

New Jersey Firm Goes Lean and Thrives in Poor Economy

After completing a few large projects in the fall of 2007, LAN Associates, Engineering, Planning, Architecture, Surveying, Inc. (LAN), a 75-person firm from Midland Park, New Jersey, experienced a significant downturn in work, exposing inefficiencies throughout the firm. Two years later, the firm has rebounded with a leaner, more efficient operation and its highest revenue to date.

CEO and Treasurer Ronald Panicucci credits the firm's early action to tighten both its team and expenses, as well as the firm's experience and expertise in a variety of services.

Versatility has always been vital for LAN, whose business structure is based on the firm's ability to offer a variety of services, without solely focusing on a single component, says Panicucci.

How can your firm benefit from the experiences of firms like LAN Associates? By taking steps to develop a leaner firm overall, you may be able to increase efficiency and save money. Listed below are key tips, discussed by Ronald Panicucci on how to successfully "go lean."

Tips to Successfully Go Lean

- **Early recognition of market changes.** Be aware of the industry changes that are happening and how they may affect your firm now and in the future. By the end of 2007, industry indicators of a downturn were apparent before the news of the recession had made its way to the forefront, according to Panicucci, who began noticing that few, if any, building permits were being issued, a sign that construction (and design) has stopped.

- **Layoffs (if necessary).** In January 2008, LAN experienced its first layoffs since the firm was founded in 1965, letting go of a half-dozen employees.

- **Form a Dashboard Committee.** This committee of non-principal employees will examine the firm's expenses through a "fresh set of eyes," to determine where costs may be cut. For LAN, regular meetings with the committee since its establishment in 2009 gave the firm a better understanding of where they were overspending, and what changes could be made.

- **Prioritize expenses and develop a cost-cutting strategy.** By identifying your greatest expenses, changes can be made to achieve immediate and long-term savings. LAN's biggest expense was in-house printing for design drawings and spec books. By opting to outsource

this service, the firm was able to eliminate unnecessary printing and save a projected \$100,000 per year.

- **Keep overtime available.** According to Panicucci, it is this flexibility that has allowed the firm to manage larger projects with a scaled-back team. "We don't just staff up for projects; we like to push our current employees and allow them to work the time needed to accomplish a project," explains Panicucci.

- **Distribute work evenly.** Making sure that work is evenly distributed among employees will decrease stress and increase efficiency and productivity overall.

- **Use current staff in new ways.** If areas of your firm are lacking work due to a poor market, find ways to use them in more successful markets. "Having our surveyors assist architects with roofing measurements has led to greater efficiency, more accurate measurements, and created work for surveyors since the decline in the residential housing market," Panicucci says.

- **Maintain ALL relationships.** Whether they are with former employees, clients, etc., it is important to foster these relationships because you never know when a business development opportunity may arise. All practitioners should understand that all business development opportunities are directly related to relationships, and you should "never burn your bridges."

- **Appreciate existing clients.** While it may be fun and exciting to focus your attention on a new client or project, you cannot neglect your long-term clients. These relationships are where your firm's stability comes from and should never be taken for granted.

- **Be aware of cash flow.** When choosing clients and business opportunities, you must choose clients who CAN pay for your work and will pay in a timely manner. "There was a time when we required payment by credit card for small projects or retainers as a way to insure payment," Panicucci says. The firm feels that this was a better option than sending out an invoice then having to chase down payment.

The process of creating a leaner, more efficient firm is one which will take time to fully develop and implement, but the sooner you take the time to assess the strengths and weaknesses of your firm, and identify the areas where changes can be made, the better off the firm will be in the long term.— **MELISSA D'AMICO** (mdamico@psmj.com) ■