

Deltek®

Clarity: Architecture & Engineering Industry Study

46th Annual Comprehensive Report

In collaboration with:



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INTRO

Architecture and engineering (A&E) firms forecast 9.6% net revenue growth in 2025 as financial performance holds strong, but softer backlogs, tighter pipelines and reduced hiring momentum signal a new era of disciplined execution.

Despite ongoing cost pressures, including rising labor expenses and inflation, A&E firms were very profitable in 2024. Firms reported improvements in labor multipliers, net revenue per employee and return on equity, driven by tighter execution and stronger operational discipline. The climb in operating profit on net revenue to 21% marked a 10-year high, even as utilization held flat and headcount growth slowed.

While financial performance remains strong, many firms are approaching 2025 with a more measured outlook. Backlogs softened, revenue forecasts declined slightly, staff growth declined and talent pipelines narrowed. Rather than fueling aggressive expansion, firms may be channeling effort into consistent delivery, internal alignment and smart pursuit strategies.

Business development approaches shifted notably, with firms submitting fewer proposals but achieving high win rates on higher dollar pursuits. Project fit and profitability increasingly shape go/no-go decisions, especially as overhead costs continue to rise. Artificial Intelligence (AI) adoption also surged this year, with firms applying automation and analytics to business development (BD), project management and operational workflows.

Yet while AI usage rose sharply, reliance on manual processes and spreadsheets remains widespread, especially in accounting, operations and administrative functions. This highlights the gap between desired innovation and full integration. Many firms are also re-evaluating how effectively they're using the tools already in place, shifting the conversation from "what to buy" to "how to fully use what we have."

Workforce strategies also continue to evolve. Talent availability remains a top concern, but rather than hiring reactively, many high-performing firms are investing in technical training, cross-training and internal career development. In-house project management (PM) training continues to rank as a top initiative, though external partners are increasingly used to scale expertise and reduce gaps. Reductions in force, role consolidation and merger and acquisition (M&A) activity are reshaping staffing models, reinforcing the need for flexibility and forward-looking workforce planning.

Firms that performed well this year demonstrated more disciplined internal processes, clearer role definitions and greater project manager enablement—hallmarks of an industry shifting from resilience to readiness.

9.6%

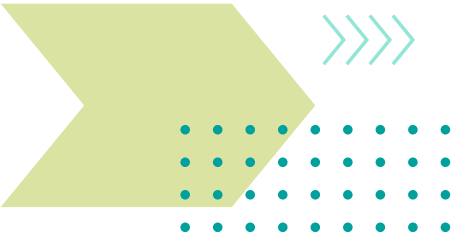
Net Revenue Growth Forecast, down 1.3% year-over-year

21%

Operating Profit on Net Revenue—highest in a decade

53%

of firms are using AI and Machine Learning, up from 38% last year



ABOUT THE STUDY

For the past 46 years, Deltek has conducted an annual survey of firms in the architecture & engineering industry to identify benchmarks on key performance indicators, gain perspective on current market conditions and better understand industry trends.

Methodology

An online survey was developed in partnership with CMG Consulting and conducted between January and March 2025, with financial metrics reflecting firms' 2024 fiscal year performance. The 46th Annual Deltek Clarity Architecture & Engineering Study includes data from a variety of firms of all sizes and types across the United States and Canada.

Firm Type

The umbrella term of Architecture and Engineering (A/E) refers to all architecture, engineering and allied firms included in the Study. Three broad categories are broken out for an in-depth analysis:

- Architecture (A) or Architecture/Engineering (A/E) firms are either pure architectural design firms or architecture-dominant firms that also provide engineering services. A/E firms are also known in the industry as "big A, little E" firms. In this report, **37% of participants** were in the A or A/E category.
- Engineering (E) or Engineering/Architecture (E/A) firms are either pure consulting engineering firms or engineering-dominant firms that also provide architectural services. E/A firms are also known in the industry as "big E, little A" firms. In this report, **55% of participants** were in the E or E/A category.
- "Other" refers to the companies in the industry that do not fit into either category based on the traditional definition but are critical to the delivery of projects. Such firms might include environmental science, fire protection, surveying or others operating within the industry. This year, **9% of the Study's respondents** were in this category.

Firm Size and Region

The size of participating firms was diverse when measured by the number of employees. Deltek defines small, medium and large firms in the following way:

- Small: 0-50 employees (39% of participants)
- Medium: 51-250 employees (44% of participants)
- Large: 251+ employees (17% of participants)

High Performers

Each year, Deltek identifies a group of high-performing firms for additional analysis. These firms are defined as those achieving a net labor multiplier of 3.0 or higher and an operating profit on net revenue of 15% or higher. This year, **high performers represented 17%** of all Study participants.

This year's Study involved 692 firms, representing a broad cross-section of businesses within the A&E industry in North America.

EXECUTIVE SUMMARY

Firms maintained strong profitability through improved utilization, disciplined execution and strategic selectivity. With AI adoption accelerating and internal training on the rise, the next wave of performance gains will depend on aligning people, processes and technology to drive lasting efficiency.



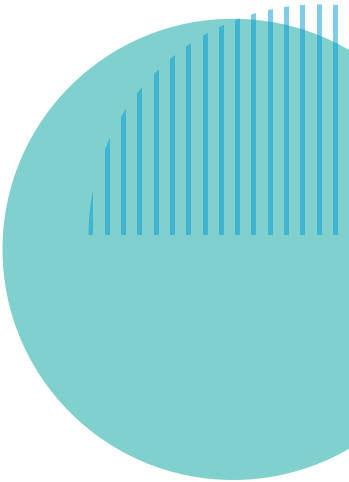
In 2024, A&E firms sustained historic profitability despite softer growth in headcount and backlog. With fewer active pursuits, firms became more selective prioritizing project fit, financial return and strategic alignment. At the same time, operational gains in labor efficiency, revenue growth outpacing labor cost increases and improved collection cycles reflected stronger internal management and financial control.

AI adoption surged across the industry—nearly tripling year-over-year—with firms applying AI to project planning, proposal development and business development.

The ACEC Research Institute reported that 63% of firms now have an AI strategy in place or in development and 78% expect AI to positively impact their operations in the coming year.¹

Talent remains a critical challenge. Many firms slowed hiring or reduced headcount, but high performers are investing in upskilling, technical training and internal leadership development. As priorities shift from growth to execution, firms that align people, processes and tools will be best positioned to lead.

¹ACEC Engineering Business Sentiment Report; Q1 2025. March 2025



01

TECHNOLOGY TRENDS

Firms are shoring up their digital foundations, prioritizing cybersecurity, and optimizing day-to-day operations while significantly increasing their overall use of AI.

A&E firms are approaching technology with a focus on performance. Topping the list of priorities are cybersecurity and creating plans to implement technology. Artificial Intelligence (AI) remains under evaluation while firms are leveraging data analytics to improve reporting metrics and operations. Taking a measured approach, firms are working to align technology with broader operational functions, train their teams and make measurable gains where it matters most.



53%

of firms are using
AI and Machine
Learning, up from
38% last year

ADDRESSING TOP TECHNOLOGY CHALLENGES

1 Prioritizing Applicable Trends

With a profusion of new AI tools, prioritizing which technologies to adopt remains the industry's top challenge. More than 75% of firms named it among their biggest hurdles—up from 60% last year. Under pressure to bolster competitiveness, firms are taking a critical look at technology while considering that not all solutions deliver equal value. To advance, firm leaders must assess new technologies through the lens of their specific business needs and practical applications, informed by internal knowledge, outside expertise and client expectations. Those who focus on relevance and utility over novelty will be best positioned to lead.

2 Cost of Technology

Cost remains a significant concern for A&E firms of all sizes. While new tools promise efficiency, the upfront investment may seem daunting. Firms that tie technology investments to strategic priorities can reduce risk and avoid one-size-fits-all solutions. Some of these tools may seem more costly, but the ROI, gained efficiencies and time savings may more than compensate for the cost.

3 Lack of Time to Invest in Learning

Day-to-day demands continue to sideline training employees on new technology. Yet firms that prioritize training alongside tech deployment will reap the full rewards of their technology investments. Building a culture of continuous learning and innovation is no longer optional, it's essential to staying relevant in a fast-changing market.

“Firms have a powerful opportunity to integrate AI for both efficiency and strategic impact. The key is intentional integration, aligning it with brand standards, ethical use and client expectations.”

— MARCI THOMPSON, CEO, SOCIETY FOR MARKETING PROFESSIONAL SERVICES

01

TECHNOLOGY TRENDS OVERVIEW

A&E firms are approaching technology with a sharper focus on risk mitigation and operational resilience.

While innovation remains important, priorities this year reflect more practical concerns: protecting data, optimizing processes and creating a more integrated tech stack. Cybersecurity remains the single most important concern across all firm sizes.

The top three technology trend challenges remain largely consistent with last year: prioritizing applicable technology trends, cost of technology and lack of time to invest in learning. These persistent barriers highlight the challenges of staying current with continuously evolving technology while also needing an intentional and agile method for adopting technology where it makes the most sense.

Firms are implementing AI widely but cautiously. AI usage in data analytics jumped from 17% to 44% in just one year, reflecting a broader shift toward evidence-based decision-making. While nearly half of firms believe AI can provide a competitive advantage, expand services and improve job satisfaction, many remain uncertain about its long-term impact. Adoption is highest in proposal development and content generation, with firms also expecting gains in project management, operational efficiency and cost reduction. And, while some firms are fully embracing AI, nearly half of firms are still not using AI or machine learning in their business.

When it comes to AI and the workforce, firms have very different approaches. Some firms (13%) are planning or have already created AI-specific roles to maximize the impact of AI in their business, while the majority of firms do not expect AI to affect hiring or reduce headcount, reinforcing that many firms see AI as a productivity tool.

With this wider usage of AI and data analytics, firms are taking measurable steps to move beyond exploration and committing to scalable strategies. That means aligning technology with business goals and building time for learning into their firm's culture while embedding innovation into everyday operations.

Technology is evolving faster than firms can adopt it. To move forward, A&E leaders must prioritize investments and make time for training to fully capture the value of new tools.

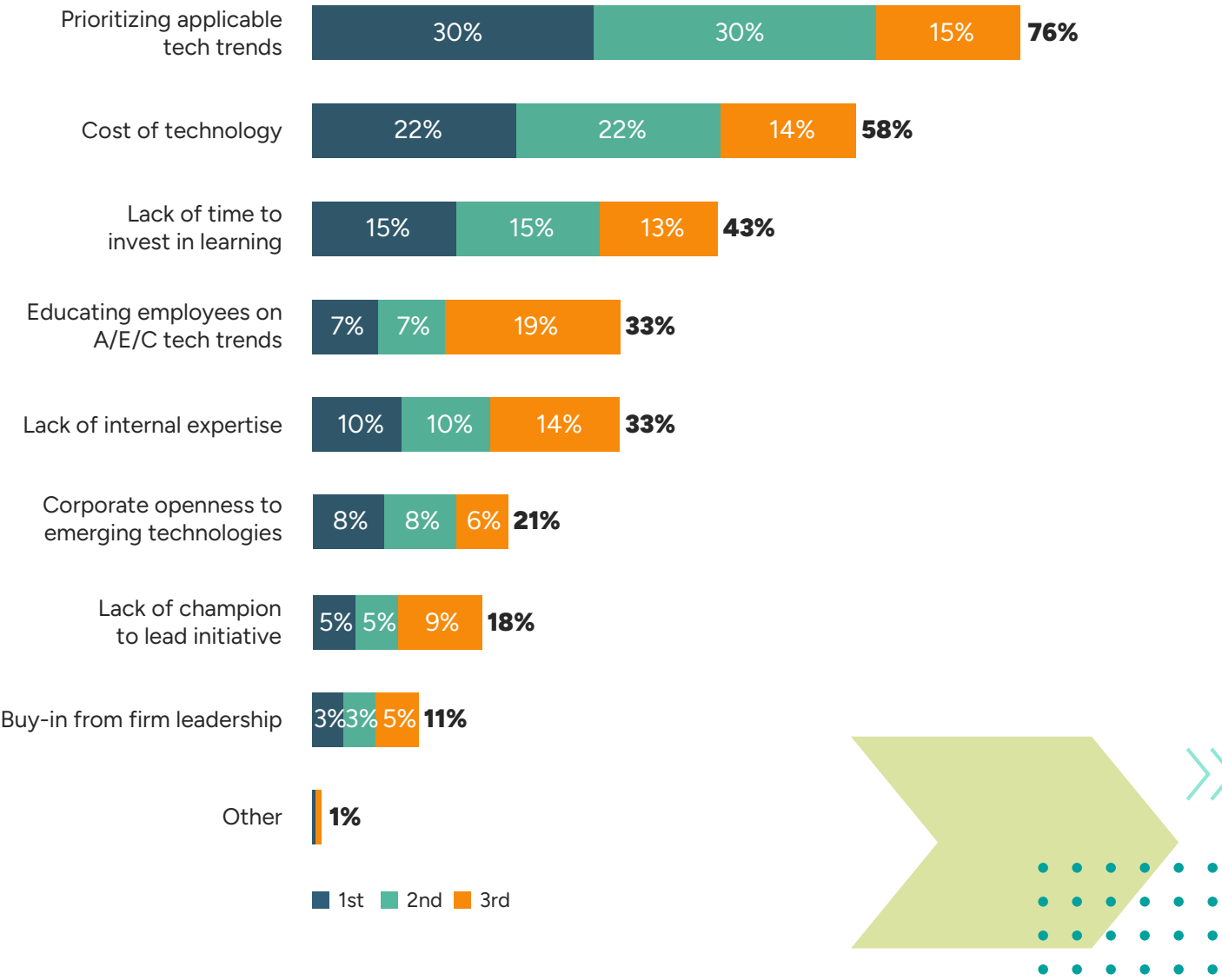
Top Technology Trend Challenges

As AI adoption continues to increase, firms are facing renewed urgency to address long-standing technology challenges. For the third consecutive year, the top three challenges remain: prioritizing applicable trends, cost of technology and lack of time to invest in learning.

