	50	75	100	125
Associate	TBD							25	50
P1								25	50
P2								25	50
P3									
P4									
P5									
# of Shares		1,053	1,075	1,095	1,130	1,150	1,100	1,175	1,375
		YR 8 '18	YR 9 '19	YR 10 '20	YR 11 '21	YR 12 '22	YR 13 '23	YR 14 '24	YR 15 '25
Luke									
Chip		500	500	475	450	425	400	300	200
Eric		325	350	350	350	350	350	350	325
Thea		250	300	300	300	300	300	300	275
SA		200	250	275	300	300	325	350	350
A		175	200	225	250	300	300	325	325
A		175	200	225	250	300	300	300	325
P1		75	125	150	200	250	300	300	300
P2		75	125	125	150	175	200	225	250
P3		75	125	125	150	175	200	225	250
P4						50	75	100	150
P5						50	75	100	150
P6						50	75	100	150
P7									75
# of Shares		1,850	2,175	2,250	2,400	2,725	2,900	2,975	3,125
		YR 16 '26	YR 17 '27	YR 18 '28	YR 19 '29	YR 20 '30	YR 21 '31	YR 22 '32	YR 23 '33
Chip		100	0	0	0	0	0	0	0
Eric		300	200	100	0	0	0	0	0
The		225	100	0	0	0	0	0	0
SA		350	350	400	450	450	400	325	250
A		325	350	400	425	425	450	450	450
A		325	325	350	375	375	400	400	400
P1		325	325	375	375	375	400	400	425
P2		275	300	350	375	375	375	400	425
P3		275	300	350	375	375	400	425	450
P4		200	250	300	350	400	400	450	500
P5		200	250	300	350	375	200	100	0
P6		200	250	300	350	350	100	300	600
P7		100	200	300	350	350	100	300	400
P8		75	100	150	175	200	225	250	300
P9		75	100	150	200	250	300	350	400
P10		75	100	150	200	200	250	250	300
P11		75	100	150	200	200	250	250	300
# of Shares		3,500	3,600	4,125	4,125	4,700	4,250	4,650	5,200

\* Recalculate firm value every 3 years max. 1 year min.  
 # Identify new Shareholders every 7 years max. 1 year min.

How and when  
 change will  
 happen



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Lead by example:

What can you do to make a difference?

- Leadership Pittsburgh
- PITT EFC / Institute for Entrepreneurial Excellence /  
Family Firm Institute (EFI) / Family Business Consulting Group
- Work on Yourself: LEED AP / MBA / PSMJ

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## Encourage Participation:

- AIA
- Young Architects Forum (YAF)
- Young Contractors
- Local networking events

Fill in the gaps in your organization

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Be a firm of ideas & clients,  
not just jobs and projects

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