

LePatner Report

Fall 1999

A Quarterly for the Design, Construction and Real Estate Industries

Volume 19, Issue 3

Connectivity @ The *Speed* of Thought

Excerpted from Barry LePatner's presentation at the Harvard Graduate School of Design, August 1999.

Are You Ready?

Part II

By Barry B. LePatner, Esq.

f the 1980s were about quality and the 1990s were about reengineering, then the first decade of the new millennium will be about velocity – about how quickly the nature of business will be conducted. With recognition to Stan Davis and Christopher Meyer, authors of BLUR, *The Speed of Change in the Connected Economy*, I would like to offer you a list of nine specific steps that will enable you to revitalize the marketing perspective of your firm and help you connect with current and future clients who are already part of the technological and global revolutions:

1. Learn to think in real time. Your clients should not have to wait for service, your consultants for needed information or your staff working on production for sign-offs.

2. Make sure you have all the pieces of your practice connected with each other. Not only should all your branch offices be networked, but each department working on a project should have access to the work of every other.

3. Make value-added service add-ons an intrinsic part of every proposal. Offer extras such as 800 numbers for clients to contact you, for client compliments and complaints. Hand out the latest Nextel digital phones to your clients which enable your clients to instantaneously page you during critical phases of your project.

4. You should be able to conduct your business no matter where you or your clients are. Pagers, laptops, cell phones and scanners are worth every dollar spent on them in terms of speeding client/staff communication.

5. Sure, you may have a Web page, but is your firm ready to move once your clients

click on those buttons? Your clients must be able to connect with you and your proposal at least as easily and freely as the Coke drinker can pick up a Coke. The Net is the first distribution channel of the electronic age. You must learn how to use it and the more robust networks to follow for advertising and exchanging your business.

6. Extract information from every project and use the enormous amount of information for the future. The data on each project's size, scope, costs and productivity will become an extraordinarily valuable data base in the very near future.

7. Make a list of as many client groups as you can think of, those that relate to your business today and those that don't. Identify which ones will be important to you. What will they care about? Where will their allegiances lie?

8. You must learn to forge partnerships of convenience to market and handle new projects. You must be on a constant prowl, searching for new partners.

The secret to a great relationship: stick to your core competencies and let your partner stick to theirs.

9. Train your people to network, give them the tools they need and allocate time to relationship planning and building.

Marketing for the Millennium

Let me try to lift your sights and challenge you to become the design professional of the future. To do that it will be helpful to describe how your typical commercial or institutional or governmental client perceives you as you are in your presentations and proposals and then what they are truly looking for from their

d e s i g n professionals. Unless you and your firm are prepared to act swiftly and creatively to join your client's team on their next new

"Companies who will thrive in the Internet economy are those who grasp its importance first and get wired before the rest of their competition realizes they have to change."

– John Chambers, President, Cisco Systems

project, you will be left behind more often than not. How do you become a truly revolutionary firm? How do you begin to look with a fresh eye at how to manage and promote your design firm to be a part of your clients' tomorrow? You must always remember that with the increasing speed of connectivity and client decision-making, if you:

*Lose focus on your clients...
...your competitors will eat your lunch!*

Your firm must provide seamless, integrated services wherever it does business – and clients must receive the same high level of service whether they operate in Beaumont, Texas, Bonn, Germany, Buenos Aires or Beijing. In turn, this requires those who seek to be retained by global clients to set and accept global standards, reinforced through internal training programs, performance reviews and the like. The secret is to get there first,

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Text

Each firm must understand its internal structure and firm culture

By: Lina G. Telese, Esq.

Today, we live in a merger/acquisition driven society. Because of the complexities of doing business in today's economic environment, many firms are forced to consider a possible merger and/or acquisition with another A/E firm in order for them to stay on top of their competitors.

Often we are asked to counsel our A/E clients with respect to a prospective merger and/or acquisition of their firm with another A/E firm. Occasionally we are asked to counsel our A/E clients in the sale of their firm or even the possibility of an IPO. Today, firms are establishing not only multi-national ties, but also international ties in order to expand their markets. In order to compete for these clients, many firms are seeking to merge with and/or acquire nationally and internationally based firms. More often than not, many of our international A/E clients form associations or affiliations with local A/E firms in order to establish a local presence in the United States, thereby alleviating local licensing requirements. In counseling our A/E clients, it is critical that we understand both the needs of our clients as a prospective purchaser or seller, as well as their position in the market.