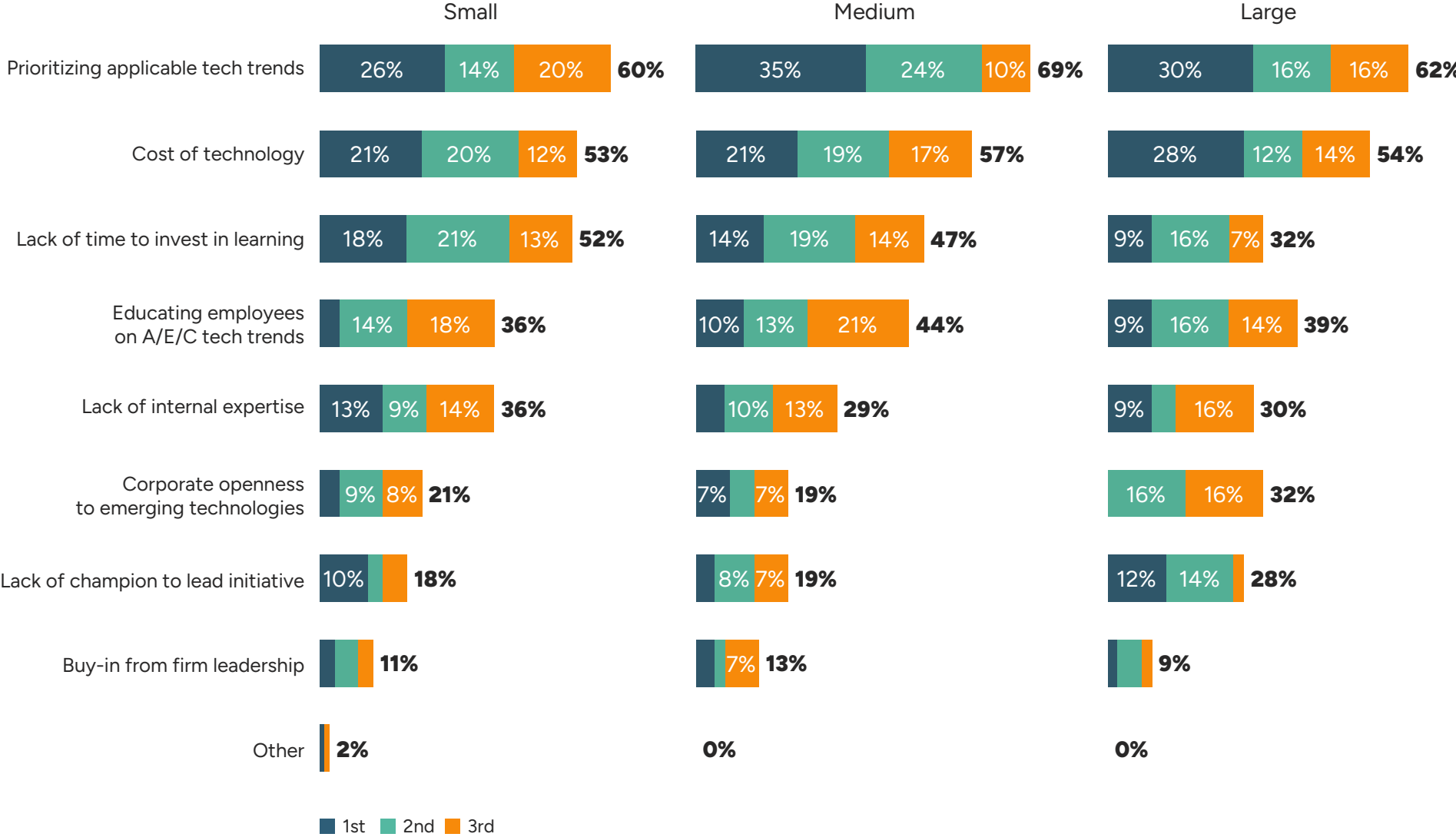
This year, prioritization is the clear frontrunner at 76%, up from 60% last year. With a growing number of new AI and productivity tools and a push to more widely deploy solutions they’ve already invested in more widely, firms are struggling to prioritize where to focus their effort. Medium-sized firms ranked this issue seven percentage points higher than large firms, indicating a greater challenge to keep pace with the right technology trends.

Cost remains a top concern, with more large firms ranking it as their second-highest technology challenge. This may seem counterintuitive given their typically larger budgets, but with scale comes complexity. Costs are compounded for large firms because they generally have to deploy technology across multiple departments, locations and business units. This is not just an investment in tools, it’s an investment in enterprise-wide alignment, which demands ongoing support, training and process refinement to deliver ROI.

Time to invest in learning also remains in short supply. The need to stay billable often limits learning and experimentation. However, firms that prioritize training and lean on internal and external expertise are better positioned to adapt to new technology. Encouragingly, corporate openness to emerging technology continues to grow, signaling leadership’s readiness to tackle these barriers.



Top Technology Trend Challenges by Firm Size



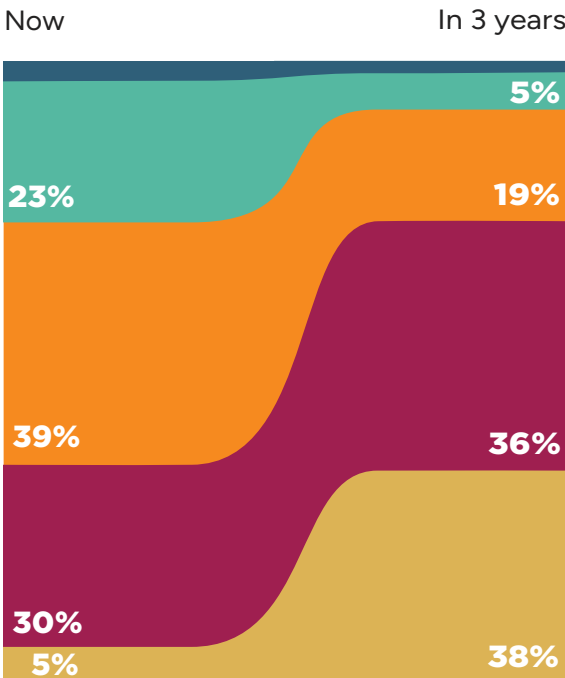
Digital Transformation Maturity Spectrum

Firms are entering 2025 with a more ambitious timeline for digital transformation. In this year's self-assessment, 38% of firms identified as either mature or advanced in their digital maturity. While only a slight increase from 35% last year, it marks a significant jump from just 18% three years ago. Firms are starting from a stronger position and setting more aggressive three-year goals.

Looking ahead, 74% of firms expect to reach the mature or advanced stage within three years. Large and medium-sized firms project the most dramatic leap, with around 43% expecting to be advanced by 2027 compared to around seven percent today. Small firms anticipate more measured progress, but share the same upward trajectory.

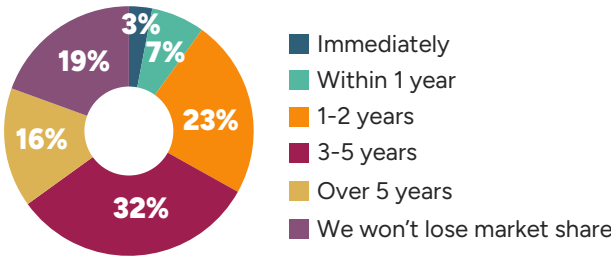
Still, there's a cautionary note. Some firms may be setting ambitious goals without the roadmap or internal capacity to scale adoption. Optimism is high, but in some cases, ambition is outpacing implementation.

The consequences of falling behind are real. One in three firms believes that they risk losing market share within the next two years without significant progress. As more business functions become tech-enabled, lagging firms may struggle to compete. Sustained transformation requires more than intent—it demands structure, investment and execution capacity.

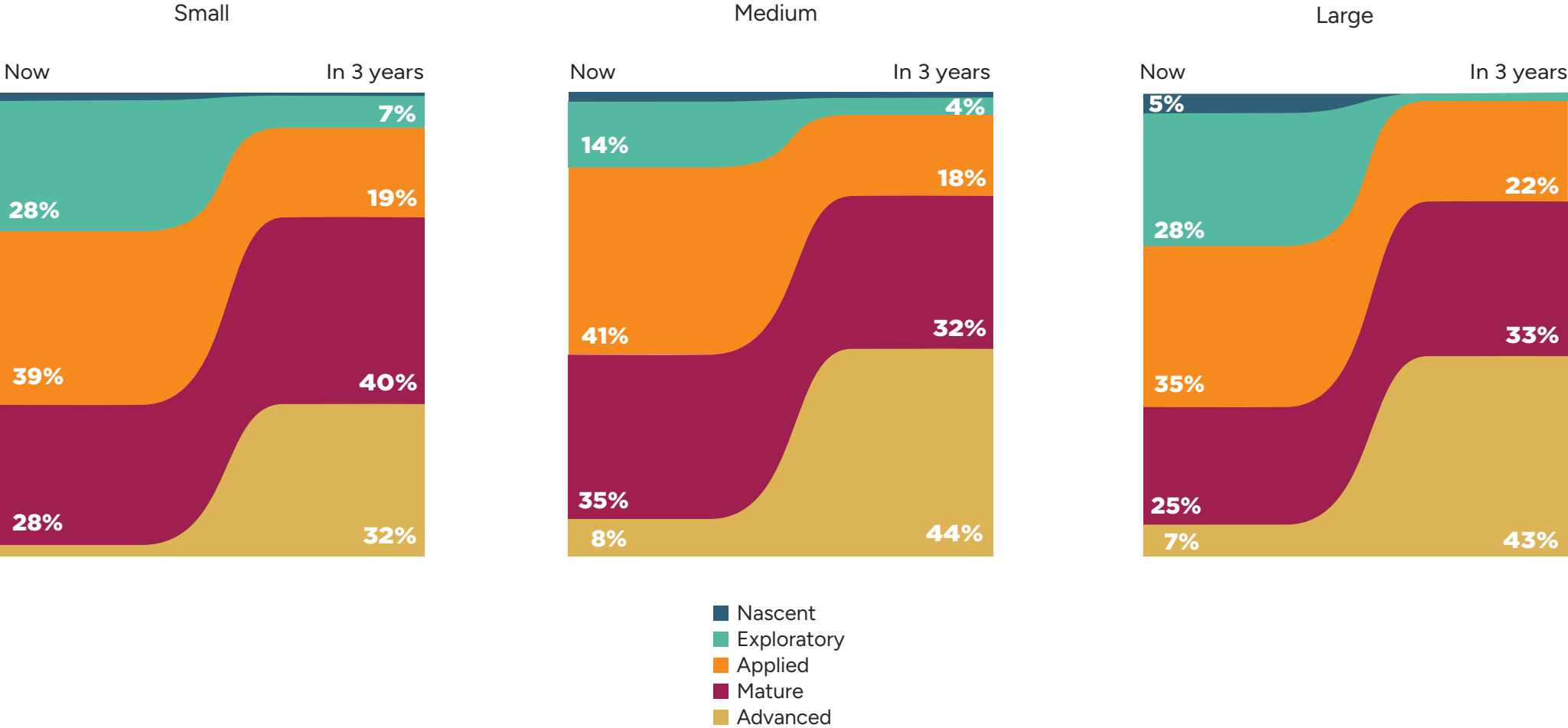


- Nascent.** There's a disconnect between business and digital IT initiatives or a misalignment with company strategy.
- Exploratory.** There's a recognition of the need for digital transformation strategy but execution is at the lighthouse stage, on an ad-hoc project, which is neither predictable or scalable.
- Applied.** There's alignment between business and IT goals and momentum to adapt, but not dedicated focus on the full disruptive potential of digital initiatives.
- Mature.** Business and IT management are integrated and delivering digitally enabled product / service experiences on a continuous basis.
- Advanced.** Digital transformation is a primary strategic focus at the executive level and a culture of innovation is prevalent along with, increasing revenue, improving customer experience and growing operating margins.

