PSMJ | Resources, Inc.

2009 PSMJ A/E Management Salary Survey, 27th Edition

The 2009 *PSMJ A/E Management Salary Survey*, 27th edition provides you with the data and analysis on how design firms compensate their managers. This information was collected from **97 firms** and represents **5,798 individual design managers** responding to our survey. **The information in the survey was collected during February and March 2009.** We analyze the data on a firm-wide basis, as well as on the basis of individual manager's salaries and benefits. The survey will provide you with over 290 pages of data and analysis including 275 tables and charts. You'll compare compensation information on 18 design management positions including base salary, bonus and total compensation. Analysis of management compensation ratios with respect to CEOs data is included in the survey. In addition, salary increases for 2008, time charged by managers to projects and marketing efforts, billing rates, fringe benefits, and projections for 2009 are examined and discussed in the survey results.

This **CEO Snapshot** gives you with an overview of the salary survey's full content and significant findings.

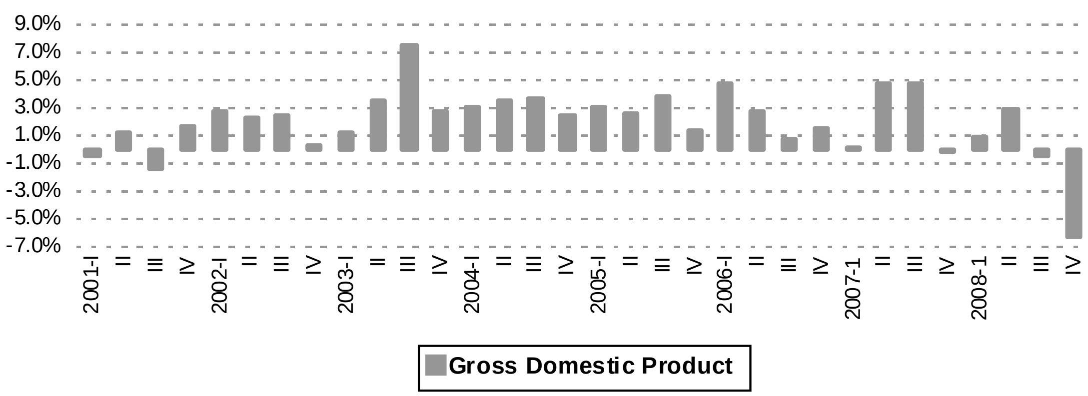
The Design Marketplace

In mid-2001, the engineering, design, and construction industries reached the end of their longest period of economic expansion, which began in the early part of the 1990s. As Figure 1 indicates, the overall United States economy entered a period of recession during that time period and received another severe impact from the terrorist attacks on September 11, 2001. The quarterly change in Gross Domestic Product (GDP) has indicated positive results since the beginning of 2003 until the fourth quarter of 2007. In the beginning of 2008 the US economy began to show signs of an economic slowdown. The impact of the sub-prime mortgage and financial meltdowns, even with subsequent government bailouts, has resulted in greater than 40% decreases in equity values as reflected in the major stock market indices. The current economic downturn has resulted in record job losses and higher unemployment across most industry segments.

The construction industry, however, will continue to drive engineering and design projects, and the A/E sector remains tied to longer-term capital investment associated with construction's longer lead times. This economic lag buffers the design industry from economic downturn; however, it also delays the response to the subsequent recovery.

There is a reasonable chance that this slowdown of the US economy will last longer and be more severe than the past two downturns. It appears that public works sectors (e.g., transportation, water, and wastewater) will be a significant part of the current stimulus plan, so we expect that the number of project opportunities will increase for design firms that support the infrastructure segment of the economy. Against this economic background, we present the results of our 2009 ***PSMJ A/E Management Salary Survey***.

Figure 1
Gross Domestic Product
Quarterly Percentage Change



Source: US Department of Commerce, Bureau of Economic Analysis

The General Survey Results section of the survey includes combined results from the total number of firms submitting completed questionnaires. It includes data on salary, bonus, benefits, time charging, forecasts for 2009, and historical trends.

