



Thriving through change

2020 Built environment industry pulse check

I bank with Macquarie



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Welcome

Australia's economic growth and social wellbeing depends on the built environment sector. Architects, engineers, surveyors and consultants work together to create the vital infrastructure we depend on every day.

We wanted to understand how businesses in this sector are performing today, and the characteristics that make some businesses more successful than others. To do this, Macquarie Business Banking surveyed engineers, architects, surveyors, certifiers and urban planners around Australia, asking them about their business' strategy, operational models and technology use – and how they expect these to evolve.

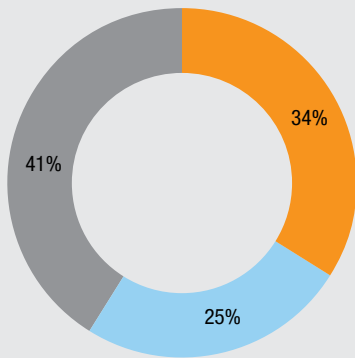
The results reveal an industry that is resilient to the pressures of market cycles and political uncertainty – and one where higher-performing firms are accessing new technology, focusing on culture and new operating models to their advantage.

To continue to thrive through market changes and make the most of macroeconomic opportunities, businesses of all sizes will need to prioritise their strategic vision and their people, and look for new ways to evolve their service offering to more effectively develop and deploy staff in a project based environment.

About the research

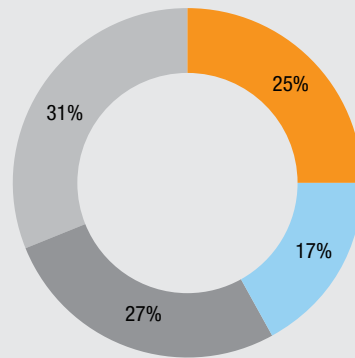
Our pulse check is based on a focused online survey of 276 engineers, surveyors and architects across Australia, conducted for Macquarie Bank by Fiftyfive5 in August 2019.

Respondents



■ Engineers ■ Surveyors, certifiers and urban planners
■ Architects

Number of employees

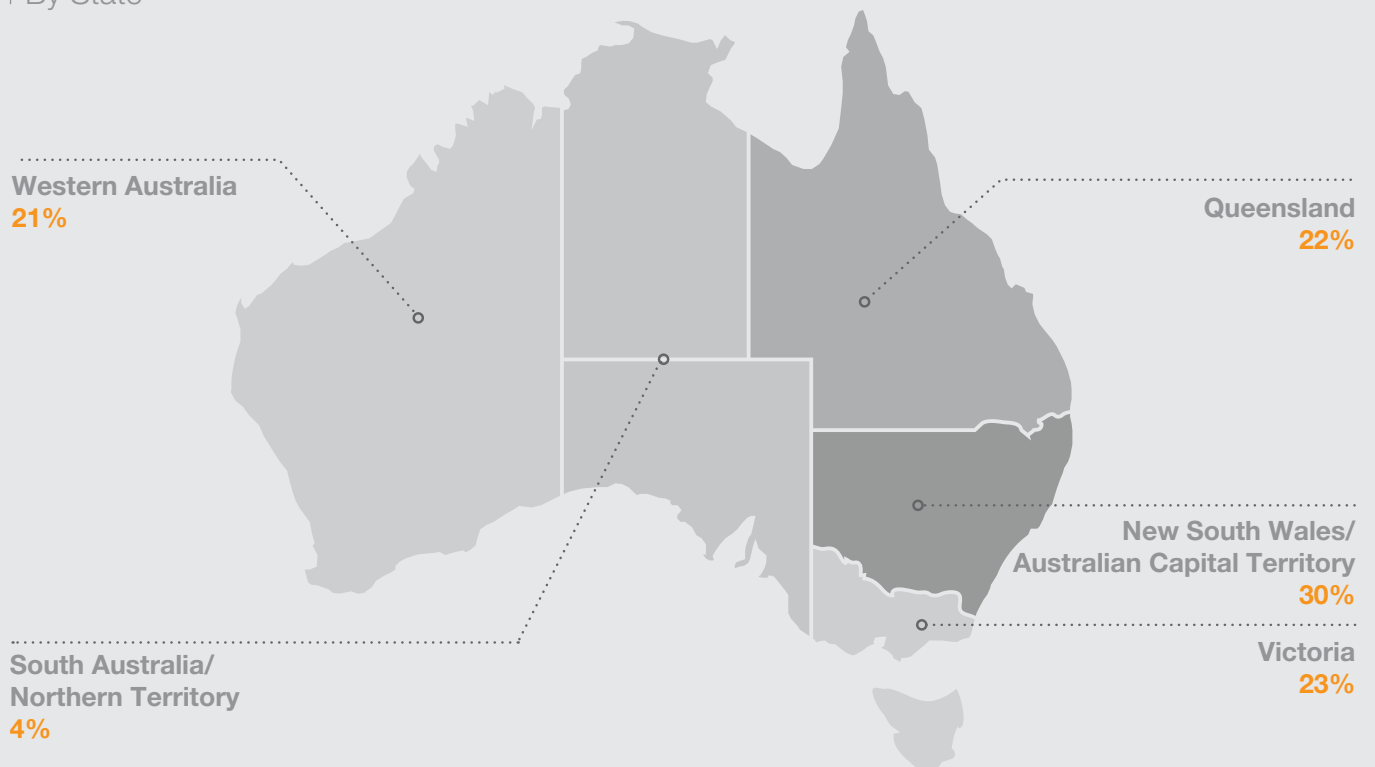


■ 1-10 ■ 11-20 ■ 21-50 ■ 50+

56%

of our survey respondents have multiple offices across Australia.

By State



Building more resilient businesses

The built environment sector is integral to Australia's economy, impacting how we live and work, how our communities come together, and how we stay connected. It is a rapidly changing ecosystem, using new technology to design and construct sustainable buildings and infrastructure that will see us through to the next century.

In Macquarie's first industry benchmarking study for the built environment, we wanted to gain a deeper understanding of how businesses in this sector operate. What makes them successful? How do they approach challenges? What is their outlook for the future?

We understand the cyclical nature of this market and sought to unpack the behaviours of various market participants. The results showed some businesses are already focused on investing in their culture, people and technology, and prioritising a clear strategy for the future. This is paying off in higher revenue, profits and expectations of further growth.

These higher performers are well-positioned to adapt to the constant changes in economic and property cycles. They are more positive about the future outlook, and less worried about issues like competition, commoditisation of skills, or changing regulations.

For all businesses in this sector, understanding how others are building resilience into their business can help you develop your own strategy for the future.

Macquarie has worked with professionals in the built environment for over 20 years and has a dedicated team focused on meeting the distinct needs of this sector. Like so many of the businesses we bank, engineers, architects and surveyors are focused on building a positive future for themselves, their teams and their businesses.

We see new opportunities emerging through changes in the macroeconomic environment, and look forward to supporting the growth and development of this industry in the coming years.

Danny Chung
National Head of the Built Environment

Building towards economic certainty

In the last year, Australian economic growth has been subdued. However, Macquarie analysts observe a combination of the low cash rate, rebounding house prices and job security – all of which drive demand.