Time Before Losing Market Share Without Digital Transformation



Digital Transformation Maturity By Firm Size

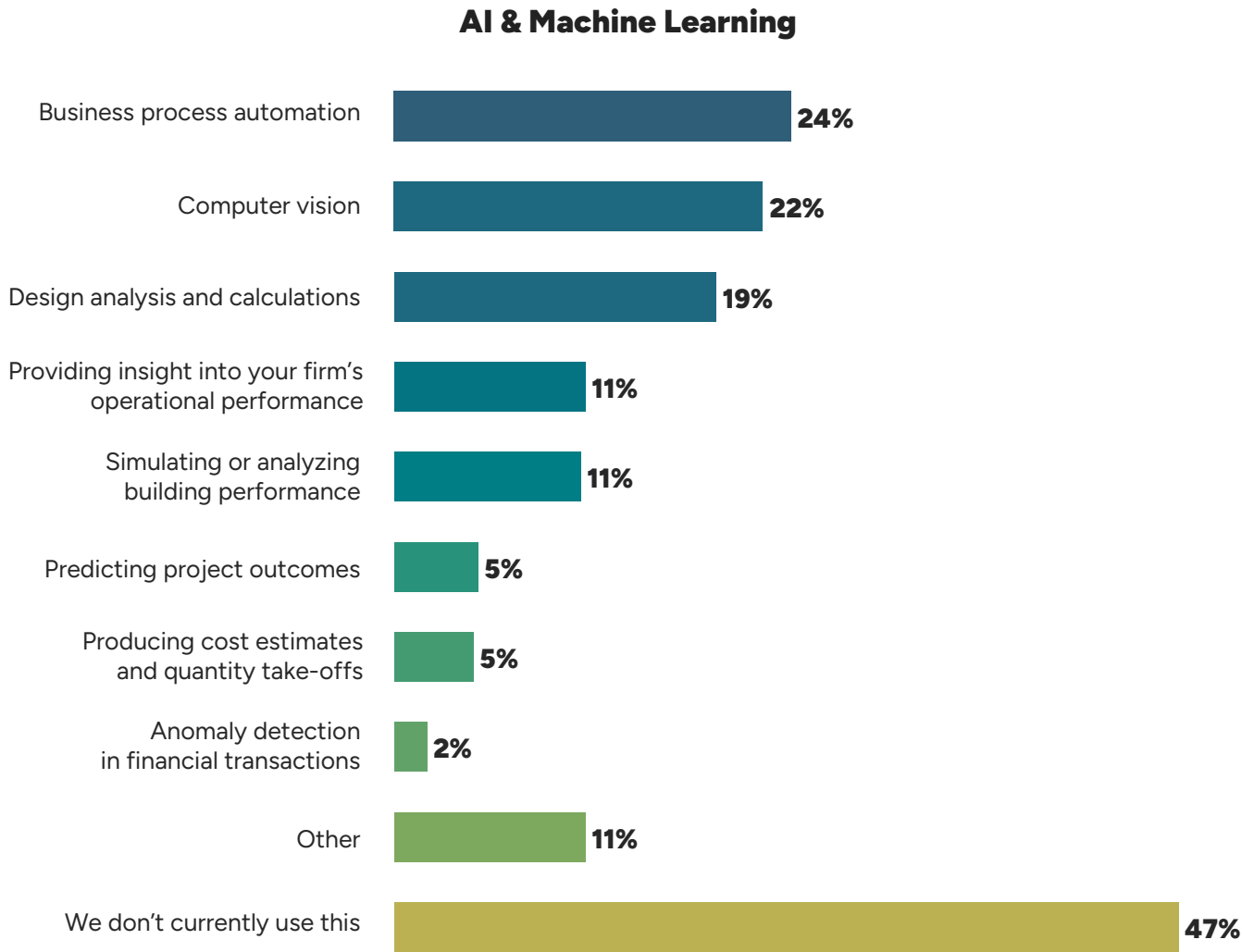


The Role of Artificial Intelligence

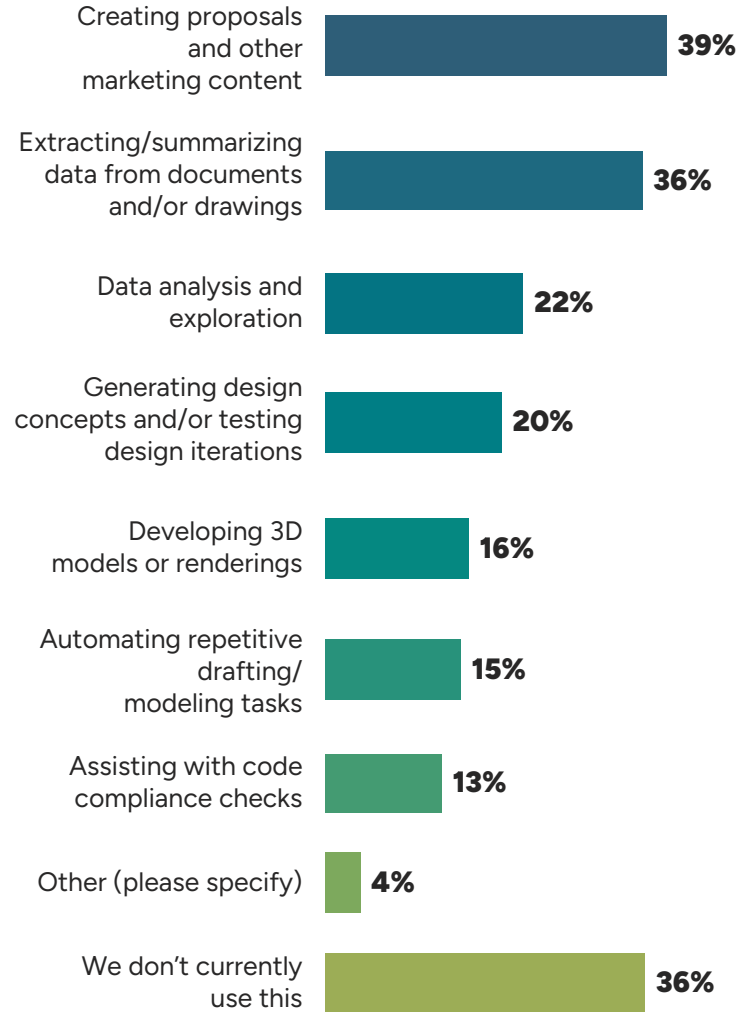
AI adoption is gaining traction in A&E, but many firms remain cautious. The top use cases driving adoption of AI include business process automation, which doubled from 12% to 24% year-over-year, computer vision (22%) and design analysis and calculations (19%). Meanwhile, AI usage in data analytics jumped from 17% to 44% year-over-year. While many firms are boosting their use of AI, just under half of firms (47%) say they are not currently using AI, down from 62% last year.

The most common AI tasks include creating proposals and marketing content (39%), extracting and summarizing data from documents and/or drawings (36%), data analysis and exploration (22%) and generating design concepts (20%)—all up significantly from last year. These applications show how firms are applying AI to accelerate business development and design workflows.

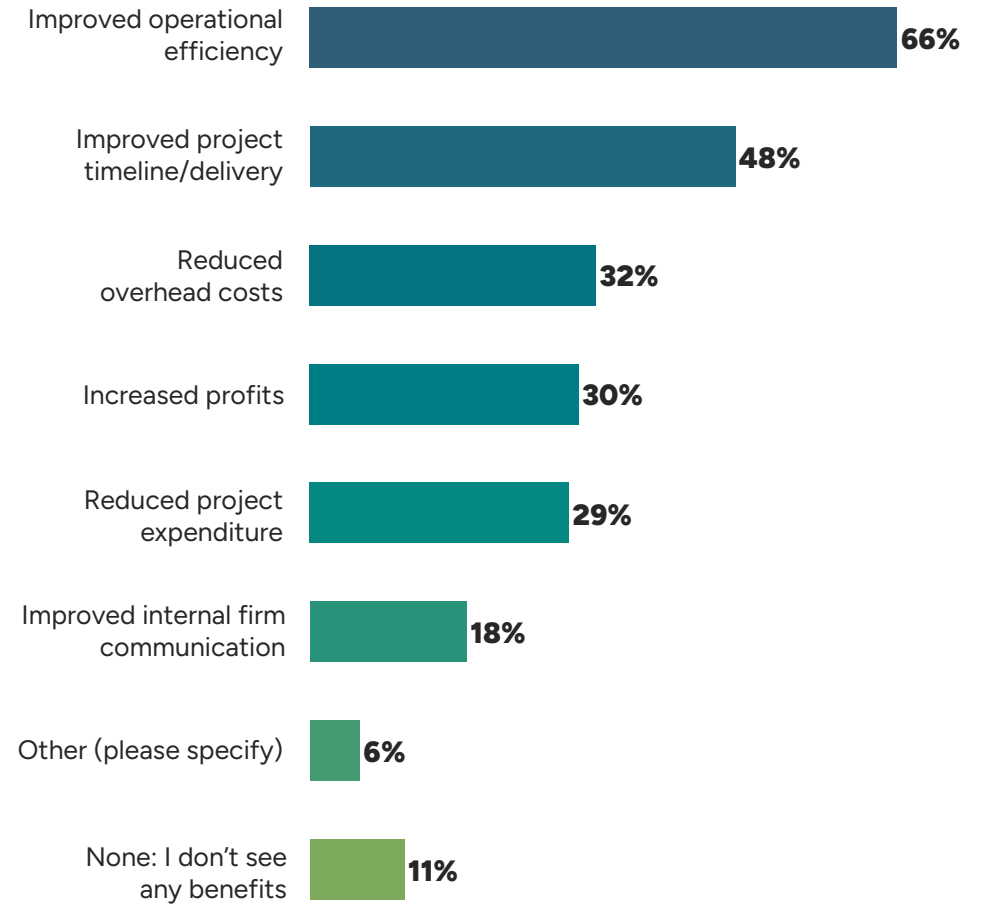
Firms anticipate numerous benefits from AI adoption, especially improved operational efficiency (66%), improved project delivery (48%) and reduced overhead costs (32%). Importantly, most firms do not expect AI to reduce headcount, reinforcing the view of AI as an enhancement rather than a replacement. Still, 11% say they don't expect AI to deliver any benefit, up from just 2% last year, signaling growing skepticism alongside adoption.



Use of Generative AI



AI Benefits

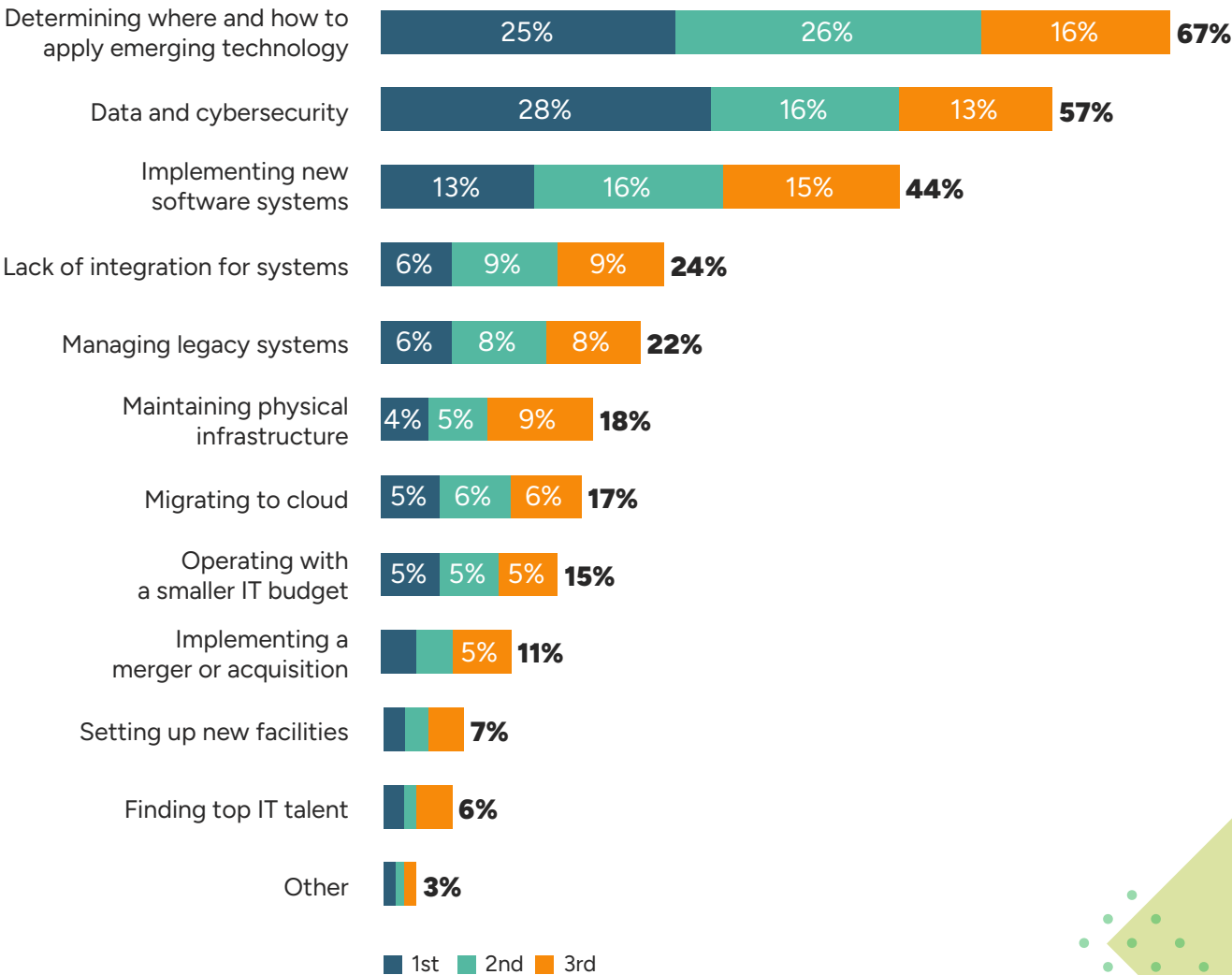


IT Operations Challenges

As A&E firms look to accelerate their investment in technology, IT operations are under pressure to keep pace. For the second year in a row, the top IT operations challenges are: determining where and how to apply emerging technology (67%), data and cybersecurity (57%) and implementing new software systems (44%).

Cybersecurity remains the top concern. Nearly one in three firms (28%) identified it as their top challenge, and 22% reported experiencing a cyber threat or attack, up from 19% last year. The data underscores the need for stronger threat detection, secure system architecture and employee awareness training.

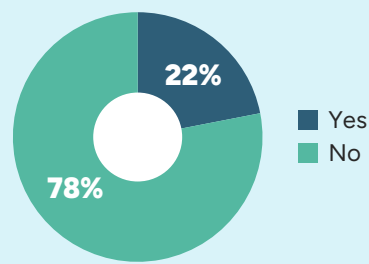
Software implementation continues to strain many firms, particularly as they modernize outdated legacy systems. Integration remains a challenge for 24% of firms, highlighting the pressures IT leaders face as their tech stack becomes more complex and diverse.