Two Very Important Concepts to Remember

As you review this management salary survey, please consider the impact of the following important concepts on your overall analysis:

1. Many people equate the results of a management compensation survey directly to changes in individual salaries. **This is not correct**. These survey results reflect all respondents holding a specific title at a given point in time — February and March 2009. **Yearly variations are impacted more by the movement of individual people into and out of each survey title category.** This includes both new hires and internal promotions. If an individual receives a change in title, his or her compensation parameters move to the new position. Thus, year-to-year changes in survey results for specific positions do not reflect the impact of only raises and bonuses given to people with that title.

   In addition, the average size of the firms participating in this survey is 5% smaller than last year's survey. Many components of compensation increase with firm size; thus one might expect these overall results to be smaller than last year.

   Comparison of your firm's performance against the results of your individual peer groups — not the overall survey results — is a critical rule of benchmarking.

2. Design firms have seen a significant change in the past decade in what individual design firms consider to be traditional markets — both geographic and clients — for their service. The primary change has been the reduction in importance of being a design firm in the immediate local area of the client or project — the "local firm" effect. For many years it was considered impossible to compete for design projects unless the firm was located within the local area. With the inception of new information and communication technologies, consolidation of design firms into large conglomerates, and rapid growth of branch offices throughout the country/world, the traditional local market has become nationalized. Design services are not limited by their very nature by such factors as the mileage to the project site. Thus, local standards have been eroding as these trends have gained more importance in our profession. While the local presence has not been completely eliminated as a factor in competing for new projects, you should consider that it is certainly a reduced factor, particularly with respect to management salary and compensation issues. ***Because these trends exist, we have eliminated the geographic location (i.e., regional analysis) as a benchmarking peer group in our analysis. As a substitute, we provide an individual State Labor Index to adjust your benchmarking results to the project locations where your firm will be providing services.***

Key Results from This Year's Survey

Here are some key results from this year's survey:

(Please take special note of the above cautions as you interpret the following results.)

- For firms that have typical fringe benefits including bonuses, the median salary figure is very meaningful. The median increase in base salary for the 18 positions is 2.8%. This is much lower than the 6.1% increase last year, and significantly less than the 11% increase (most recent high) in the 2002 survey.
- With respect to individual base salaries, senior management median bonuses are in the 11% to 28% range of base salary, while lower-level bonuses are typically 3% to 9%. It is apparent that significantly lower bonus percentages were awarded to the senior management staff at the end of 2008 and reflected in this 2009 survey.
- A significant trend continues this year with a high level of bonuses being paid by some firms in the upper quartile. This indicates some firms are achieving superior financial results and that these firms are able to pay superior compensation.

- The percentage of positions receiving bonus compensation was lower this year for all but one of the 18 positions. In general, fewer senior and lower-level managers received bonuses compared to last year, while middle management positions were far less likely to receive bonuses than last year's sample. With the economic downturn beginning to affect firms last year, the percentage of managers receiving bonuses declined with most design firms. While the majority of the firms (ranging from 55% to 94%) still typically award bonuses to their management staff, the financial impact of the current recession will likely continue to influence the direction of these results.
- Total direct compensation is the sum of base salary plus bonus reported for each individual. This figure may be more representative of total compensation levels than is base salary, because most firms have bonus plans that are considered a normal part of overall management compensation. *Please note; total direct compensation does not include other management perks (e.g., company car, paid time off, retirement plan contributions, paid educational expenses).* This survey indicates mixed results with respect to the change in total compensation this year. Promotions, retirements, and participating firms of smaller average size indicated median base salary increases of 2.8% (variations from -9.4% to 18.2%). Bonus incentives remain a key component of the total compensation package, adding significant dollars to many of the positions. The median change in total direct compensation is a very slight decrease of -0.1% (variations from -17.3% to 17.4%). The median change in last year's survey was 7.7%, and there remains a wide variation in results among the 18 different positions.
- Median base salary raises in 2008 are significantly less than the raises seen in 2007. Fifteen of the 18 management positions reported much lower increases in base salary, with 7 positions reporting no change in salary compensation. Also noteworthy is the indication that of firms in the 25th percentile, none of the firms reported any increase in salary last year. We suspect that the financial strain of the current economic recession is driving the decisions to not increase management salaries at this time.
- Billing rates for 12 of the 18 management positions in 2009 are equal to or slightly higher than the comparable 2008 findings. Changes in billing rates are expected to be influenced by both the current recession as well as the expectations of the timing of future economic recovery anticipated by most firms. These billing rate changes are also reported and analyzed in our companion survey, the 2009 ***PSMJ A/E Fees & Pricing Survey,*** 24th Edition.