Macquarie's outlook assesses three distinct macroeconomic categories:



1. Higher performers ready to grow

Government spending and trade – strong and expected to remain strong

2. Technological transformation

Consumer spending and income growth – weak but likely to pick up



3. Employee engagement

Business investment and dwelling investment – weak and slower to pick up.

Macquarie Wealth Management's Head of Investment Strategy, Jason Todd, says local confidence and global volatility will both play out over the year ahead, but Macquarie expects GDP growth to hit around 2.5% by the end of 2020.

Residential construction pipeline should pick up by the end of 2020

House prices have begun to rebound. Sydney and Melbourne were quickest to respond and Macquarie believes this will drive future construction growth.

House prices lead approvals, and approvals lead construction. So although new housing construction is 11% lower than its peak and it still may fall further, by the end of 2020 it should start to gradually pick up again, according to Macquarie research.

Sydney and Melbourne driving performance

State-specific economic results are largely driven by immigration and jobs growth – both of which are primarily centred in Sydney and Melbourne.

According to the Australian Bureau of Statistics, Australia's population grew at around 1.6% in 2018, which is an extra 400,000 people. This not only impacts housing demand, but also education, health and other infrastructure requirements. According to Macquarie analysis, these longer-term trends indicate that even if there is a slowdown in multi-residential builds, education-related projects are likely to continue.

And finally, the RBA has signalled that we are in a low growth, low interest rate cycle for the foreseeable future. This removes some uncertainty for developers, and for long-term infrastructure commitments.

Commercial investment may have peaked

Commercial development and construction is driven by business investment and the employment market in each state. Although demand for commercial space has been strong, there has been an under-build of Grade A office space.

In Perth, strengthening commodity prices have not led to any further greenfield expansion. Likewise in Queensland, after some major LNG projects things have slowed down. As the jobs market starts to pick up in Western Australia and Queensland, Macquarie analysts expect those commercial cycles to become more positive again.

Infrastructure gaps still waiting to be filled

State government spending on infrastructure has strengthened recently. Infrastructure investment is on the agenda, and Macquarie analysts anticipate further expansion of public-private partnerships.

As projects become larger and more challenging, there is likely to be increased demand for more complex expertise such as tunnelling.

Looking to Australia's growing urban populations, there will be need for more schools, transport and hospitals – when considering population and housing statistics, Macquarie analysts forecast that NSW, Victoria and Queensland will need more than 1,000 new schools by 2028 and this needs planning now. The timeframe between approvals to construction and completion may extend in high density areas as engineers, planners and architects are encouraged to build higher.

What's the outlook for your industry?

This is our perspective of the current macroeconomic environment. However, this only paints part of the story, as there is significant variance depending on industry confidence in specific markets. So we asked built environment businesses owners for their thoughts and opinions in our 2020 pulse check survey.

Engineers, architects and surveyors build structures that create communities.

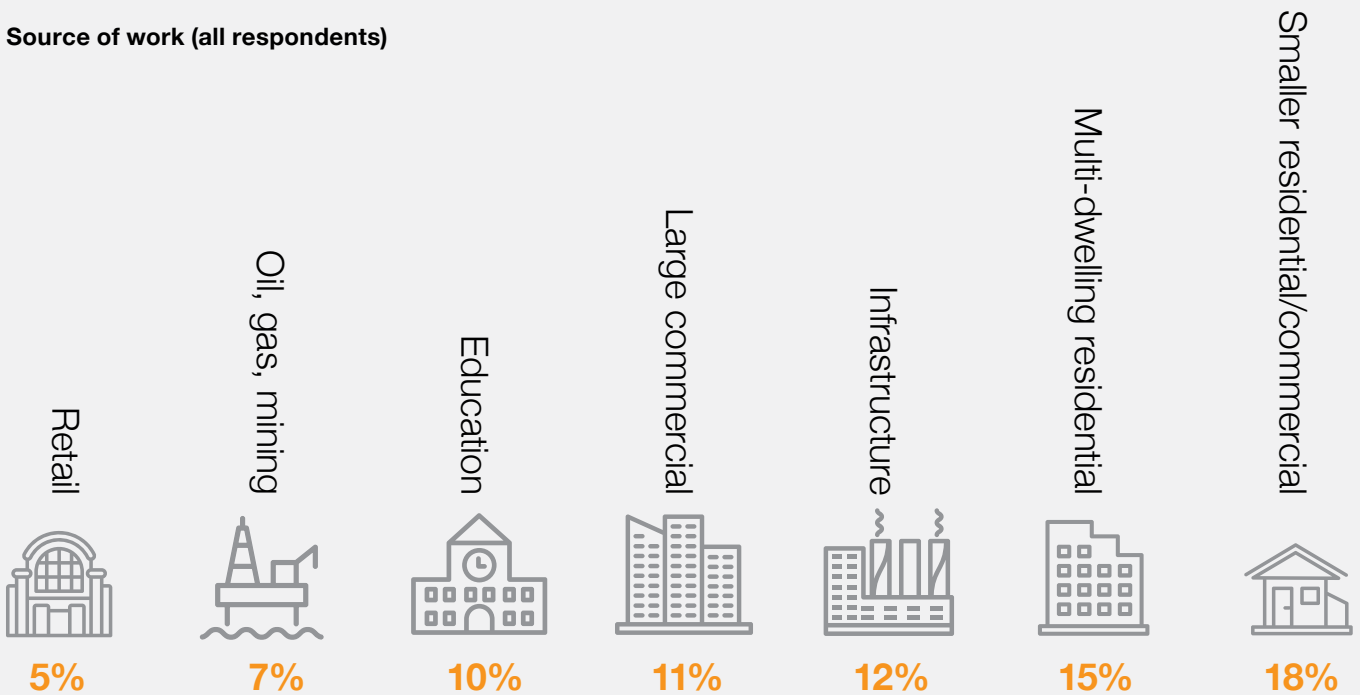
They also build businesses

Overall, **54%** of respondents to our 2020 Macquarie Built Environment pulse check survey said they were confident about the economic outlook, and **84%** believe their firm has the ability to respond well to political, macroeconomic, competitive or external factors.

Although built environment business owners are relatively confident about their future, pressures remain in the sector as project pipelines are long and can be subject to delays or slippage. This can occur when political priorities adjust, capital is constricted, or economic confidence is undermined. It's not surprising that business owners tend to be risk averse – even when implementing strategies to adapt through market cycles and variable project loads.

Our survey of 276 engineers, surveyors and architects identified distinct differences between disciplines, business size and capabilities. Yet it also uncovered some interesting similarities within these diverse businesses – and opportunities to adopt new ideas and learn from different perspectives within the sector.

Source of work (all respondents)



Where is the work coming from?

According to our results, most built environment businesses have the expertise to take on a range of build types, averaging five disciplines. A third focus on both smaller residential/commercial and multi-dwelling residential.

Despite the recent shifts in investment demand from primary (such as mining) to service industries (such as health and education), most businesses believe their discipline focus will not change over the next two years. This is not so surprising given the investment in staff required to gain traction in new markets – typically when firms pivot into new disciplines it can take up to 24 months to make a tangible impact.