The purpose of this article is to assist A/E firms in understanding the necessity of developing a merger/acquisition strategy prior to commencing the process. In developing a merger/acquisition strategy, it is important that the firm determine from the outset its reasons for a

merger/acquisition. Once it has identified its reasons, it must then identify potential candidates and establish a merger/acquisition criteria. In formulating its merger/acquisition criteria, the A/E firm must consider the following:

- Will the merger be mutually beneficial, i.e., will the merger advantages outweigh the disadvantages for both?
- Do both firms have comparable business and professional goals?
- Will the principals of both firms be personally comparable?
- Is a merger the most advantageous alternative?

prior to identifying and understanding that of its chosen candidate.

- Is a merger consistent with the firm's long range goals?

Each firm must understand its internal structure and firm culture prior to identifying and understanding that of its chosen candidate.

In order for a merger to work, after having evaluated potential candidates and having made a final decision, it is critical that the firm culture of both firms can be successfully meshed together.

Some of the necessary considerations for a successful merger are as follows:

1. The merger must make sound economic sense for both firms involved.
2. The merger must be reviewed by an independent consultant in order to perform agreed upon due-diligence steps.
3. The merger discussions should take a sufficient amount of time so that all issues have been considered. A period of at least six months is recommended.
4. There must be a shared value of the merged firms

as to quality of service and professionalism.

5. The partners and managers of the acquired firm should become partners and managers in the merged firm. The partners of the acquired firm should receive earnings guarantees and related benefits for the first two years.

6. These related benefits should be distributed to the acquired firm's partners based on their level of experience and earnings.

7. Credit for past experience should be given in the firm's retirement plan.

8. The staff and management of the acquired firm should receive extensive training during the first six months in order to integrate the work ethic and administration of the firms.

9. All department heads should be involved in the merger process so that the transition is effortless.

10. A partner and senior associate retreat should be held after the execution of closing documents.

If properly planned and implemented, a merger/acquisition has an increased chance to be successful. Common issues related to the growth of a business such as certain succession problems, unfunded retirement issues, marketing-related concerns and other internal economic problems, can be resolved in a successful merger/acquisition. However, prior to examining the economic health of the acquired firm, the business development and internal management policies, technology, statistics and financial information of the acquired firm should be examined.

A summary report establishing a vision, defining strategies and initiatives, and defining a plan of action for the future of the firm should be implemented. The implementation of these recommendations will create a change in how the firm operates internally and, in general, a shift in the way its partners and associates contribute to and receive value from the firm. It will ultimately place the firm in a position of strength, thereby making it marketable for a potential merger and/or acquisition. ■



When Mayor Giuliani signed Bill 198-B, it came just three months after two high-rise fires claimed seven lives in apartments where a sprinkler system would have made the difference between life and death. The upgraded sprinkler law went into immediate effect earlier this year, and has brought some relief to the existing law, but leaves room for more aggressive measures.

The "Sprinkler Bill," which became an amendment to Local Law 10 of the Administrative Code of New York City, was passed unanimously as a legislative act requiring sprinklers in all newly constructed multiple dwellings with four apartments or more. The law requires the installation of sprinklers in existing multiple dwellings with four or more units, along with hotels, motels and when the cost of renovations exceeds 50 percent of a building's value.

In addition, the amendment renders the tampering with a fire sprinkler system a misdemeanor and requires the Fire Commissioner to promulgate rules requiring multiple dwelling owners to distribute to their tenants a fire safety plan, which must be acceptable to the Fire Commissioner. Building owners must also place on the inside of each tenant's main door a notice informing the occupants of the fire safety and evacuation procedures for the building. All building owners of multiple dwellings, hotels and motels must also post the fire safety and evacuation plan by the building's mailboxes.

While the amendments made to Local Law 10 show good effort at relieving some of the problems inherent with the existing sprinkler law, it also represented a lost opportunity by the City Council to engage in a comprehensive fire safety reform.

A Task Force on Fire Sprinklers appointed by Mayor Giuliani presented its findings one month before the City Council passed the amended legislation. The City Council failed to incorporate all of the Task Force's recommendations which offered new ways to improve fire safety. Accordingly, the new amendment to Local Law 10 limits the fire-safety reforms the City was seeking to pass into law.

What recommendations made by the Task Force that were not signed into law include the following: (i) a requirement for a public address system in all existing high rise residential buildings that do not have sprinklers; (ii) a requirement for sprinklers in all one, two and three family homes.

In making its recommendations, the Task Force performed a thorough review of the costs and benefits associated with public address systems and the installation of sprinklers in all new one, two and three family homes. The Task Force concluded that

The new sprinkler law, which went into effect last March, marks numerous changes regarding how high-rise dwellings are treated with respect to Fire Safety. Part 1 of a two-part series introduces the new amendments to the sprinkler law and discusses how the new amendments fall short of more aggressive reform to the existing law.