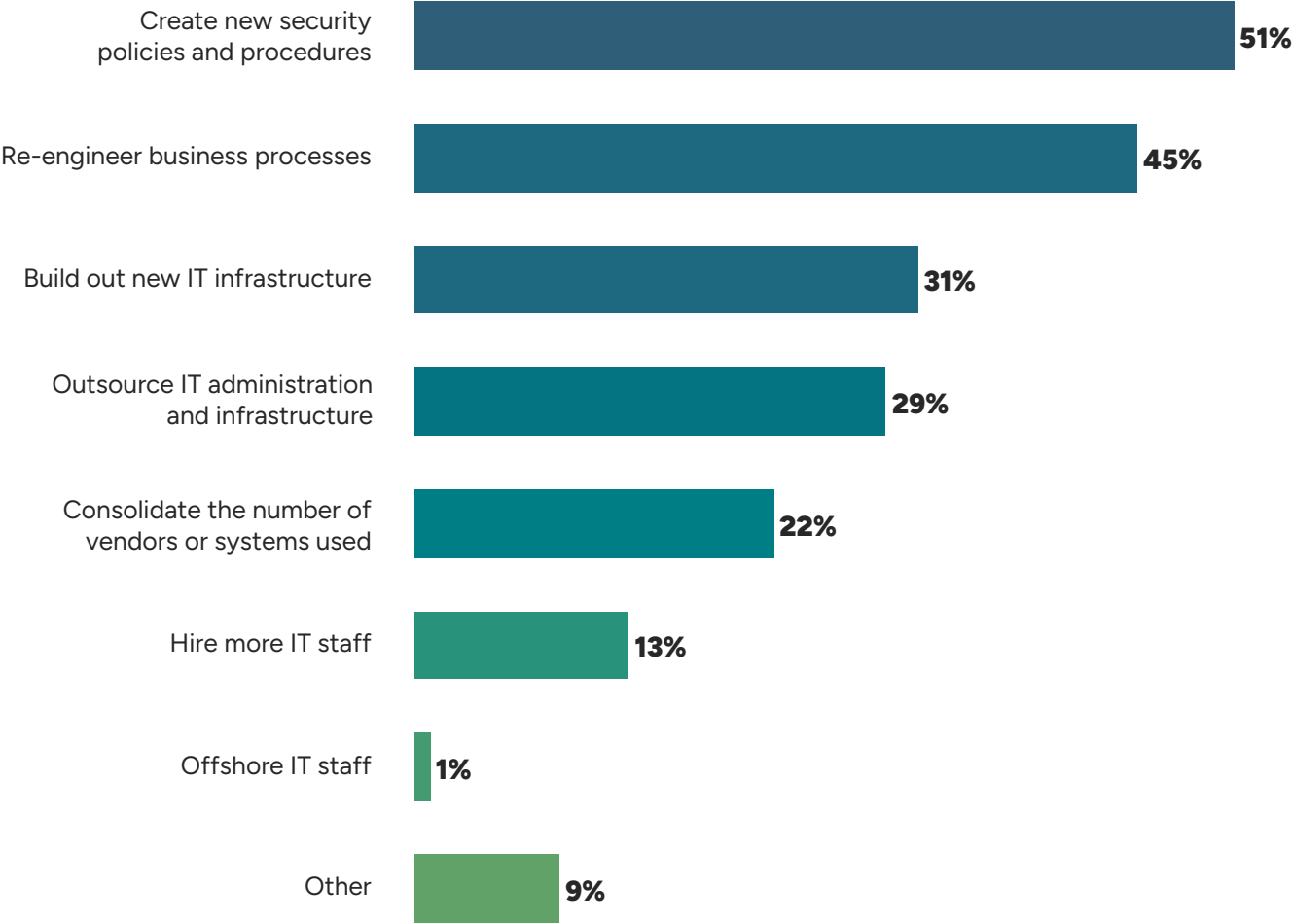
Firms are also adjusting their operational strategies. Many are re-engineering business processes and updating security policies, while deprioritizing outsourcing. Just 29% of firms now outsource IT administration or infrastructure, down from 40% three years ago. This shift may reflect stalled progress in offshore hiring or challenges with managing external IT teams.

As expectations around system compatibility and security increase, firms that fail to modernize risk falling behind. Meeting partner and client requirements now demands more than internal risk management—it requires active alignment with the operational needs and security standards of the partners they work alongside.

Cyber Attack or Threat at Your Business



Addressing IT Operations Challenges



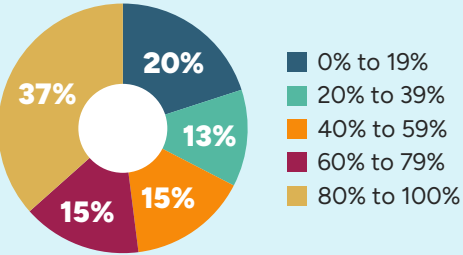
Cloud Adoption

Cloud adoption continues to grow incrementally across the A&E industry. More than half (52%) of firms report that at least 60% of their firm's infrastructure, systems, workstations and storage is now cloud-based. Notably, 37% of firms report that more than 80% of their systems are cloud-based, up from 35% last year. This two-percentage-point jump reflects a slow but steady shift toward reliance on cloud environments to support daily operations and long-term scalability.

At the other end of the spectrum, only 20% of firms remain in the early stages of adoption, with fewer than 20% of their systems in the cloud. That's down from 23% last year, a sign that even the more cautious firms are now moving to leverage cloud/SaaS solutions.

Taken together, these trends suggest firms are steadily expanding their use of digital tools to streamline operations and strengthen their foundations for future growth.

Organizational Leverage of Cloud/SaaS Solutions

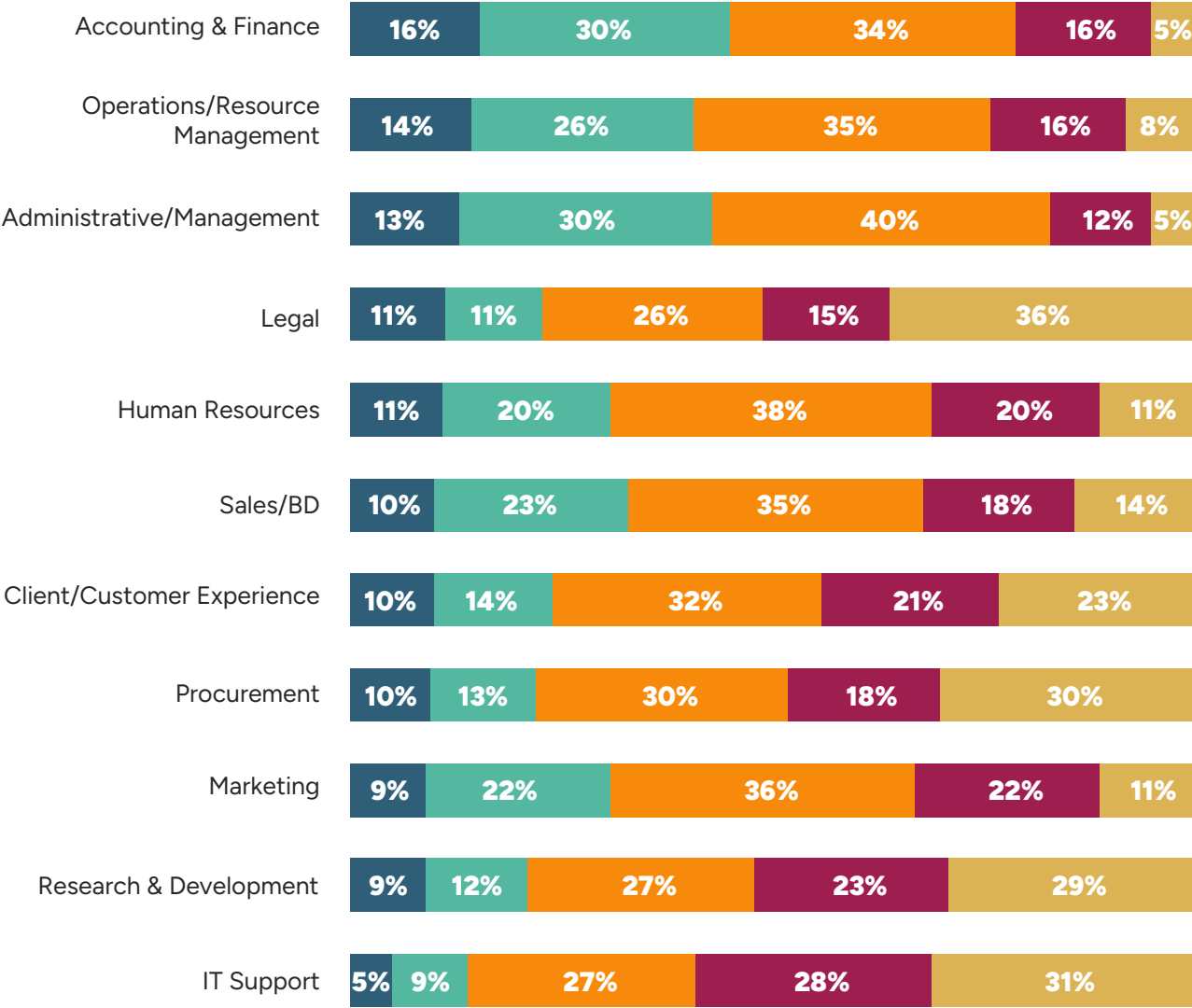


Reliance on Manual Data Entry

Despite growing investment in digital tools, many A&E firms continue to rely on manual data entry, especially in core operational and administrative functions. This year's results show modest movement across most business functions, with Accounting/Finance (80%), Operations/Resource Management (75%) and Administrative/Management (83%) still completely to moderately reliant on manual processes and spreadsheets.

While Legal, IT Support, R&D and Procurement still lead in automation, they have all slightly increased reliance on manual data entry since last year. Though some tasks may never be fully automated, there are plenty of opportunities for improvement: improving accuracy, eliminating manual errors and speeding up labor-intensive processes.

As firms refine their digital strategies, targeted process reviews may help identify small shifts with outsized impact, including freeing up staff time and improving overall data quality.



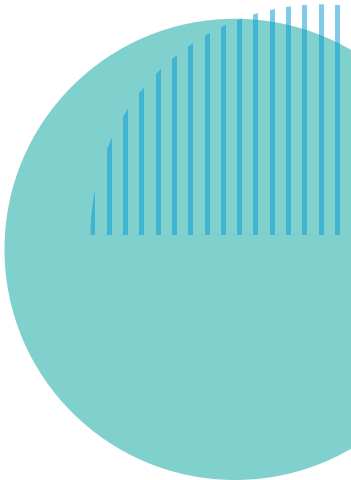
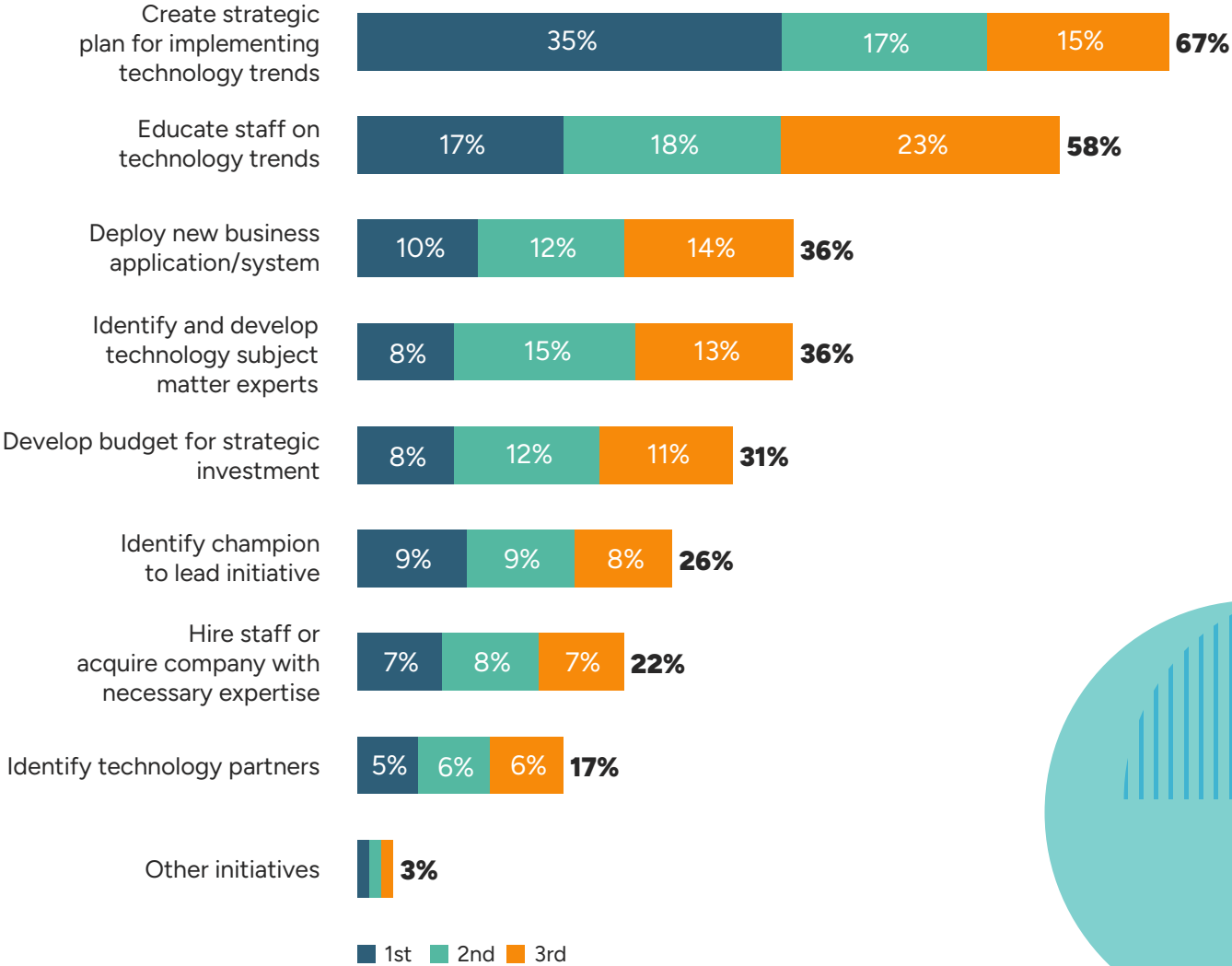
1 - Completely reliant 2 3 - Moderately reliant 4 5 - Not at all reliant

Top Technology Trend Initiatives

A&E firms are continuing to invest in the strategies that they expect to advance their digital transformation. Once again, the top technology initiative this year is creating a strategic plan for implementing technology trends, cited by 67% of firms. Educating staff on emerging technology trends follows closely at 58%. These priorities reflect a focus on long-term vision and internal alignment, with leadership emphasizing preparedness rather than reactive adoption.