Challenges for the sector

We asked respondents to tell us about the most significant challenges their business is facing over the next two years. More than half (55%) of respondents cited external forces, including the economic cycle, skill commoditisation and changing regulation.

Additionally, they were concerned about:

Fee or margin pressure

40%

Acquisition of key staff

36%

Appropriately charging for variations

28%

Engineers and surveyors are more likely to be worried about bringing on new talent, and engineers are more likely to subcontract work to another organisation when they need to scale up resources quickly.

Meanwhile, 40% of architects said appropriately charging for variations is their biggest concern. This is unsurprising, given they are more likely to be involved at the very early stages of a project – and have less control over how the work evolves. This is particularly true for larger projects where decision makers are diverse, and there is pressure to deliver on milestones which limits the ability for firms to stay abreast of variations. Given the margin pressure architects told us they are experiencing, charging for variations is essential to maintain profitability.

The higher performers

Focused on the future

Across all the professional service segments we bank at Macquarie, we have found there are common characteristics amongst high-performing businesses. The built environment sector is no exception. According to our results, the

businesses best positioned to respond, adapt and succeed through change share four key higher-performance characteristics:

People-oriented

higher performing businesses all agree they invest in culture to attract and maintain people

Growing revenue

they also expect to increase revenue by at least 10% over the next 12 months

Sustainable revenue

their revenue exceeded \$2million in the 2019 financial year and they achieved a positive profit figure

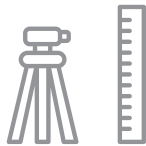
Adaptable

they all agree their business can adapt to change

Using this definition, **24%** of businesses identified as higher performers.



37% of engineers are higher performers;
63% are lower performers



21% of surveyors are higher performers;
79% are lower performers



15% of architects are higher performers;
85% are lower performers

Larger businesses were more likely to be performing better, with over half (54%) of higher performers having more than 50 employees. They were also more likely to be working on larger commercial projects, infrastructure, or oil, gas and mining projects. These major projects provide more long-term stability given the time of role, the ability to manage utilisation given an underlying core pipeline of work, and finally involve a more complex (and higher fee-earning) scope of work.

Almost one in two higher performers have their headquarters in NSW/ACT (49%), and they are more likely to have multiple offices. And more than half of the higher performers in NSW/ACT are engineering firms (54%).



Large commercial projects
14% higher performers
10% others



Infrastructure
13% higher performers
12% others



Multi-dwelling residential
11% higher performers
17% others

Financial management

Benchmarking performance

Over two thirds of built environment businesses have a growth mindset: they plan to grow either profit or revenue. But what does this mean for their financial performance? Over the last few years, we've seen the impact of the 'profitless boom' where revenues are increasing but margins are under increasing pressure.

Higher-performing businesses have been able to grow their gross profit, and expect their revenue to grow in the next year.

Revenue \$20million+

41% higher performers,
16% others

Predict growth by 10%+ next year

56% higher performers,
27% others

Profit 11%+

79% higher performers,
48% others

Profit grew by 10%+ last year

44% higher performers,
16% others



Engineers see strong growth potential

Revenue \$20million+

31% engineers
17% architects
16% surveyors

Predict growth by 10%+ next year

56% engineers
23% architects
24% surveyors



Architects are under margin pressure

Profit 11%+

61% engineers
46% architects
58% surveyors

Profit grew by 10%+ last year

25% engineers
22% architects
18% surveyors

There appears to be a correlation between the size of the business and financial performance, with 69% of businesses with 50+ employees reporting profit (earnings before interest, taxes, disbursements and amortisation) over 11%.

Often this is by improving utilisation rates, optimising the variable project workload amongst teams. However, that scale might not suit every business. When we split out larger and smaller firms, we found some common characteristics.

We defined larger engineering and surveying businesses as those with revenue over \$20million, and larger architectural firms with revenue over \$5million.

In smaller engineering businesses using a line reporting structure and contractors, directors are often involved in the business as CEO while also managing projects. This reduced the ability to leverage staff. We have also found that smaller firms, given their lower budget, have been more hesitant to engage technology. They prefer to wait to see how adoption plays out.

Larger engineering firms

Revenue >\$20m

Last year revenue growth 10%+

Strategic focus
More focused on business development and recruitment

Models
Prefer a matrix structure
Scaling through M&A

Technology
Higher tech usage

67%

Smaller engineering firms

Last year revenue growth 10%+

Strategic focus
More adaptable, resilient and innovative

Models
Prefer a line reporting structure
Use contractors or casual staff

Technology
Lower tech usage

49%

Financial management

Benchmarking performance

Continued

Architectural practices have generally experienced a more subdued financial performance relative to their peers. Given their workload is largely front-ended on projects, they are far more susceptible to delays and slippage. Additionally, there is less opportunity to work on a project through the life cycle and earn fees.

In recent years there has been consolidation in the surveying market. Larger firms have been able to take on an increased workload across various markets, while smaller firms may have a narrower scope of capabilities – impacting their ability to significantly grow revenue in the short term.

Larger architectural firms Revenue >\$5m

Last year
revenue
growth
10%+

21%

Strategic focus
More financially
focused
Looking to
streamline
operations

Models
Focused on
team culture
Use
subcontracts

Technology
Higher tech
usage

Smaller architectural firms

Last year
revenue
growth
10%+

24%

Strategic focus
More client-
centric

Models
Prefer a project-
based structure

Technology
Lower tech
usage

Larger surveying businesses Revenue >\$20m

Last year
revenue
growth
10%+

57%

Strategic focus
More adaptable
and financially
focused

Models
Prefer a line
reporting
structure

Technology
Minimal
differences

Smaller surveying businesses

Last year
revenue
growth
10%+

18%

Strategic focus
More client-
centric

Models
Prefer a line
reporting
structure

Technology
Minimal
differences

What drives higher performance?

Three factors building stronger businesses

What makes some businesses outperform their peers?

While there are obvious differences in the way engineers, surveyors and architects manage their operations, staff and projects, across all types of businesses we observed that higher performers are strategically focused on three core areas:



Streamlined operations
clear vision,
collaborative models

Streamlined operations – high performers have a clear vision in place. They are more likely to manage projects using a more collaborative matrix structure than traditional project-based report lines, and their pricing is based on fixed fees or value-based proposals.

Adopting technology – high performers are quick to adopt industry technology, including BIM (Building Information Modelling), digital twinning, augmented reality/ virtual reality (AR/VR), and drones.

High performing businesses also use technology to enable to their workforce. It allows them to focus on higher margin work, and efficiently deal with that work which can be homogenised or dealt with by more junior staff. But they are also using technology to automate and monitor performance, which allows them to manage the risk of project scope creep or under-charging.



Adopting technology
to enable teams and
improve project outcomes



Prioritising people
focus on recruitment
and retention.

Prioritising people – high performers are firmly focused on staff acquisition and retention. They're more likely to hire in-house staff rather than ad hoc casual arrangements, and they are proactively investing in team culture and training. They are also more likely to hire in non-technical roles that will help them grow, such as business development managers or CEOs. Relationships underpin new business development in the built environment sector, so retaining staff provides an advantage in building long-term continuity.

With these three advantages underpinning their business, higher performers are more confident about the economic outlook and less concerned about competitors or external forces. They're using their size and success to go after projects across different geographies.