By Roy R. Pachecano, AIA

the financial costs associated with sprinklers and public address systems were outweighed by the life and death situations that are faced by both firefighters and residents of New York City. Because the Bill represented some progress and included a few of the recommendations of the Task Force, the Mayor signed the Bill into law on March 24, 1999.

For New Yorkers, apartment towers that scrape the sky are a way of life. Yet, for firefighters, they are logistical nightmares with life and death at stake. Despite the shortcomings of the amended sprinkler law, the new measures mandate a sprinkler upgrade that all apartment dwellers in New York may appreciate - particularly in the new apartment construction market. It is not surprising that the reforms that took hold from the Task Force's study and subsequently passed into law deal with high-rise applications.

Perhaps the most significant reform to the sprinkler law can be found in a few provisions highlighted below. The added section 15-215 of the amended Chapter 2 of Title 15 of the Administrative Code reads as follows:

*§27-123.2 [Excerpted]
Provision of sprinklers in existing buildings. Notwithstanding any provision of law to the contrary, the provisions of section 27-954 of this code shall apply to alterations made to buildings, as well as to changes in occupancy or use, as set forth below:
(a) The provisions of section 27-954 of this code shall apply to an entire existing building that is being altered, when such building is classified in occupancy group J-2 [Residential - Apartment houses], and will have four or more dwelling units upon completion of the alterations, or is classified in occupancy group J-1 [Residential - Hotels, Motels, etc.], and when the costs of making any alterations to any such J-1 or J-2 build-*

*ing within any twelve month period exceeds fifty percent of the building value;
(b) The provisions of section 27-954 of this code shall apply to an entire existing building when the occupancy classification of the building will change to a residential occupancy group other than occupancy group J-2 with not more than three units or occupancy group J-3 [Residential - One and Two family dwellings].*

In addition, the amended Summary of Sprinkler Requirements found in Table 17-2, added the following last three rows to the existing table:

Summary of Sprinkler Requirements (partial list)

Table 17-2	Auto Sources	Partial System Permitted	Connect to Domestic	Alternate Permitted	Siamese Required	Central Station Required	H2o Flow Alarm Required	Auto Dry Sprinkler Required	Dry Non-auto Sprinkler Permitted
Where required									
Buildings & Spaces in Residential Occupancy Group J-1 [§27-954(t)]	1	No	No ^f	No	Yes, except as provided in §27-959 (a)(3)	No	Yes	No	No
Buildings & Spaces in Residential Occupancy Group J-2 with 4 or more Dwelling units and not exceeding 6 stories or 75ft. in height [§27-954(t)]	1	No	Yes ^g	No	Yes, except as provided in §27-959 (a)(1); (a)(5)	No	Yes	No	No
Buildings & Spaces in Residential Occupancy Group J-2 with 4 or more Dwelling units and Exceeding 6 stories or 75ft. in height [§27-954(t)]	1	No	No ^h	No	Yes, except as provided in §27-959 (a)(3)	No	Yes, if over 36 heads	No	No
<small>Notes: f. Except as provided in reference standard RS 17-2A. g. Notwithstanding section 27-962 (i) of this chapter. h. Except as provided in section 27-962 (j) of this chapter.</small>									

The new sprinkler law now requires all currently planned apartment buildings to conform to new fire safety standards. The new law will not affect the city's 1.4 million existing high-rise coops and rental apartments with the exception of those gutted for renovations. Developers, property owners and their design professionals for these building types will now be forced to re-assess fire safety. ■

Part 2 of the sprinkler law series, by Michael D. Trovini, Esq., will appear in the winter issue of the LePatner Report and will focus on specific sprinkler law amendments as they relate to costing and their impact on management and construction issues.

get there fast and, at all costs, stay ahead of your competitors!

The most meaningful way to differentiate your company from your competition, the best way to put distance between you and the crowd, is to do an outstanding job with information. How you gather, manage, and use information will determine whether you win or lose.

Here are five questions that will help you get started on ways to ensure your firm of the projects that will excite the talented individuals you want to keep:

1. What do your clients think about your services? Do they find you and your staff interesting to be with? Are you known as a firm of good listeners?
2. What problems do they want you to solve? Are they interesting problems that challenge you or do your clients only request you to address routine problems while seeking out other firms for the more difficult issues they face?
3. What new services do your clients want you to provide? Do you shy away from the novel approach to a client's problems? Or do you look at such challenges as ways to demonstrate your firm's creative approach to servicing its clients?
4. Where are your competitors winning business away from you?
5. What are the emerging new markets that your firm should enter?