Second-tier initiatives show increased emphasis on execution and expertise. Roughly one-third of firms are deploying new business applications or systems (36%), identifying or developing technology subject matter experts (36%) and developing budgets for strategic investment (31%).

Taken together, the data suggest firms are maturing in their approach, shifting from broad experimentation to more structured, risk-aware implementation. Leaders appear to be weighing investments not only in tools, but also in the people and plans that enable firmwide transformation. Rather than chasing the newest trend, A&E firms are focusing on embedding technology that supports operational resilience and long-term growth. At the end of the day, it's important to make forward progress, rather than fall behind the competition while waiting for the perfect plan.



Top Technology Trend Initiatives by Firm Size

Across firm sizes, A&E leaders continue to prioritize the creation of strategic technology plans and staff education on technology trends as their top initiatives. However, the relative importance of second-tier initiatives varies by firm size.

Large firms are also focused on identifying and developing internal subject matter experts (48%) and hiring staff or acquiring a company with the needed expertise (34%). With their wider reach and experience with third-party technology providers, large firms report less activity around identifying partners, possibly because they have already done so.

Medium-sized firms emphasize deploying new applications (44%), identifying internal SMEs (38%)

and developing budgets for strategic investment (28%)—a balance of strategy, structure and staffing. Small firms place the most weight on developing a budget (34%) and show relatively equal focus across several categories, including developing internal SMEs.

The data reflect a shared desire to move from exploration toward more intentional, results-oriented strategies as well as using technology as a competitive advantage. While firm size influences resourcing and execution, all groups are taking a more pragmatic approach, focusing on internal readiness, risk mitigation and tech adoption that strengthens day-to-day business operations.

“Firms prioritizing AI and automation investments should start by identifying repetitive or data-intensive tasks that can be streamlined (e.g., scheduling, budgeting, RFIs, submittals, documentation), then move into higher-value applications like predictive analytics and design optimization.”

— DAPHNE BRYANT, EXECUTIVE DIRECTOR,
AMERICAN COUNCIL OF ENGINEERING COMPANIES



Priorities are planning for strategic technology and educating staff to implement it.

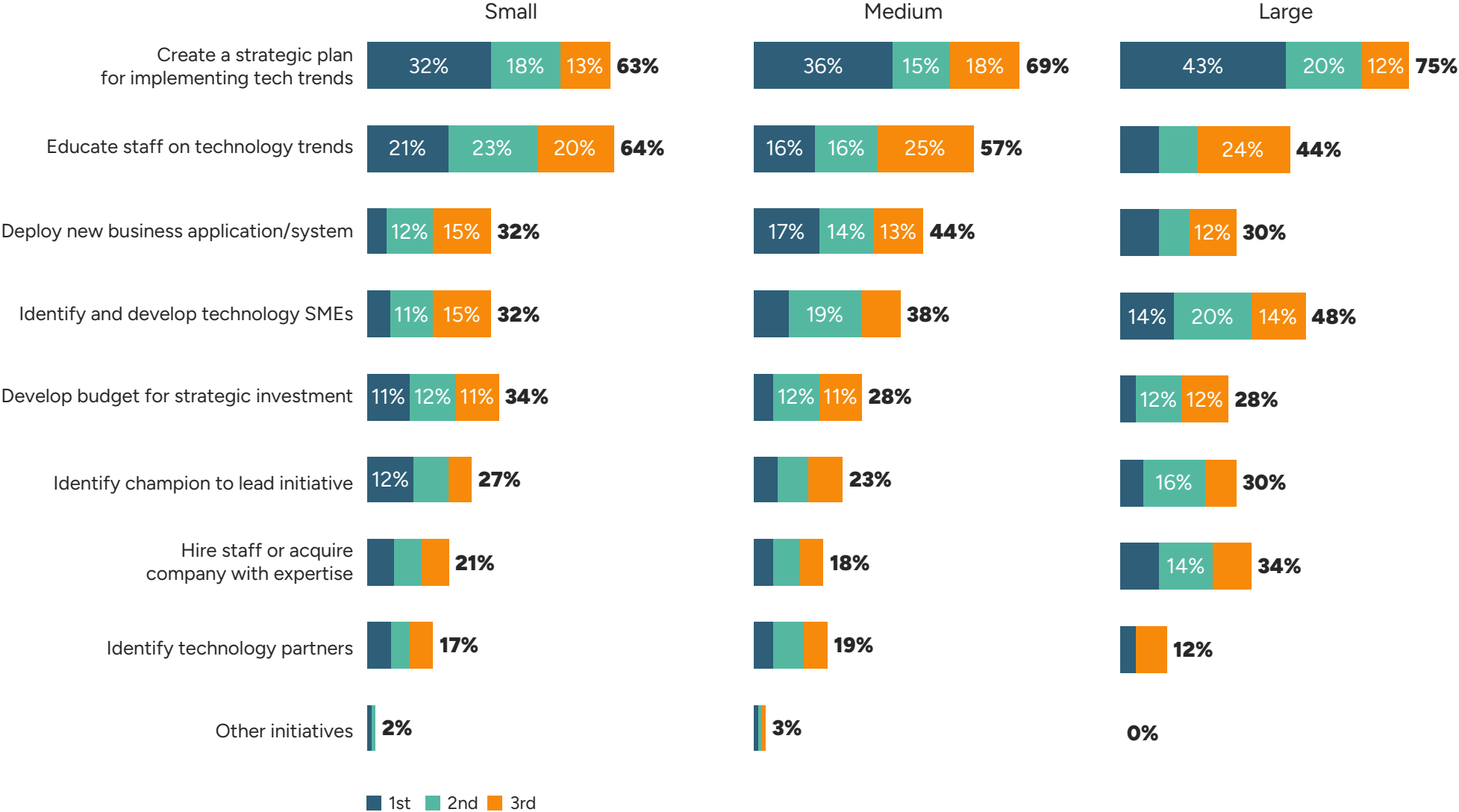


Large firms are focusing on developing subject matter experts while medium-sized firms deploy new applications.



Small firms are developing budgets to achieve strategic goals.

Top Technology Trend Initiatives by Firm Size



TECHNOLOGY TRENDS

Firms are moving past the experimentation phase and aligning tech with business-critical functions. Technology investment decisions are prioritizing data security, project delivery, and AI tools that support measurable gains in analytics, reporting and operational efficiency.

This year's data paints a picture of an industry that's more digitally mature and deliberate than in prior years, but still has work to do. A&E firms are concentrating on practical gains—leveraging technology to improve project delivery, protect critical data and identify opportunities for automation and optimization. Cybersecurity is still the top concern industry-wide, and strategic planning remains the most common tech initiative, underscoring the shift toward risk-aware, intentional adoption.

AI continues to generate traction—adoption is growing, and a few firms have built dedicated roles or firmwide strategies. Data analytics usage rose sharply, suggesting firms are prioritizing tools that offer immediate, measurable value.

The broader trend is clear: digital transformation is evolving from aspiration to infrastructure. With tighter alignment between strategy and operations, firms are finding ways to scale technology that supports, rather than disrupts their core business. In this environment, incremental progress may prove more powerful than sweeping change.

BUSINESS DEVELOPMENT

Revenue growth expectations remain strong at 9.6%, but firms face tightening margins, resource constraints and shifting market dynamics.

Firms are shifting from broad pursuit activity to more focused strategies. While overall submission volume declined, the value of awarded work increased, highlighting a shift toward better-aligned, higher-impact pursuits. As client relationships diversify and legacy revenue streams soften, firms are doubling down on selectivity, strategic marketing and early positioning to compete in a more disciplined, performance-driven environment.



38%

decline in proposal volume year-over-year, despite surge in value of awarded work

ADDRESSING TOP BUSINESS DEVELOPMENT CHALLENGES

1 Time to nurture client relationships

As firms strive to maintain high utilization and deliver more with fewer resources, carving out time to build and maintain client relationships remains a top challenge. BD responsibilities are increasingly shared across project managers, BD professionals and firm leaders, necessitating a growing need for tools, workflows and additional support. Investing in automation and internal processes can help free up capacity for deeper client engagement.

2 Increased competition

Firms continue to face pressure in an increasingly crowded marketplace, where early positioning, strong relationships and brand awareness play a critical role in helping them stand out.

3 Identifying new prospects

Finding the right new opportunities is more complex as firms expand beyond legacy clients and traditional markets. But rather than just casting a wider net, firms are becoming more focused on opportunities that best fit their expertise. Strategic teaming plays a growing role here, helping firms fill capability gaps and gain access to new sectors. As diversification continues, prospecting will require both broader vision and sharper filters.

“With nearly half of firms now using formal BD processes, the focus must shift from structure alone to execution excellence. Efficiency comes from clarity. When teams know where to focus, how to collaborate and what success looks like, BD becomes not just a function but a growth engine.”

— MARCI THOMPSON, CEO, SOCIETY FOR MARKETING PROFESSIONAL SERVICES

BUSINESS DEVELOPMENT OVERVIEW

Even as the rate of growth softened slightly year-over-year, firms remain optimistic heading into 2025, forecasting 9.6% net revenue growth.

Business development leaders are navigating a more complex environment, balancing growth expectations with constrained delivery capacity, rising costs and continued pressure to do more with less. Firms are focusing on better alignment between BD and delivery, tightening pursuit criteria and reallocating resources to the most strategic opportunities.

Proposal activity reflects these shifts. Although overall submission volume declined by 38%, the value of awarded proposals rose by 52%, suggesting firms are being more selective and successfully targeting higher-value work, including larger and more complex projects. “Fit for the type of work” overtook “existing client relationship” as the top factor influencing pursuit decisions, reinforcing the industry’s move toward more deliberate, ROI-driven BD strategies.

The win rate ticked up to 50.0%, while the capture rate edged down to 48.2%, holding steady within historical norms. These metrics point to improved alignment between go/no go processes, proposal development and client selection, especially among firms with more structured BD models.

Meanwhile, the marketing landscape is shifting. Social media and trade shows remain the most prevalent, but firms are increasingly focusing on thought leadership and

AI-enabled tools to scale visibility and speed up production, even while they are moving away from client-specific marketing and content marketing. For private equity (PE)-backed firms in particular, expectations around data, ROI and pipeline performance are becoming more pronounced.

Business development remains a team effort, now more than ever. From seller/does to dedicated staff, firms are evolving how they pursue work, invest in relationships and position themselves in a changing market.

Number of proposals submitted declined 38%, but the value of awards jumped 52%, signaling that firms are pursuing fewer, better-aligned opportunities with greater strategic focus, including larger and more complex projects.