In short, they're able to adapt to change – and they are more resilient to any potential challenges ahead.

6 factors underpinning higher performing businesses

Higher performers tend to see themselves as ...



Client-centric

93% higher performers
87% others



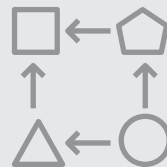
Having a strong vision and strategy

80% higher performers
67% others



Resilient

83% higher performers
65% others



Adaptable

78% higher performers
64% others



Financially focused

76% higher performers
59% others



Entrepreneurial

71% higher performers
48% others

A clear vision for the future

Higher performers are thinking strategically about what's next

Recent research by Deloitte Digital found that when businesses are closely aligned to their customers' values, as well as those of their workforce and partners, they grow faster and build stronger loyalty. Deloitte defines this as a 'human experience'.¹ The majority of survey respondents told us they know being client-centric is important, and their people are vital to their success.

Current strategic focus

It's encouraging to see that 68% of firms have a growth mindset: they plan to either grow profit or revenue. This is strongest amongst engineers, with 80% committed to profit or revenue growth.

A much smaller number plan to merge or acquire another business (4%), although we have seen some consolidation in the market – particularly amongst engineering & surveying firms given the portable expertise and capabilities. This is at odds with architecture practices, which see very little merger activity in the marketplace. Just 3% said they plan to reduce costs or right-size, while only 1% said they hope to sell or exit their business in the near future.

38%
are currently
focused on
growing profit

31%
are focused on
growing revenue

19%
want to maintain
their current
business

¹ We're only human: Exploring and quantifying the human experience, Deloitte Digital, August 2019

Areas of focus for next 12 months

Future focus on project growth

Over the next two years most businesses are focusing primarily on their product offer, with streamlining through efficiency and technology a high priority. Increasingly firms are looking at offshore capabilities to reduce their cost to

serve – this is enabling firms to pass on this margin via lower bid costs for work. Whilst there are perceived risks associated with this, increasingly, those firms which aren't engaged in offshoring to any capacity find themselves at inherent pricing disadvantage.

Business development



Investing in tech to drive efficiency



Acquire or maintain staff



Doing bespoke or high value add work



Putting culture, costs and pricing under an operational lens

More than half of survey respondents said managing team culture is a significant operational focus. Equally higher-performing firms are also focusing on optimising costs and pricing to manage the volatility of project cycles.

When you're working on short or long-term project cycles, utilisation rates are an important productivity measure. In essence, what you are selling is units of time. Increasingly, we

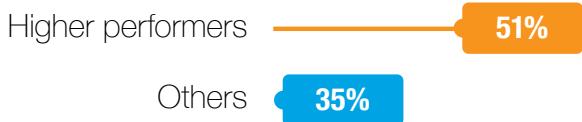
see firms optimise utilisation by increasing the use of project-specific staff, and structuring employment agreements to add flexibility for full-time employees.

According to our survey results, architects are less likely to say optimising utilisation rates is key for effectively deploying projects, compared with other businesses in this sector.

Streamline operations to manage project cycles



Charge based on value or fixed fee model



Investing in technology

Higher performers are trying new ways of working

Across every sector, client expectations and productivity have been transformed through new technology. The built environment is no exception. As well as technology to streamline operations, there are innovations in the way we plan, design, construct and assess new buildings and infrastructure.

The majority of businesses in this sector are focusing on technology. Almost three-quarters (73%) plan to focus more on efficiency tools, while 60% are interested in tools to measure performance and 53% on business operations.

Current or planned adoption of technology (all respondents):

BIM

77%

(higher amongst engineers)

Drones

70%

(higher amongst surveyors)

Virtual or augmented reality

69%

(higher amongst architects)

Automation

66%

(higher amongst engineers)

Prefabrication

49%

(primarily engineers and architects)

Modular construction

46%

(primarily engineers and architects)

Although the construction industry has been relatively slow at looking for new ways to benefit from technology, with rapid urbanisation, ideas such as smart cities or sensors (Internet of Things) could to be utilised earlier in the process.

In general, surveyors are less likely to be using technology, and artificial intelligence (AI) or big data manipulation aren't being used to great effect in any of the built environment disciplines.

We expect data use will grow, with opportunities to harness digital twinning and other asset management systems likely

to increase. The inflection point to adoption will be when developers, who may not be the long-term asset owner, recognise the value of this service and are prepared to pay for this with the knowledge that it can be monetised at asset sale.

Regardless, access to real-time data can also help businesses reduce the risk of under or over-quoting, or be first to pitch for new opportunities through smart access to construction planning, build cost and process information.

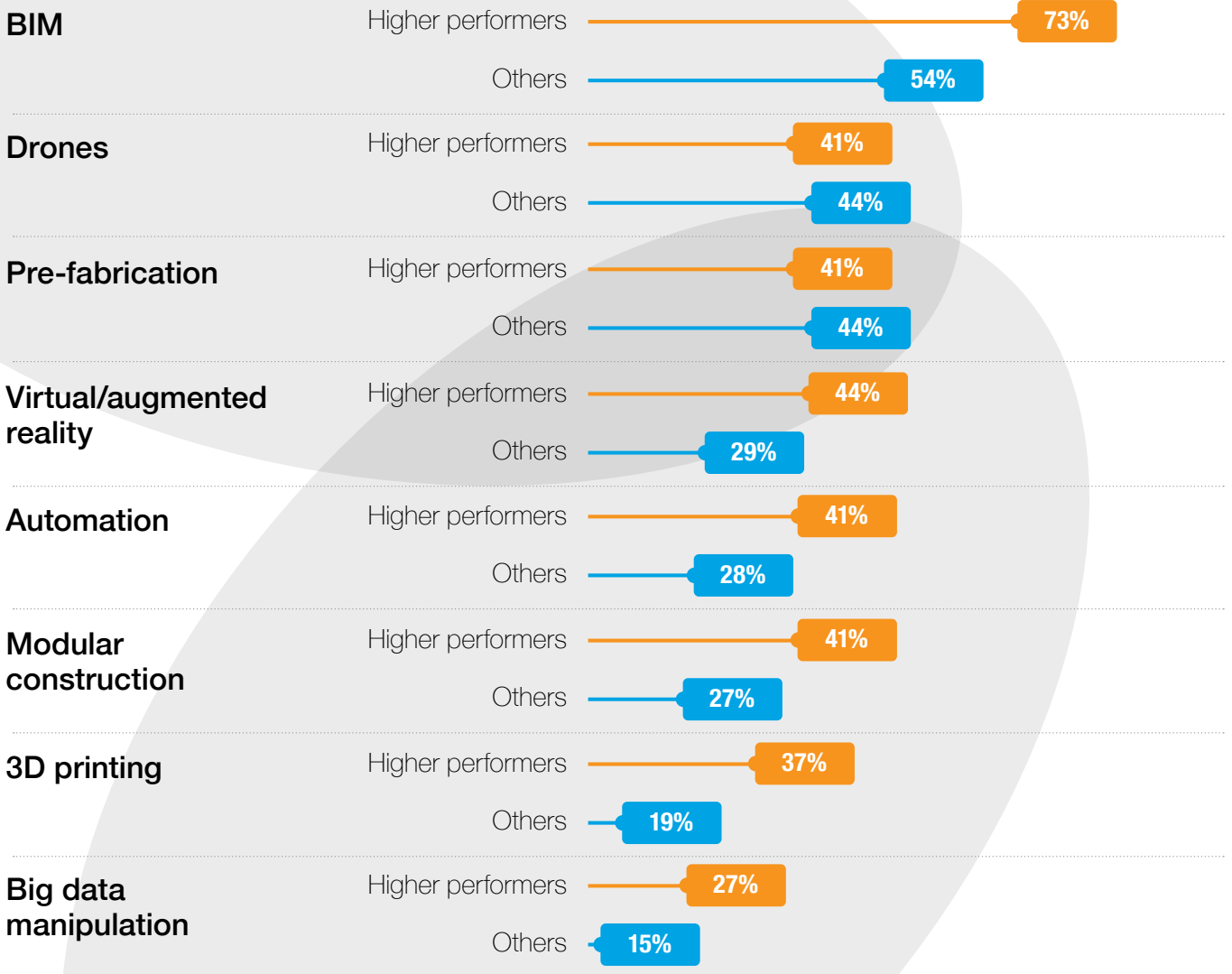
Technology is business as usual for higher performers