Today, with the right blend of innovation, talent and technology, even a small firm can win leading projects in museum design, research and laboratory work, advertising agencies or the hotel and entertainment world. The fact is: small and medium-sized firms are doing just that today. *Faster is better and smarter is best!*

No matter what the size of your firm, here are seven ideas for positioning your firm for the future:

1. Reset the aspirations of your employees to achieve and strive for innovation.
2. Establish an expansive business definition to welcome new and even inconceivable ideas.
3. Have your firm's work on each project driven by a cause not based on monetary goals, e.g. what about defining your mission as seeking to empathize with your clients goals and objectives? Why not commit to being the guardian of your clients' project dollars?
4. Involve everyone in the company in figuring out how to create a new model for the firm's operations. Why not omit the design development phase on projects with a tight schedule? How about putting one or more construction experts on your staff and

offer full-time residential inspection services?
5. Challenge the orthodoxies of your existing operations.

6. Employ the latest technology and give it to all your employees for each and every project. Having CAD is one thing. But using CAD to include pricing for each design concept is readily available and desired by many clients. Laptops in the field enable design decisions to be made on the fly, change orders and field directives to be reviewed, approved and implemented within hours instead of days. Digital cameras can record all project activities and be downloaded immediately for use by all parties. A dedicated project site for all project team members will soon be demanded by many owners to ensure timely transfer of information on all aspects of the design and construction.

7. Utilize and market your technology. This can be highly attractive to a broad array of clients.

How do smart professionals take advantage of these unique opportunities? Here are some suggestions about how to keep and develop the topnotch talented individuals who will make your firm the exciting and creative environment that will be an ideal place for all those wonderful projects that will come your way:

1. Every employee should use each project to stand out and turn it into your firm's proudest moment.
2. Never let a project go dreary. The goal should be to work in perpetuity with WOW people, on WOW projects, for WOWable clients.
3. Find people to work with you on each project who are enthusiastic and out-of-the-box thinkers.

In the words of Tom Peters, author of "*The Circle of Innovation*" an excellent book on managing projects, "The point is not to do a 'good job' of managing the project but to use every project opportunity that you can get your hands on to create surprising new ways of looking at old problems."

These are times that are filled with exciting prospects for each of us. Networking with those who are on the forefront of your new markets will bring you even closer to more challenging clients who will, in turn, bring exciting projects as the new millennium begins. Most of all, remember to have fun.

"Outstanding service firms differentiate themselves on the basis of quality dimensions that are important to their clients."

-- James Haskett, W. Earl Sasser and Christopher Hart

F I R M S

N e w s

BBL&A has been retained by a prominent New York restaurateur, to prepare its strategic proposal to the New York City Department of Parks & Recreation for a 15-year concession term at the landmarked Loeb Boathouse in Central Park.

BBL&A has been retained to provide project management and a strategic real-estate construction program for the Longchamp Group for a major residential construction project in lower Manhattan.

Come hear David Pfeffer, Esq. and Brad Cronk of BBL&A discuss issues concerning New York Law for Design Professionals. The one day seminar is designed for architects and engineers and will be held on January 25, 2000 at New York's Hotel Pennsylvania. This 6 hour program offers 12 LUs which will be reported to AIA/CES and qualifies for 12 hours of Health, Safety, Welfare. All who are interested should contact Lorman Education Services at (715) 833-3959.

IN LUMINAE

The Quiz

True or False?

1. Partners / managers of an acquired firm should become partners and managers in the merged firm.
2. What book is recommended in this issue for readers interested in succeeding in the new economy?
3. What Task Force recommendations to the new sprinkler law were excluded?
Answers below.

Answers to In Luminæ Questions:
1. True. The partners of the acquired firm should become partners/managers of the merged entity. In addition, they should receive earnings guarantees and related benefits for the first two years.
2. BURN. The Speed of Change in the Connected Economy, by Sean Davis and Christopher Meyer.
3. Proposed measures not incorporated into the amendment include: (i) a requirement for a public address system in all existing high rise residential buildings that do not have sprinklers; (ii) a requirement for sprinklers in all one, two and three family homes.

Quote of the Quarter

"In the modern world of business, it is useless to be a creative original thinker unless you can also sell what you create. Management cannot be expected to recognize a good idea unless it is presented to them by a good salesman."

-- David Ogilvy

LePatner Report

is a quarterly publication of the Law Offices of

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