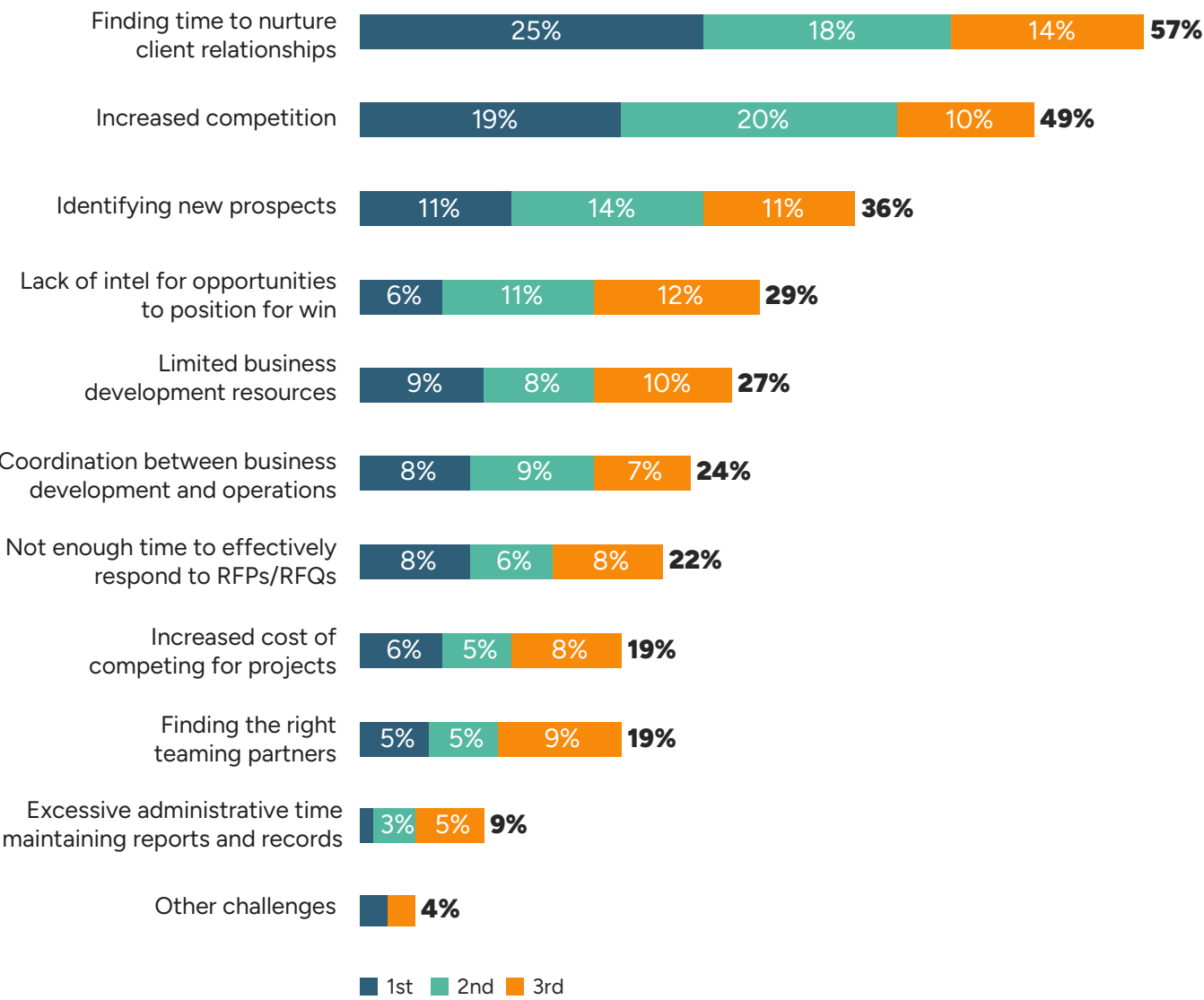
Top Business Development Challenges

Firms continue to cite familiar obstacles to growth, but shifts in emphasis reveal new strategic pressures. The top challenge remained finding time to nurture client relationships (57%). However, it lessened in importance (down six percentage points year-over-year) as both increased competition (49%) and identifying new prospects (36%) grew (up three and four percentage points, respectively).

Rising in urgency is the lack of intel to win projects, up by seven percentage points. As firms diversify beyond existing clients, identifying and qualifying prospects earlier has become critical. Strategic capture planning is increasingly happening before an RFP is released, requiring firms to have more reliable data earlier to position themselves for the pursuit.

While concerns about limited BD resources dropped seven percentage points, the shift likely reflects reallocation rather than resolution. Many firms are leaning on project managers and other internal staff to support business development, essentially making do with fewer resources. This diffusion of responsibility raises the stakes for coordination and for equipping teams with the right tools and insights to act quickly.

As firms grow more selective about which opportunities to pursue, accurate intel and deliberate decision-making will increasingly separate winning firms from those that aim for quantity of submissions over best strategic fit.

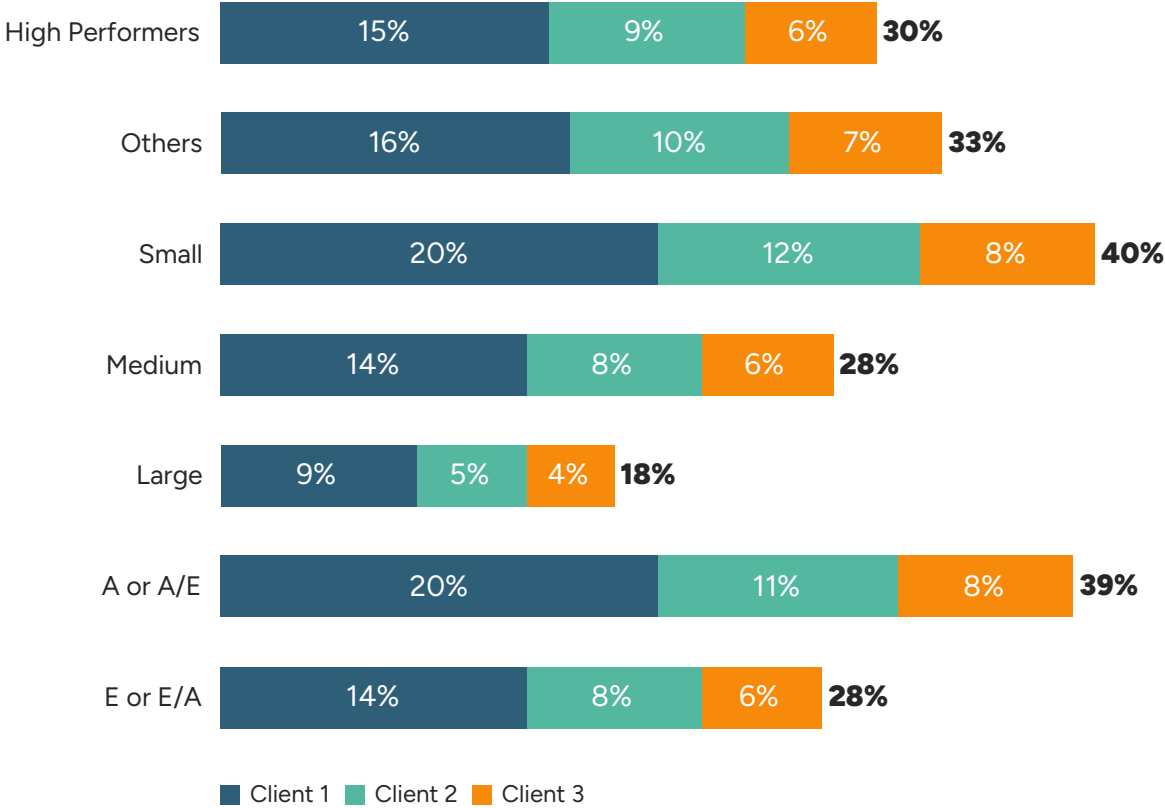


Revenue from Top Three Clients

Overall, firms reported that 31% of their revenue came from their top three clients, down two percentage points from the previous year. This decline was primarily driven by small and large firms, each dropping three percentage points. Medium-sized firms held steady at 28%. Notably, high performers fell by four percentage points.

The trend suggests a gradual shift away from revenue concentration, potentially reflecting a broader diversification strategy. While consolidating revenue among top clients can yield efficiencies and stronger relationships, it also introduces risk, especially in volatile sectors or with unpredictable funding cycles.

As firms expand their business development reach, this data reinforces the importance of balancing legacy relationships with the proactive pursuit of new opportunities. A diversified client base may require more effort to maintain, but it can also provide more resilience and long-term growth.



31%
-2

49%

+3

Firms with a Formal Business Development Process

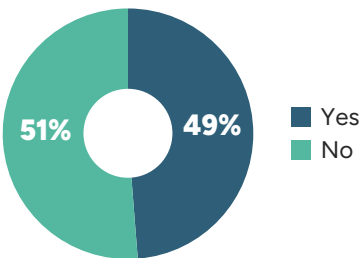
Just under half of firms (49%) report using a formal business development (BD) process, reflecting a three percentage-point increase over the prior year. The uptick was driven by gains across small (+3 percentage points), medium-sized (+2 percentage points), and engineering firms (+6 percentage points). These dedicated resources are working smarter by focusing BD efforts on higher value opportunities, rather than just submitting more proposals.

As firms become more selective about which opportunities to pursue, having a defined BD process is more than a best practice, it's becoming a competitive differentiator. A formal process can help ensure consistency in decision-making, prioritize opportunities and free up BD staff and seller/doers to focus on strategic efforts.

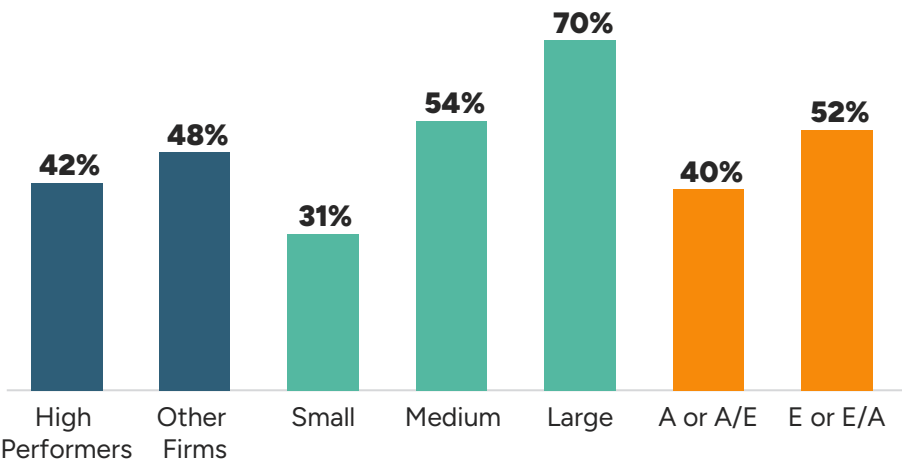
Still, formality doesn't always mean complexity. For many firms, especially those leaning on blended or seller/doer models, lightweight frameworks and clearer workflows may offer more value than rigid or complex processes. The key is to standardize what works and share best practices without slowing teams down.

As market pressure increases, especially around pre-positioning and teaming, firms with a well-defined BD approach may be better positioned to anticipate opportunities, coordinate pursuit efforts and improve win and capture rates.

Firms with Formal Business Development Process



Firms with a Formal Business Development Process by Firm Type/Size



Business Development Model

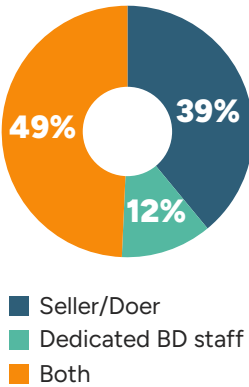
More firms appear to be shifting away from a blended model, which combines dedicated BD staff and seller/doers, toward greater reliance on seller/doer-only models. Medium-sized firms drove much of this change, with an 11 percentage-point increase in the use of seller/doer models. Large firms moved in the opposite direction, reducing reliance on seller/doers by five percentage points.

This trend may reflect resource constraints more than strategic preference. By leaning more heavily on project managers and other staff to support pursuits, firms risk diffusing accountability and reducing the time available for truly managing projects. While seller/doer models offer flexibility, they can also stretch PMs thin and limit time for long-range planning.

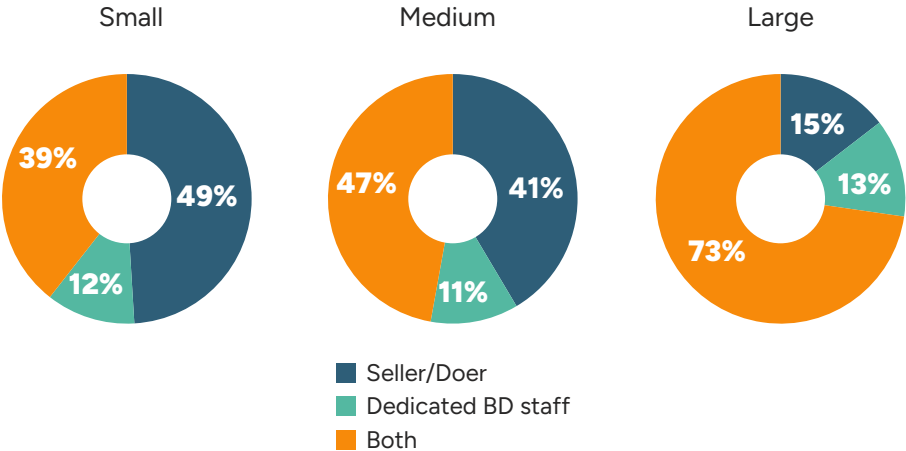
Interestingly, high-performing firms reported a seven percentage-point increase in the use of dedicated BD staff, suggesting that role clarity and specialization may contribute to stronger results. These teams are often best positioned to lead early pursuit activities, focus on the long-term strategy and coordinate transitions to project delivery staff.

Most firms still report that business development responsibilities are shared across dedicated BD staff and executives, though executive involvement has declined compared to last year. As firms adjust their models, clearly defining roles and ensuring strategic alignment across teams will be critical.