88% of the higher performers are more likely to adopt technology as part of their operations over the next two years – particularly BIM, prefabrication and modular construction. While BIM has been around in some capacity for a number of years, adoption rates have increased significantly over the last two years, and we expect this to continue. The UK government mandated BIM in 2016, leading to

increased usage – and skills development amongst globally mobile staff.

Higher performers are now turning their attention to optimising operations through technology – with two-thirds planning to use technology to measure performance over the next two years, and 59% planning to further automate business processes.

Current use of technology



Engineers

Leading with vision, investing in people

Engineering firms tend to be larger businesses than their architectural or surveyor peers, with **65%** of respondents saying they have at least 20 employees and **64%** reporting gross revenue above \$5million in the 2019 financial year.

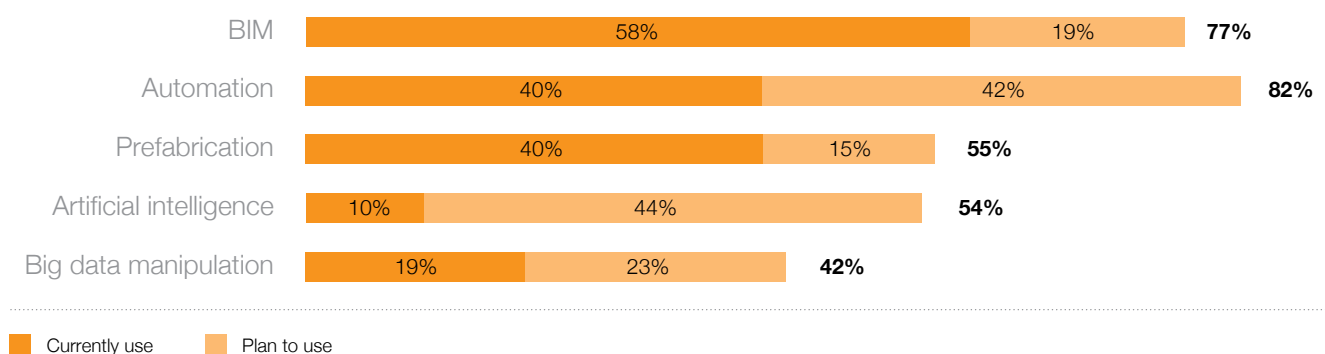
They are optimistic about the economic outlook and about their ability to respond to political, macroeconomic or competitive factors. Client-centricity is the most important attribute for performance (91%), closely followed by vision and strategy – ensuring everyone is focused on working towards clear and shared outcomes. These two factors are also seen as most important for future success.

Engineering business are increasingly going down one of two paths: larger firms, or smaller, generally single-location business. Larger engineering businesses (those with revenue over \$20million) all have offices in multiple cities, compared with 49% of smaller businesses. More than two-thirds of larger businesses (67%) reported revenue growth in excess

of 10% last financial year. These bigger firms are using mergers and acquisitions to scale, and investing time and money into managing team culture and training.

This in turn creates a dual marketplace. Clients can choose to engage a single firm for almost all their needs, or engage smaller, more specialist firms for specific projects. In this environment, it's important to understand and articulate a clear value proposition as to why people are valuing your services.

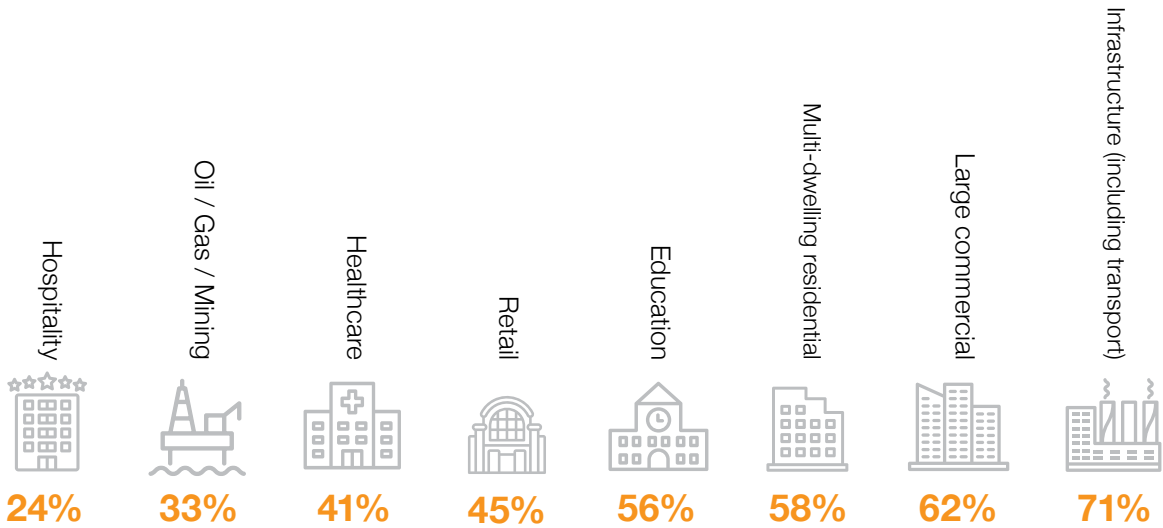
They are open to adopting new technology





Engineers

Engineers are working on larger projects



For engineers, people are the core focus

Major challenges

Acquisition of key staff	43%
Fee or margin pressure	38%
Ability to negotiate contract risk	27%

Focus for the next two years

Business development	81%
Bespoke or high value-add work	78%
Technology to drive process efficiency	69%

How they effectively develop and deploy projects

Managing team culture	63%
Setting clear expectations	59%
Hiring, training and mentoring staff	51%

57% of engineers have a dedicated business development manager, and 80% have a CEO.