Comparison with 2008 Survey Results

The Positional Profiles section of the survey includes specific details concerning each individual management position (18 total), including added data for several benchmarking peer groups.

Table 1 summarizes key components of direct compensation and compares 2009 results with those of 2008. Overall, the 2009 total direct compensation results decreased slightly, but there is significant variation among the 18 different positions. *Recall that the average size of participating firms in this year's survey is slightly smaller than last year's — this, as well as the current economic conditions, might influence these decreases.*

Bonus amounts decreased significantly this year, and this change plays a substantial role in this overall situation. The median bonus decrease is -28.2%, with a range varying from -4% to -69%. Also, base salary compensation results rose at a much lower rate than last year (median of 2.8% vs. 6.1%). This change in base salary is far less than the 11% peak increase reported in the 2002 survey.

Table 1
Comparison of 2009 Median Direct Compensation with 2008 Survey

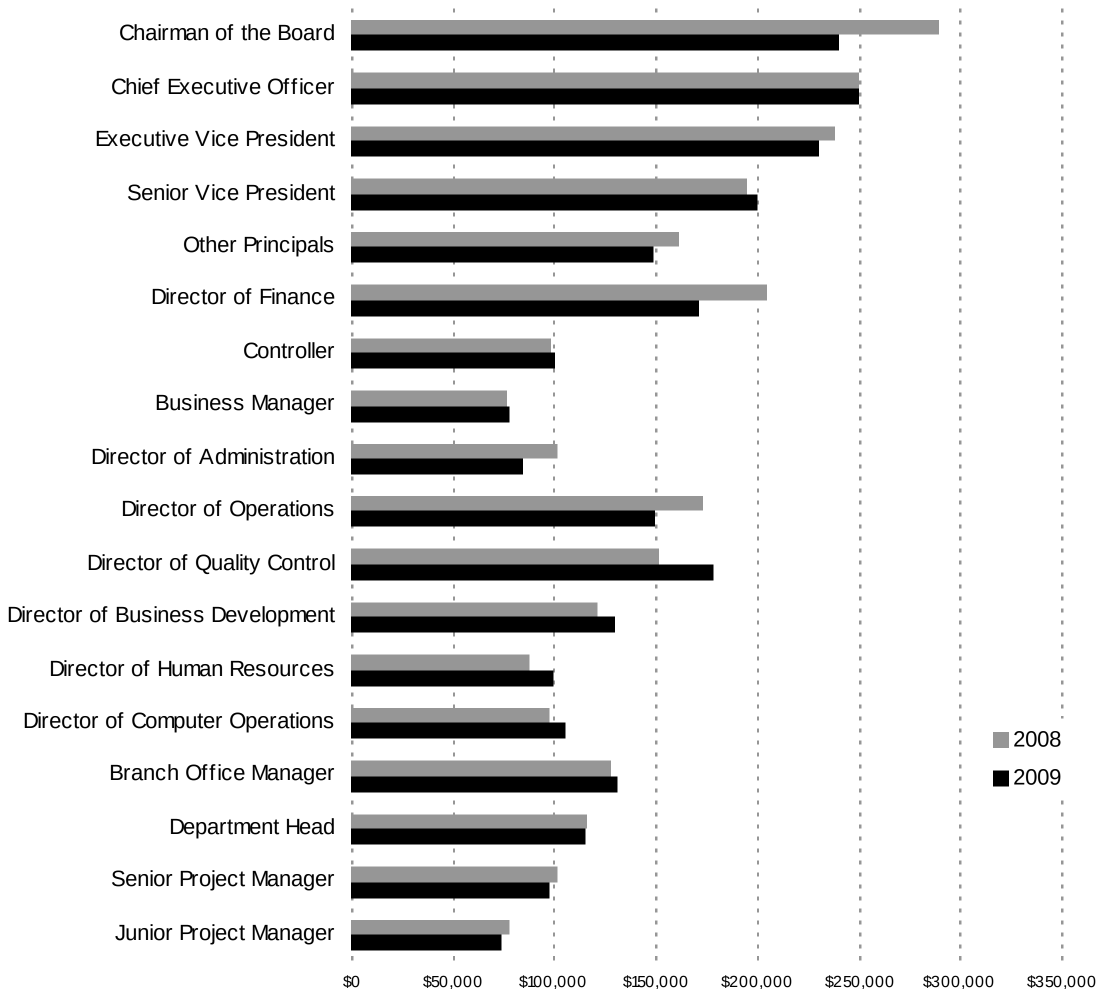
Position	Base Salary 2008	Base Salary 2009	Bonus 2008	Bonus 2009	Total Direct Compensation 2008	Total Direct Compensation 2009
Chairman of the Board	$194,045	$190,663	$69,383	$35,700	$290,338	$240,144
Chief Executive Officer	175,000	180,000	66,000	42,000	250,000	250,000
Executive Vice President	171,571	181,456	50,000	44,906	238,664	231,061
Senior Vice President	145,000	160,000	44,000	32,342	195,000	200,500
Other Principals	130,000	133,533	23,486	16,000	161,962	149,327
Director of Finance	147,500	142,000	40,952	32,326	204,800	171,290
Controller	84,772	90,000	10,000	7,000	99,000	100,500
Business Manager	68,798	69,780	4,000	3,852	76,500	77,845
Director of Administration	94,126	85,280	13,016	4,032	101,101	85,280
Director of Operations	144,858	131,300	29,264	10,405	173,310	150,000
Director of Quality Control	125,800	137,000	17,500	22,911	152,000	178,500
Director of Business Development	104,202	108,289	10,000	12,046	121,732	130,523
Director of Human Resources	82,000	96,895	5,940	3,800	88,158	99,309
Director of Computer Operations	91,520	103,300	6,750	6,000	98,043	105,500
Branch Office Manager	114,400	115,000	12,000	9,796	128,049	130,742
Department Head	103,333	102,793	8,650	10,000	116,076	115,752
Senior Project Manager	90,000	93,000	7,392	4,477	101,245	97,500
Junior Project Manager	70,030	70,000	4,250	2,500	77,500	73,883