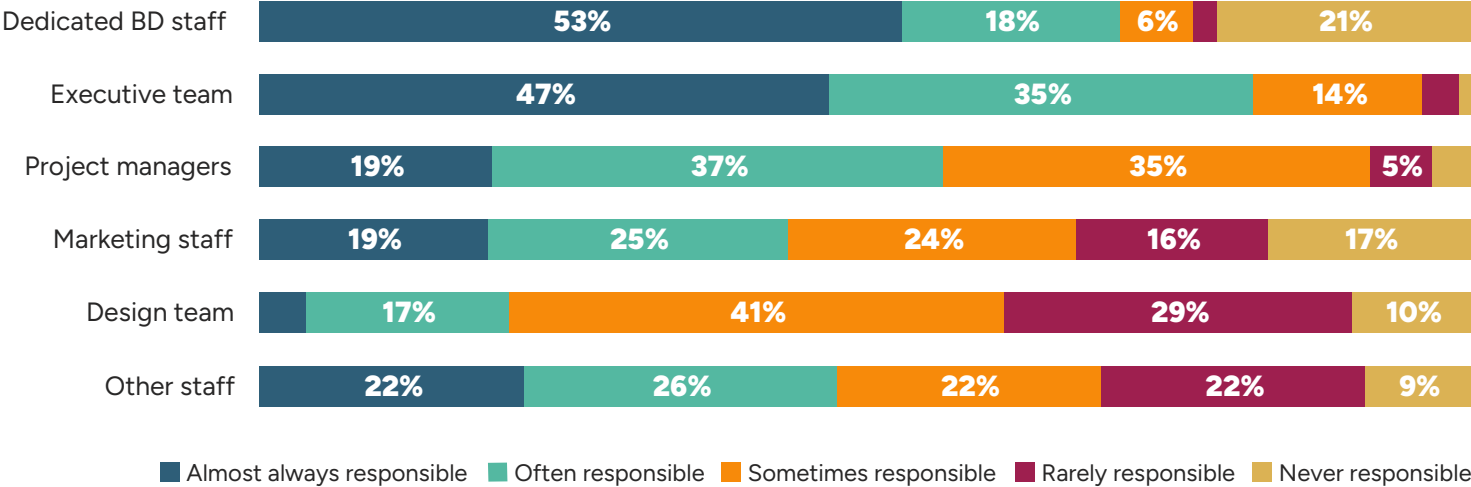
Business Development Model



Business Development Model by Firm Size



Responsibility for Business Development



“As projects slow or are delayed, nurturing relationships with clients is imperative, particularly being their partners and helping address what is keeping them up at night.”

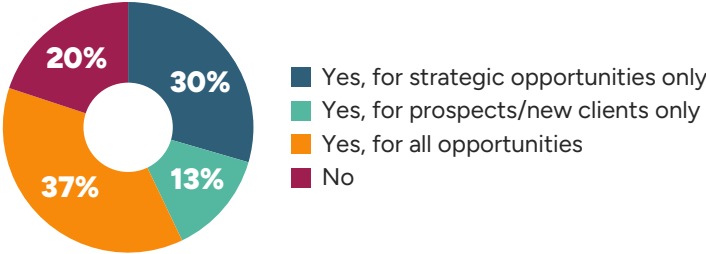
— MICHELE RUSSO, VICE PRESIDENT, AMERICAN INSTITUTE OF ARCHITECTS

Employing Go/No Go Processes

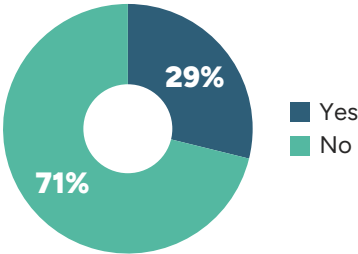
The percentage of firms employing a formal go/no go process held steady at 80% in 2024. While overall adoption hasn't changed over the past three years, how firms are using the process has shifted. The number of firms using go/no go criteria on all opportunities has declined by eight percentage points, in favor of using it only for strategic opportunities (+4 percentage points) and prospects or new clients (+5 percentage points). This reflects a shift toward using go/no go processes where they are most needed, signaling they may be overly complex to apply to all opportunities. Firms should review their go/no go processes to tighten focus on key decision criteria, and ensure they have the right criteria for different scenarios so they can be applied to more pursuits efficiently.

The number of firms considering the adoption of a formal go/no go process dropped eight percentage points year-over-year, driven largely by declines among small (-12 percentage points) and medium-sized firms (-6 percentage points). In contrast, large firms showed a sharp increase (+30 percentage points) in interest, indicating a growing recognition of the need for structure as projects or pursuits become more complex.

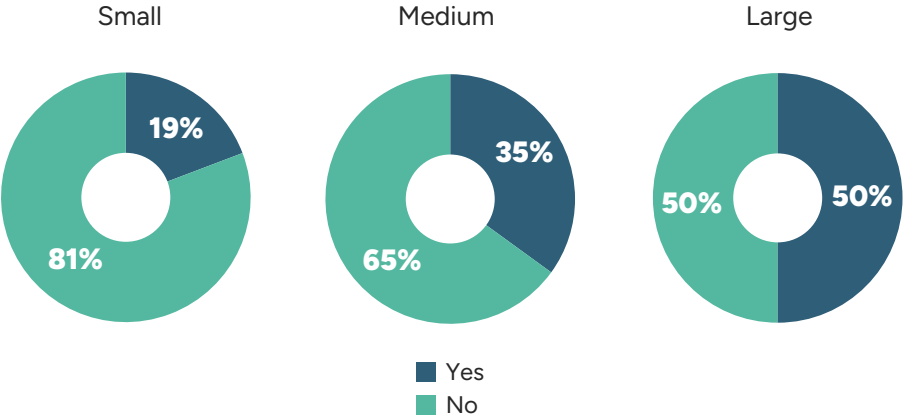
As competition increases and staffing remains tight, having a structured decision-making process can help firms better allocate resources, reduce pursuit fatigue and improve overall win rates.



Considering Go/No Go Processes



Considering Go/No Go Processes by Firm Size



80%

0.0

Proposal Volume/ Proposal Value

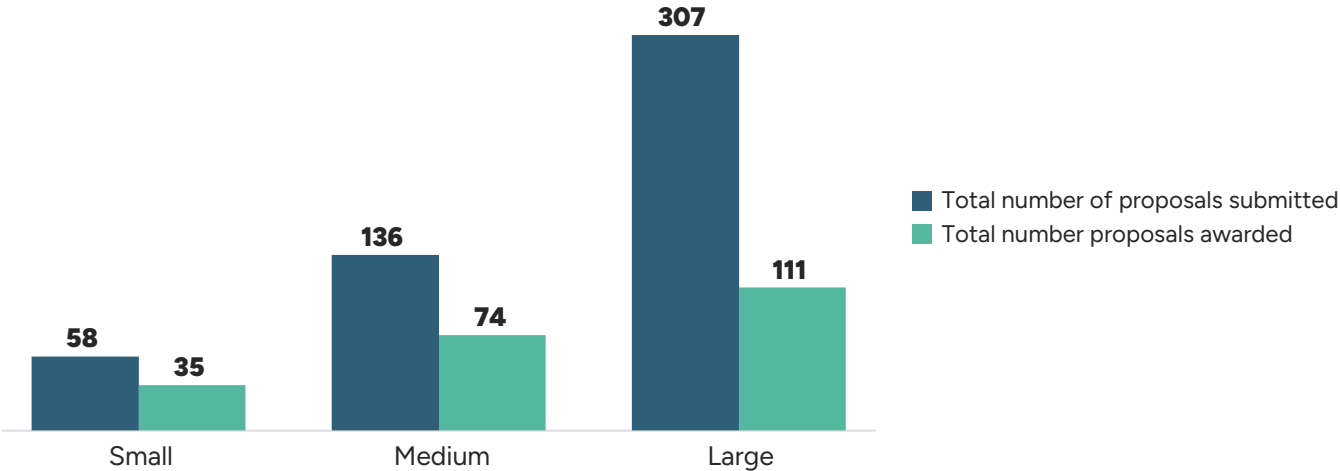
In contrast to the previous year’s spike, this past year saw a sharp decline in both the number of proposals submitted (-38%) and the number awarded (-59%), with large firms driving the shift. After a year of elevated activity—possibly tied to early Infrastructure Investment and Jobs Act (IIJA) funding—large firms appear to be recalibrating back to pre-2023 levels while small and medium-sized firms remained closer to their 2023 baselines.

Despite fewer proposals overall, the total value of proposals submitted and awarded increased significantly, up 16% and 52% year-over-year, respectively. This suggests a strategic pivot: firms are pursuing fewer, higher-value opportunities, which may also help relieve pressure on BD teams that are stretched thin. It could also mean firms are seeing more new opportunities for larger, more complex projects.

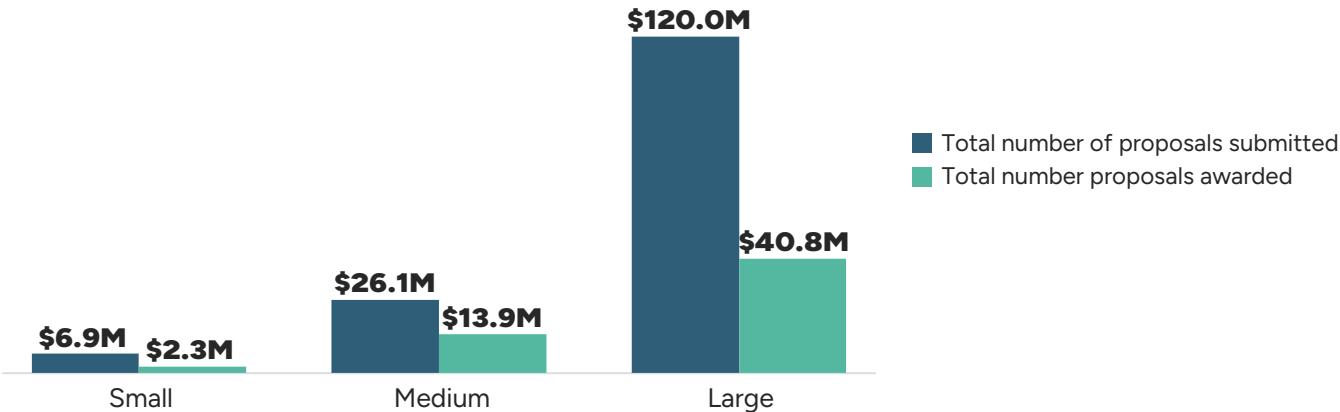
Firms are also evaluating pursuits differently. “Fit for the type of work” overtook “existing client relationship” as the top factor influencing proposal submission, rising three percentage points while relationship-based decisions dropped 12 percentage points. “Will it be profitable?” also rose significantly (+8 percentage points), indicating a more analytical strategy.

These changes signal a more mature pursuit mindset, one that favors alignment, value and profitability over legacy ties or sheer activity. With staffing and delivery capacity still in flux, firms appear to be using more targeted go/no go criteria and leaning into what they’re best positioned to win.

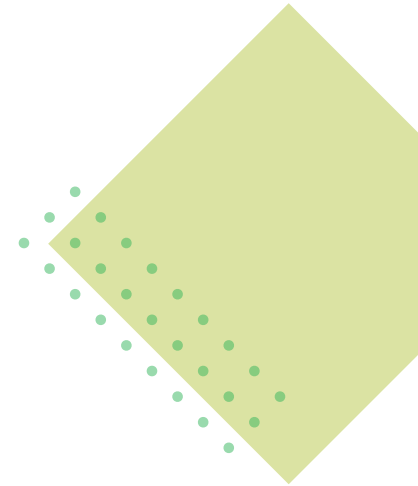
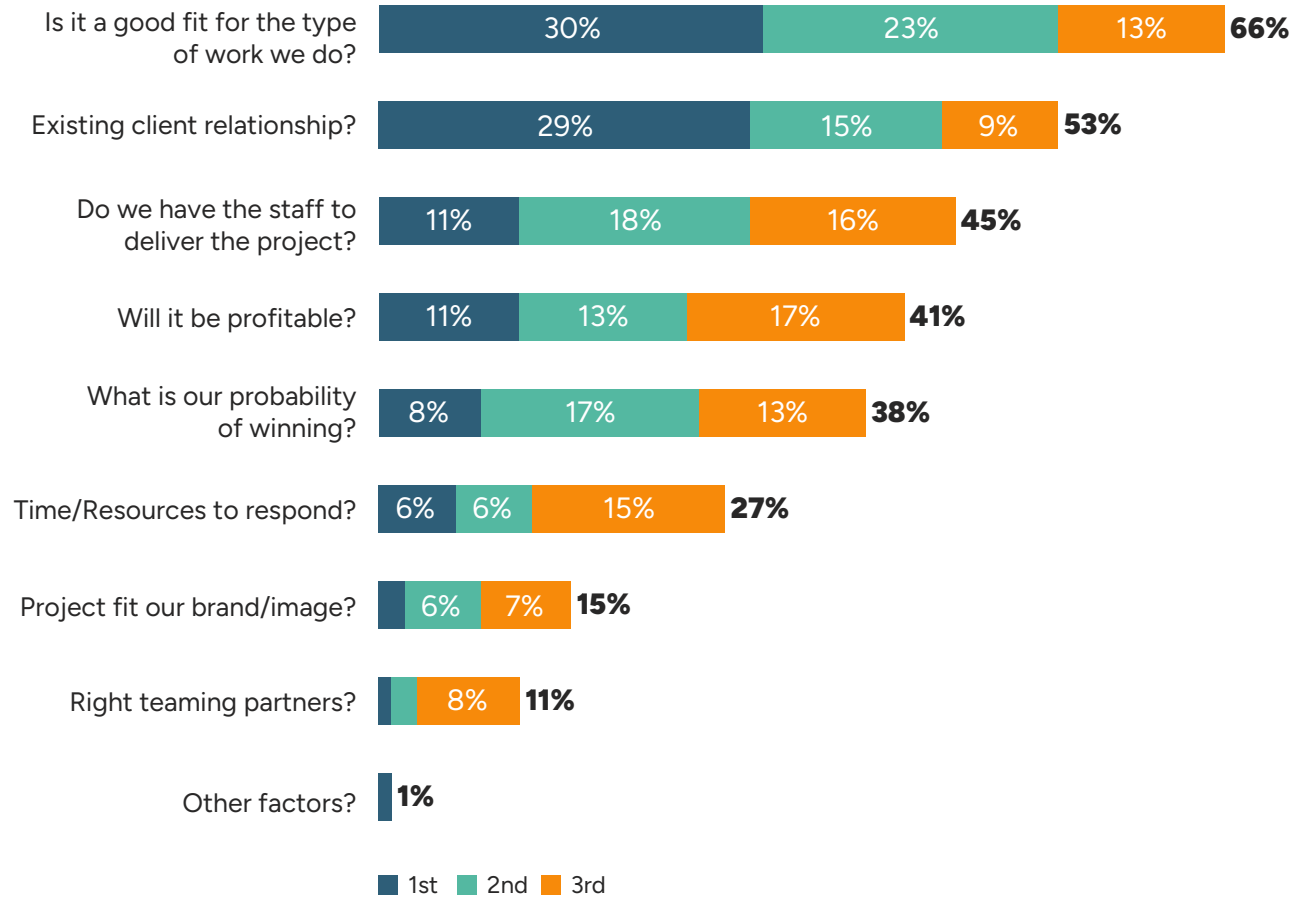
Number of Proposals Submitted vs. Awarded



Value of Proposals Submitted vs. Awarded



Factors Influencing Proposal Submission



50.0%

+0.9

Top Quarter
65.5%

Bottom Quarter
34.4%



Total number of competitive proposals awarded divided by total number of competitive proposals submitted.