Collaborative models are ideal

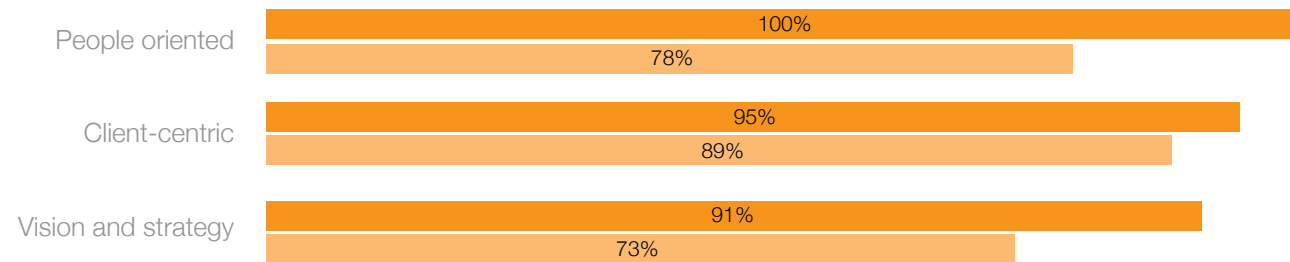
31%

of engineers use a matrix reporting structure, rising to one in two for higher-performing engineering businesses.

What makes a more successful engineering business?

Higher performers are more focused on growing revenue and hiring new talent.

Higher performing business strengths



Higher performers Others

Architects

Focused on financials, concerned with risks

With **53%** of respondents saying they have fewer than 20 employees and **52%** reporting gross revenue under \$5million in the 2019 financial year, architectural practices are more likely to be smaller firms within the built environment sector.

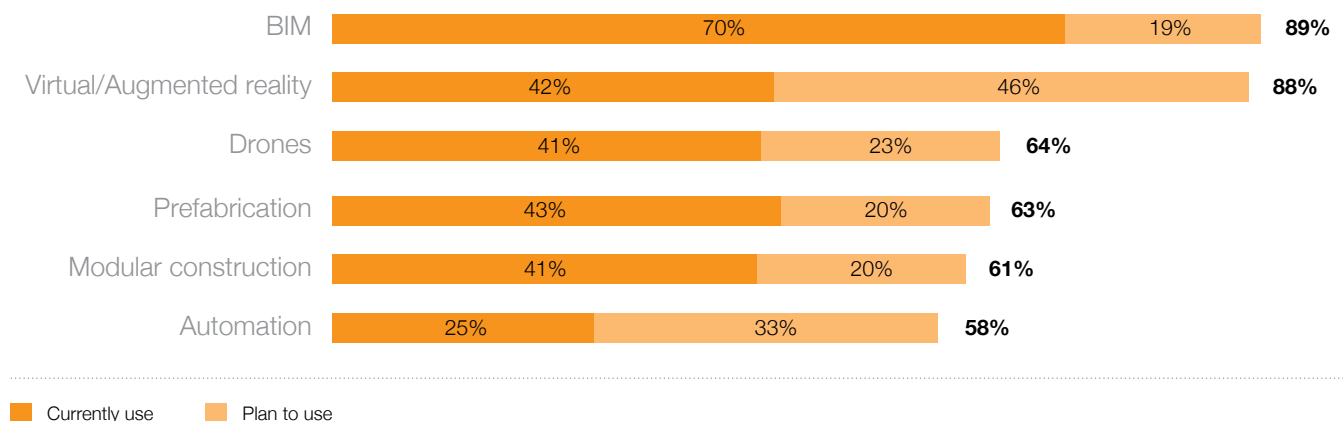
These firms are typically focused on less diverse disciplines, preferring to be subject matter experts in a smaller number of market areas. This narrower focus allows firms to better articulate their value proposition to the market. However, downsides of this approach include project delays and cyclical movements in their market, which are likely to have a greater financial impact.

They are more focused on profits and costs than engineers or surveyors, and less likely to feel confident about how well they can respond to macroeconomic or industry changes.

Client-centricity is the most important attribute for smaller architectural firms (those with revenue under \$5million), while larger firms are more focused on vision and strategy – as well as ways to streamline operations.

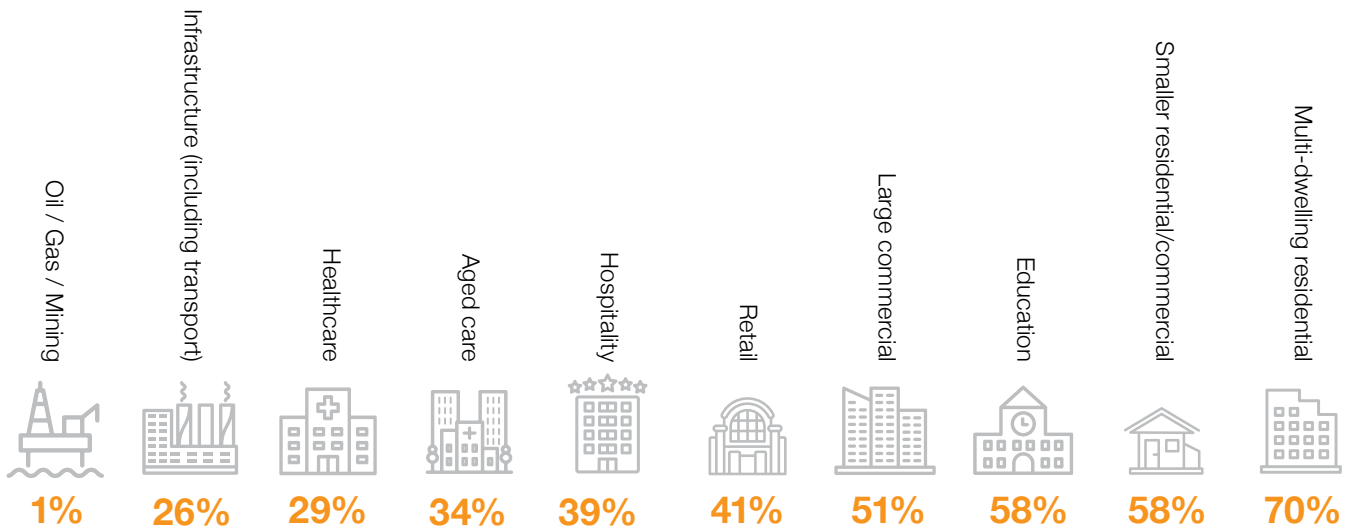
Architects tend to operate at the very start of any project cycle, which can expose them to contract and pricing risk as the scope of work changes. Respondents cited negotiating these risks as a major challenge, and they are more likely to subcontract or have multiple contracts tied to one project.

Their technology prioritises design over operational tools





Architects tend to work more on residential projects



Architects feel under pressure from external forces

Major challenges over the next two years

Fee or margin pressure	44%
Appropriately charging for re-work or variations	40%
Transfer of risk to consultants via design and construct contracts	36%

Focus for the next two years

Business development	75%
Streamlining operations to manage project cycles	75%
Technology to drive process efficiency	71%

How they effectively develop and deploy projects

Managing team culture	53%
Setting clear expectations	49%
Hiring, training and mentoring staff	44%

Principal-led practices are more typical for architects, although **55%** have a CEO and **45%** have a dedicated business development manager.