Time Charges by Management Personnel

One key indicator of economic health for a design firm is the percentage of time charged to projects by various management personnel. While the overall results are similar to last survey's results, a definite shift occurred within certain positions.

- The percentages of time charged to clients decreased or remained the same for all management positions from the levels reported in the 2008 survey. For positions with normal project-oriented responsibilities, time charged to projects is the same when compared to last year for senior and junior project managers, but decreased for branch office manager, department head, and director of operations.
- The relative commitment to marketing and selling the firm's services is indicated by the percentage of time charged to the business development overhead accounts of design firms. Unfortunately, time allotted to support business development may be understated in these results because many firms do not record senior manager's marketing time separate from other overhead functions. The percentage of time devoted to business development indicate stable to slightly increasing results this year.
- Top managers are working significantly less overtime in comparison to last year's sample. The director of business development was the only position to indicate a percentage increase in overtime with respect to the 2008 survey.

Figure 2
Total Direct Compensation



Note: The 2009 survey data was collected in February and March 2009. They consist of data on January 2009 salaries plus bonuses and pensions paid at the end of 2008. The 2008 data was collected one year earlier.

Management Billing Rates

A key factor in the design firm's ability to pay higher compensation and retain its staff is its ability to raise prices for its services. Changes to the firm's billing rates are indicative of pricing sensitivity and the balance between supply and demand for design services.

- Billing rates for 12 of the 18 management positions in 2009 are equal to or slightly higher than the comparable 2008 findings. Most notable is the increase in billing rates for management positions that typically charge the most time to client projects — senior and junior project manager.
- Changes in billing rates are expected to be influenced by both the current recession as well as the expectations of the timing of future economic recovery anticipated by most firms. These billing rate changes are also reported and analyzed in our companion survey, the 2009 ***PSMJ A/E Fees & Pricing Survey***, 24th Edition.

- In comparison, inflation, as measured by the Consumer Price Index, is up 0.1% between December 2007 and December 2008. In addition, the Employment Cost Index, a better measure of salary inflation, is up by 2.6% between December 2007 and December 2008.

Management Fringe Benefits

Changes in management fringe benefit policies indicate slight changes for many individual benefits.