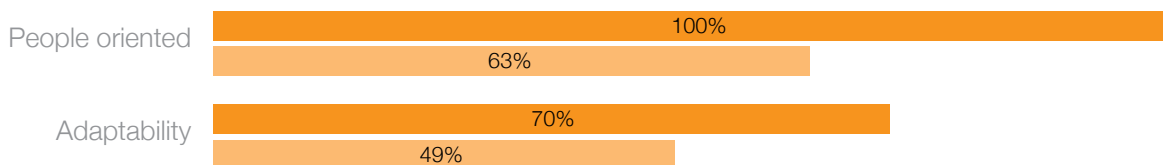
What makes a more successful architectural firm?

Higher-performing architects are more focused on growing profits and are conscious of costs and pricing. They worry about future competition and the commoditisation of architectural skills, although **70%** of higher performers believe adaptability is one of their strengths.

Matrix or project-based models

40% of higher-performing businesses believe a matrix reporting structure is ideal to succeed in the future business environment, while **46%** of others use a more traditional project-based model.

Higher-performing business strengths



Higher performers Others

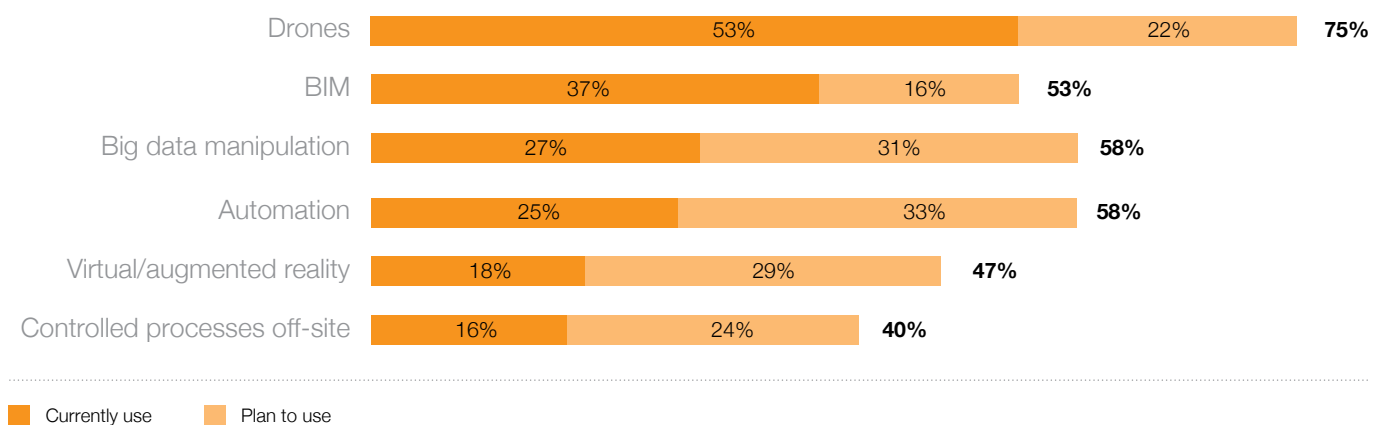
Surveyors, urban planners and certifiers

Confident and ready to expand

Surveyors were the most positive about their ability to respond to changes in political, macroeconomic, competitive or internal factors. Like engineering firms, they are also feeling confident about the economic outlook. Just over half reported revenue over \$5million in the 2019 financial year, with **24%** growing by over **10%**, and **61%** have 20 employees or more.

Anecdotally, certifiers are less bullish about their business. This reflects specific economic impacts on their business, particularly given the uncertainty over insurance premiums in light of combustible cladding concerns and other related external factors.

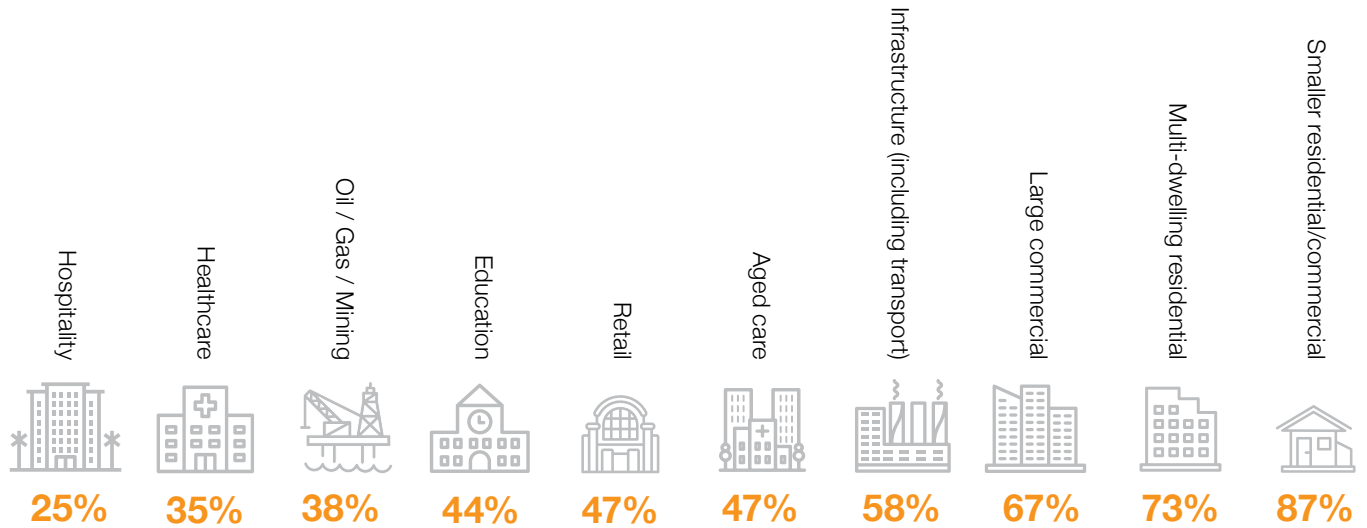
Early on the technology adoption curve





Surveyors, urban planners and certifiers

Surveyors are focused on residential and smaller commercial projects



Surveyors are more concerned about external forces and people than risk

Major challenges over the next two years

Acquisition of key staff	44%
Fee or margin pressure	33%
Managing the changing economic cycle	29%
Appropriately charging for re-work or variations	25%

Focus for the next two years

Technology to drive process efficiency	83%
Business development	75%
Bespoke or high value-add work	75%

How they effectively develop and deploy projects

Managing team culture	58%
Setting clear expectations	53%
Hiring, training and mentoring staff	47%
Balance quality versus speed	47%

Surveyor, certifier and urban planning businesses are more likely to be led by a director or principal (91%), with just over half having a CEO. Only 35% of surveyors have a dedicated business development manager.

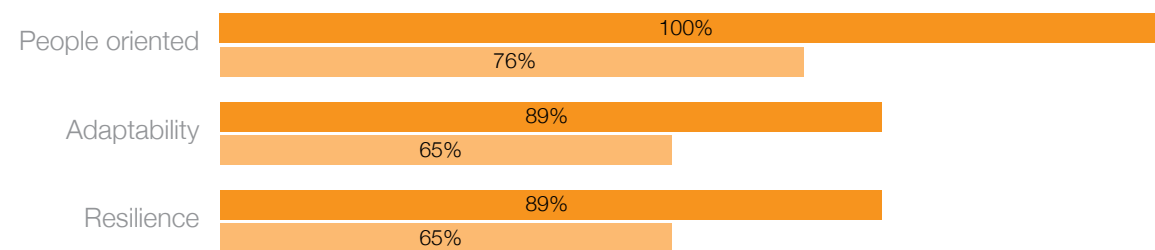
What makes a more successful surveying business firm?