- With a few exceptions, company cars are provided to a higher percentage of managers (30% median) with 49% of senior managers provided this perk. Payment of professional dues, licenses (81% median), and continuing education (78% median) continue to be the most popular forms of management fringe benefits.
- The relatively strong economy during the mid-to-late 1990s allowed firms to increase fringe benefits significantly for more management positions. With a more uncertain economic outlook, most firms made no or slight changes in fringe benefits.

Projections for 2009

With respect to anticipated compensation changes throughout the remainder of 2009, the survey results include:

- Salary and bonus projections reflect a much greater level of caution by most design firms at the start of 2009. The prospects for 2009 salary increases, bonuses, and staff growth are being approached with increased pessimism by many firms. Clearly, firms continue to look carefully at the duration of the economic downturn and its impact on profitability.
- While median projected increases for all management positions have remained relatively stable around 5% over the past few years, projected raises for 2009 are significantly less — a median of 3% across all positions. Responding firms typically expect low-end raises to be 1% to 3%, while some high-end projections may equal 10%. While median values for low-end projections typically remained the same this year, projections for average and high-end salary increases for all positions are lower this year.
- All firms in our industry project salary increases at the start of 2009 to be less than those anticipated at the start of 2008, with the average wage increase expected to be about 3%.
- Expected changes in bonus levels reflect significant uncertainty due to the current recession. While 38% of firms expect their bonuses to stay level, 46% of firms expect bonuses to decrease. Only 8% expect an increase in bonuses in 2009. Overall the “increase” percentage dropped and the “decrease” percentage is significantly higher — both reflecting the current economic uncertainty.
- The most pessimistic (i.e., large decreases) percentages are from larger (staff sizes from 501 to 1,000), engineering (subconsultant) firms, and those firms operating in the water/wastewater and commercial (developers) markets. Firms providing service to both private and government clients are more pessimistic than firms providing service exclusively to either private or government clients. In addition, firms supporting the no specialty (mixed) marketplaces appear less optimistic about bonus increases this year.
- The most optimistic forecasts are from smaller firms (staff size 51 to 100), along with full-service and A/E firms.
- The median staff growth rate at the beginning of 2009 has dropped again this year — from 5% to 0%. Very large firms are the most optimistic for expected staff growth, while firms with fewer than 500 employees are expecting zero increase in growth across the board. With a projected cutback of 2% of their staff, engineering (subconsultant) firms report the most pessimistic staffing forecast.
- These data show continued evidence of no to very little staff growth for 2009, with many of the firms in the lower 25th percentile projecting decreases in staff. In addition, many firms across most of the peer groups indicate zero or negative growth in the 25th and 50th percentile results in this survey.

Setting High Goals

Key management principals should not be satisfied with average performance either for themselves or the firm. To achieve high levels of performance implies that goals are set at high levels.

Table 2 indicates the salary, bonus, and total direct compensation achieved at the top 10% of participating firms (the 90th percentile of the survey data). This means 10% of the individuals receive compensation at this level or higher. These levels of compensation clearly demonstrate that a design firm can be operated at an economically rewarding level and individuals can receive significant levels of personal compensation.

Table 2
90th Percentile Compensation

Position	Salary		Bonus		Total Direct Compensation	
	2008	2009	2008	2009	2008	2009
Chairman of the Board	$421,200	$391,250	$444,642	$414,223	$590,533	$904,996
Chief Executive Officer	381,638	366,615	445,718	425,769	684,476	675,000
Executive Vice President	250,000	308,000	274,966	447,248	444,227	719,096
Senior Vice President	220,000	213,333	148,214	160,434	338,903	348,952
Other Principals	175,145	159,132	108,207	129,737	281,896	273,125

To achieve these levels of compensation, design firms should consider the following types of management concepts:

- Do whatever it takes to create a strong strategic plan for your firm. Define your firm's key market differentiators that position it for success. Establish plans to correct or mitigate any shortcomings in your analysis.
- Choose to do work only for quality clients. Search for projects with potentially high profits. Don't just take what comes along or work for any client who sends you a request. Select the clients you want to work for, not the other way around.
- Demonstrate the ability to walk away from projects or clients who do not pay a fair fee for the effort or risk required.
- Demand strict adherence to project budgets, rewarding only performance that is better than expected, not just what meets expectations.
- Make it obvious that you know how to attract, retain, and motivate staff members who are clearly superior to their peers. Remember that your actions speak louder than words.
- Finally, motivate your staff through vision and leadership. Set goals to stretch your managers toward new heights, and reward them appropriately.