Similar to engineers, higher-performing surveyors, urban planners and certifiers are firmly focused on people. They all agreed being people-oriented is a core strength, and acquiring key staff a future challenge.

Line reporting preferred

The most common model for both higher performing and lower performing surveyors is a line reporting structure.

Higher-performing business strengths



Higher performers Others

Prioritising people

Higher performers understand the importance of culture

In any service-based business, successful project execution depends on people. So it's not surprising that higher performers reported being more focused on acquiring or retaining key staff and managing team culture.

Increasingly firms are focusing on employee experience, which looks at constant engagement, feedback and action. A holistic approach that balances financial and non-financial rewards has been shown to increase retention, engagement and performance.

Building a flexible workforce

When higher performers need to scale up, they all reported recruiting new staff, while 83% said they would also depend more on technology.

Interestingly, 63% of higher performers said they would subcontract work to other organisations. In contrast, lower performers said they are more likely to work harder and (88%) and use casual staff or freelancers (69%).

Higher performing firms are able to attract specialised, highly technical subcontractors due to their large and varied project base. Conversely, lower performers may be reluctant to take on additional overheads, as earnings volatility may not support increased overheads over the medium term.

It's clear that successful businesses are building more strategic formal or informal partnerships with other firms

or specialist consultants to proactively help execute new projects, rather than bringing in casual staff.

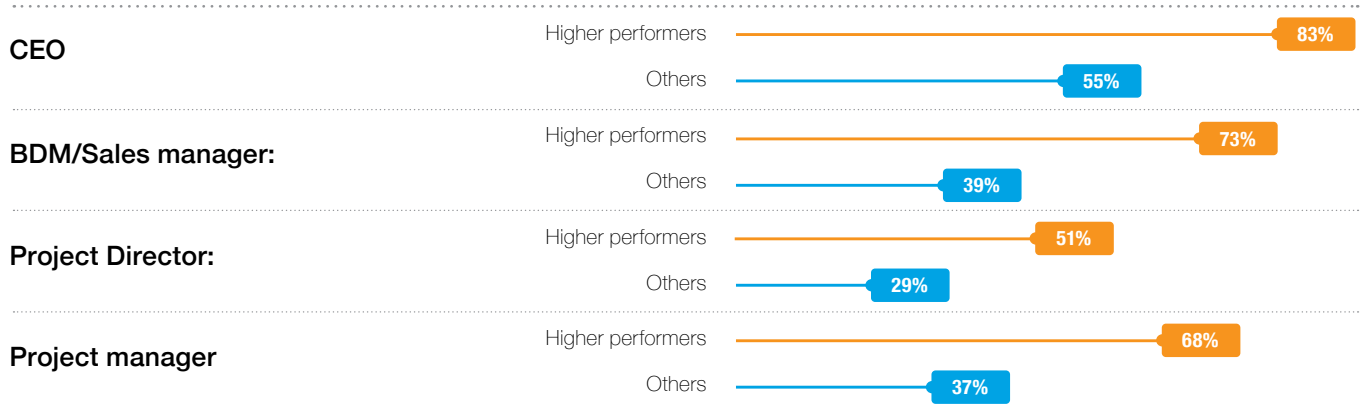
Collaborative models reduce talent risk

Traditional project-based team structures tend to put the responsibility for successful execution in the hands of senior engineers, planners or partners. This carries inherent risks. It reduces the opportunity to build experience from within, and if those consultants depart the firm they may take the client with them.

So it's illuminating that 41% of higher performers believe a 'matrix structure' is ideal. More complex reporting relationships, generally to a functional manager and project manager, enable everyone on the team to learn and lead. In contrast, 34% of lower performers said they use the more traditional project-based team approach. With this move away from pure project-based teams, the employee experience becomes critical, as employees have various reporting lines and functionalities.

The right people to build the business

Higher performers are more focused on building a team. There is also a distinction between the technical expertise needed to produce quality work, and the capabilities required to run a thriving business. Higher performers are more likely to hire people with specific skills to help them grow.



State of play



NSW

30% respondents
49% higher performers
Believe financial focus
is their strength



Victoria

23% respondents
20% higher performers
Higher proportion of architects
(63% respondents)



South Australia/ Northern Territory

4% respondents
2% higher performers



Queensland

22% respondents
17% higher performers
More likely to believe revenue
will grow by more than 10%
in the next 12 months



Western Australia

21% respondents
12% higher performers
43% of work is oil, gas
or mining

Opportunities to thrive; our perspective on the industry

While engineers, surveyors and architects all have very different skills and capabilities, they are working together to build a better world. And although they may define success differently, and use different business models and strategies to achieve it, our survey results have identified some characteristics higher-performing businesses share.

A clear vision

Set your strategy up to see your business through the peaks and troughs of the next market cycle. This may mean planning to maintain and defend your core business, as well as nurturing opportunities to grow in adjacent areas.

Look for other emerging opportunities for profitable growth too – such as strategic partnerships, or new revenue lines enabled by technology.

Open to new opportunities

Operating in multiple capital cities can help you mitigate the risks of competitive pressure or market downturns in one. Likewise, expanding your book of work – whether through adding in house resources or strategic partnerships with other consultants – can help you quickly move to pitch for new project opportunities.

Hiring in the skills needed to focus on project and client growth, such as a Business Development Manager, could free your time to focus on leading your business.

Make people and culture a priority

Your people are the key to every project's success, so it's important to put measures in place to nurture their development and retain their skills. Setting up more collaborative reporting lines can help.

It's also important to measure productivity, given they may also be one of your biggest expenses. If you are struggling to optimise utilisation rates, consider more flexible ways to contract in the expertise you need.

Understand your value

It's essential to know where your business is positioned on pricing, and to price for value rather than time when pitching for projects. Smart systems can track previous

project data so you know how scope creep or contract risks have impacted profit in the past – and you can quote more accurately in the future.

To avoid competing for commoditised, low-profit work, position your business for projects where you can be confident your expertise will add tangible value.

Be ready to scale quickly

While lead times may drag, project opportunities move quickly. So it's important to have everything in place to respond to the increasingly complex demands within Australia's built environment sector. This may include investing in technology to boost productivity, or setting up a strong network of alliances where you share the project workload – and share in the success.

A clear vision

- Strategy through market cycles
- Nurture and defend core business
- Emerging profitable growth opportunities

Open to new opportunities

- Expand interstate
- Expand book of work
- Bring in growth skills

Make people and culture a priority

- Measure utilisation rates
- Collaborative reporting lines
- Nurture and retain talent

Understand your value

- Price for value
- Manage contract risks
- Look for high value-add work

Be ready to scale quickly

- Technology to boost productivity
- Tap your network for new skills
- Strategic partnerships and alliances



For a closer look at
how your business is
performing against key
industry benchmarks,
please contact your
Macquarie Relationship
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