We note that these high compensation levels are not limited to large firms, nor do they represent a single firm type or client service. Every design firm has the opportunity to achieve this level of results.

Table of Contents

Table of Tables

Table of Figures

2009 *PSMJ A/E Management Salary Survey*

5 Easy Ways to Order!

Phone: 800.537.PSMJ / 617.965.0055
Fax: 617.965.5152
Website: www.psmj.com
Email: customerservice@psmj.com
Mail: 10 Midland Ave., Newton, MA 02458

Yes! **Rush my copy of the:**

2009 PSMJ A/E Management Salary Survey

___ **Hardcopy $469** ___ **CD-ROM $397** ___ **Both $499**

Name		**Email**	
Title			
Firm			
Firm Size			
Firm Type			
Address			
City			
State		**Zip**	
Phone		**Fax**	

Select Your Payment Method:

Check enclosed for $ _________ made payable to PSMJ Resources, Inc.

Charge my: MasterCard Visa AMEX

Card Number	
Expiration Date	
CVV (Security Code)	
Name on Card	
Signature:	

MA residents add 5% sales tax $ _________

Shipping, add $8 U.S./$12 Canada/ $30 Foreign/ $2 each add't item TOTAL $ _________

Start my no-risk subscription to:

PSMJ-Professional Services Management Journal
______$287Hardcopy _____$300 Email ____ $ 390Combo

Brochure Code:	**353216**

PSMJ | Resources, Inc.

2009 PSMJ A/E Compensation Profile Series

A/E Custom Compensation Reports

In PSMJ's ***A/E Custom Compensation Reports*** you get overall benchmarking information on salaries, bonuses, incentives, fringe benefits, and other measures used by design firms to compensate their managers.

In addition, you may choose two specific **Position Profiles** of the 18 covered in the ***2009 PSMJ A/E Compensation Profile Series*** for $97. Each position profile offers a position description, an analysis of recent salary trends for the position, and tables showing benchmarks for principal compensation elements broken out by staff size, firm type, and dominant client type.

You may choose additional **Position Profiles** for $25 per profile. Simply indicate on this form which **Position Profiles** you want and they will be added to your ***A/E Custom Compensation Report***, or order the entire ***A/E Compensation Profile Series*** with all 18 **Position Profiles** for $432.

Position Profiles (choose at least two):

- ❑ Chairman of the Board
- ❑ Chief Executive Officer
- ❑ Executive Vice President
- ❑ Senior Vice President
- ❑ Other Principals
- ❑ Director of Finance
- ❑ Controller
- ❑ Business Manager
- ❑ Director of Administration
- ❑ Director of Operations
- ❑ Director of Quality Control
- ❑ Director of Business Development
- ❑ Director of Human Resources
- ❑ Director of Computer Operations
- ❑ Branch Office Manager
- ❑ Department Head
- ❑ Senior Project Manager
- ❑ Junior Project Manager

PAYMENT OPTIONS

- ❑ Check enclosed for $____________ payable to PSMJ Resources, Inc.
- ❑ Charge my:
  - ❑ Visa
  - ❑ MasterCard
  - ❑ AMEX

Card #

Exp. Date CVV

Cardholder Name

Signature

ORDER FORM

______ ***A/E Custom Compensation Report*** with **2 Position Profiles** @ $97 each ______

______ ***Additional Position Profiles*** @ $25 each ______

______ ***A/E Compensation Profile Series*** with all **18 Position Profiles** @ $432 each ______

Subtotal ______

MA Resident add 5% sales tax ______

Shipping & Handling FREE

Total ______

Name

Title

Firm Name

Firm Type Firm Size

Address

City State Zip

Country

Phone

Fax

E-mail

5 Easy Ways to Order

Phone: 800.537.PSMJ • 617.965.0055 Fax: 617.965.5152 Web: www.psmj.com E:customerservice@psmj.com
Mail: PSMJ Resources, Inc., 10 Midland Avenue, Newton, MA 02458