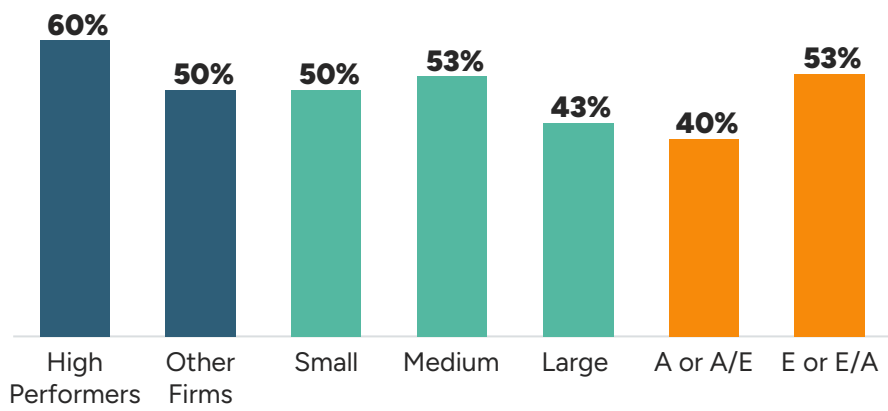
Win Rate

The median win rate increased slightly in 2024, rising 0.9 percentage points to 50.0%. High performers (+6 percentage points), medium-sized firms (+5 percentage points) and engineering firms (+3 percentage points) were the primary drivers of this improvement.

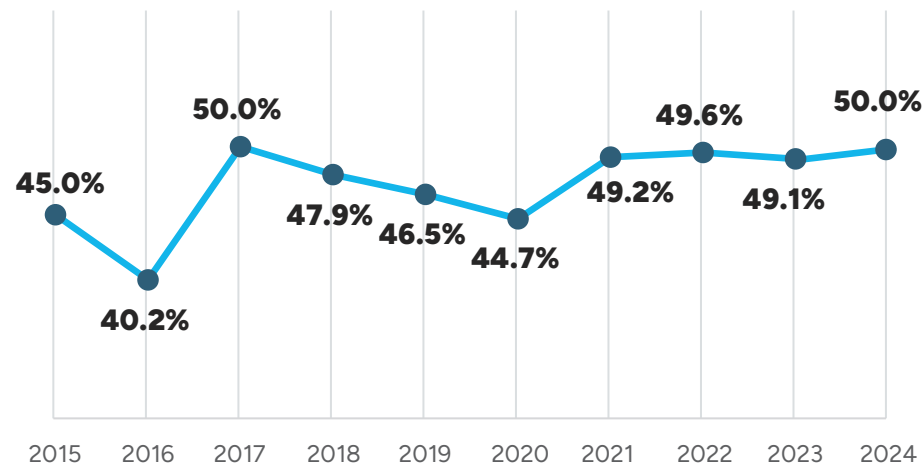
Firms reporting increased win rates held steady year-over-year, while the percentage of firms reporting declines dipped slightly (-2 percentage points). Performance across the industry remains uneven: firms in the top quartile are achieving significantly higher win rates than those in the bottom quartile, highlighting the growing gap between firms that have optimized pursuit strategies and those still struggling with selectivity.

The rise in win rates corresponds with a shift in how firms evaluate opportunities, suggesting that a more focused, outcomes-driven approach to business development is gaining ground, particularly as firms juggle backlogs and resource constraints.

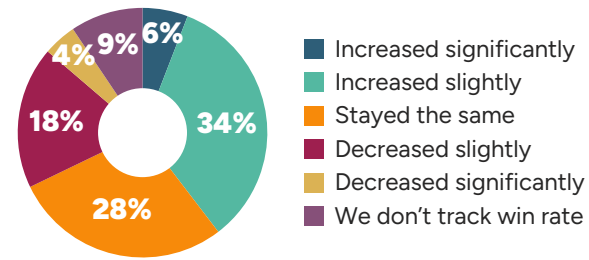
With a sharper focus on strategic alignment and financial performance, firms are positioning themselves to pursue fewer, but better-fitting opportunities and improve outcomes across the board.



Win Rate: 10-Year Trend



Win Rate Change



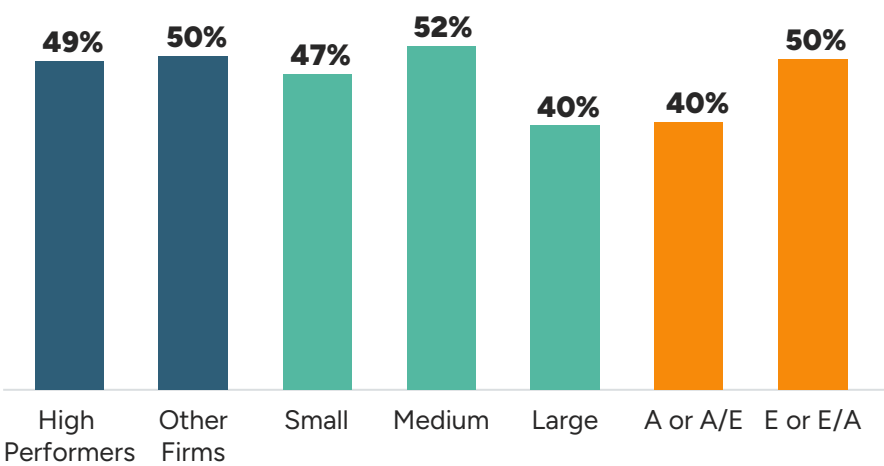
Capture Rate

Capture rate, defined as the total dollar value of awarded proposals divided by the total value submitted, declined slightly in 2024 to 48.2%, down 0.5 percentage points from the prior year. The decline was largely driven by large (-3 percentage points) and small (-3 percentage points) firms, while medium-sized firms (+3 percentage points) ticked up.

Looking at the eight-year trend, capture rate remained within a narrow band, hovering near the high of 2023 (48.7%) but down slightly from the previous year. This stability suggests firms are continuing to improve targeting and selectivity, but shifts in market conditions and pricing may be tempering gains.

Again, the gap between the top and bottom quarters is stark: top-quartile firms achieved a 62.5% capture rate, while the bottom quartile trailed at just 33.3%. Whereas win rate measures how often firms are selected, capture rate tells a deeper story, indicating whether firms are successful at aligning BD efforts with higher value pursuits.

Continued improvement in capture rate will rely on strategic alignment between pursuit, pricing and project delivery, particularly as firms get more selective about the work they pursue.



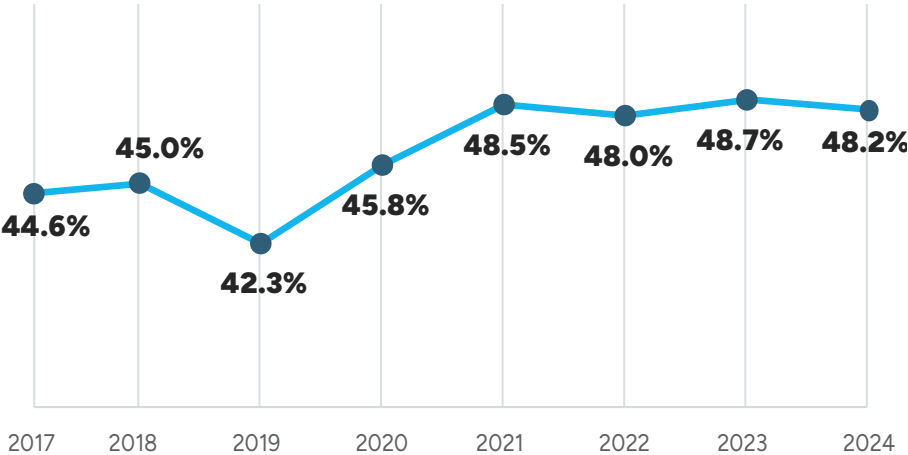
48.2%
-0.5

Top Quarter
62.5%
Bottom Quarter
33.3%



Total dollar value of competitive proposals awarded divided by total dollar value of competitive proposals submitted.

Capture Rate: 8-Year Trend

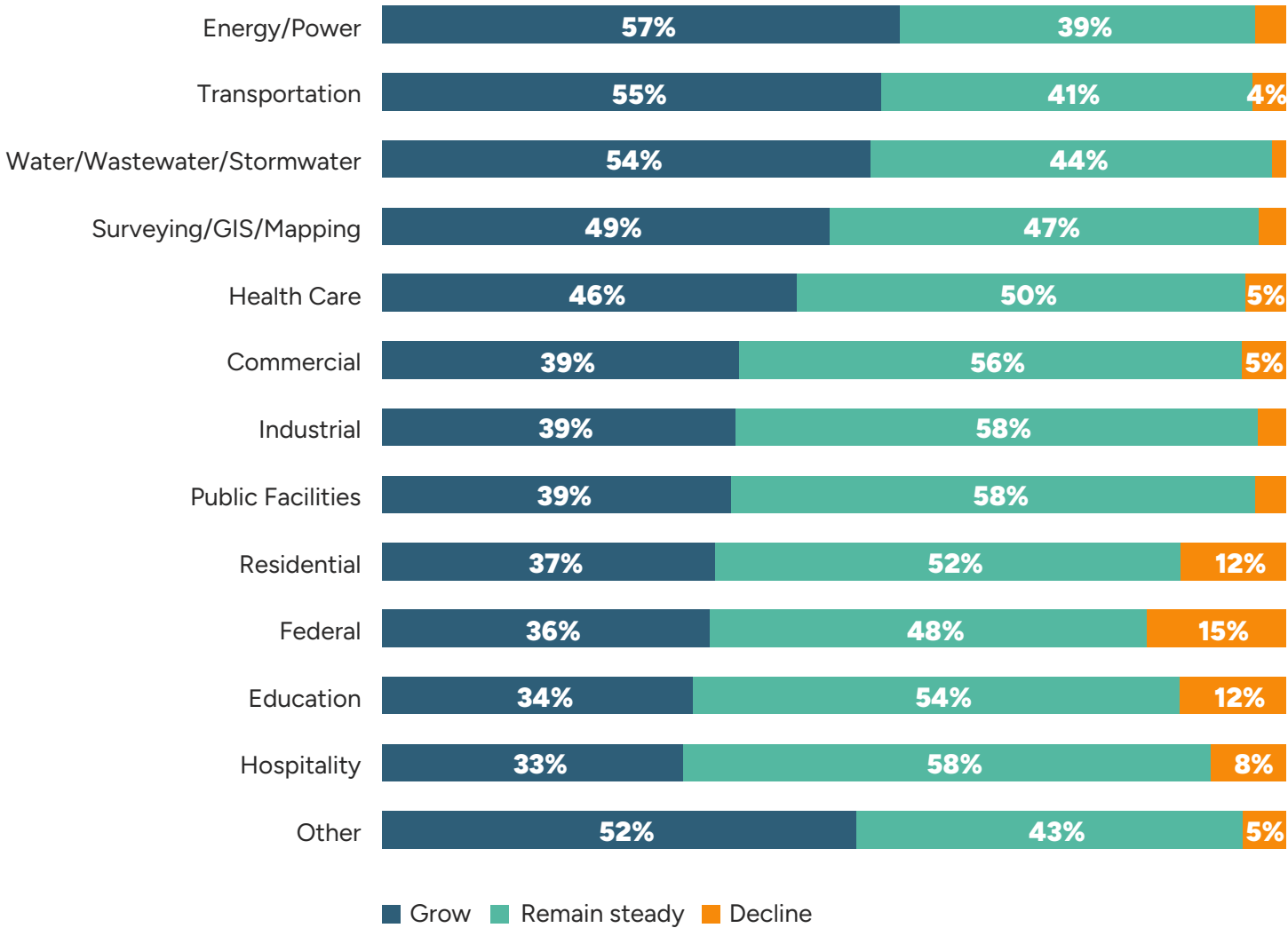


Market Position in the Next 18 Months

Architecture and engineering firms remain optimistic about growth across several sectors, although expectations in some areas have tempered since last year. Energy/power remains the top growth market, with 57% of firms expecting to grow their position over the next 18 months, despite a one percentage-point decline from last year. Health care grew by eight percentage points to 46%, indicating that firms have identified a strong possibility for growth in this sector. Surveying/GIS/mapping grew by seven percentage points to 49%. Transportation, while still in the top three, grew by only two percentage points, with 55% of firms anticipating growth. Other markets showing increasing opportunity include commercial (+10 percentage points) and residential (+6 percentage points).

Expectations for growth in the water/wastewater/stormwater dropped significantly from last year (-9 percentage points), marking a notable shift given its prior momentum under federal infrastructure funding. Firms are also less bullish on education, federal and industrial, where projected growth declined 10, nine and five percentage points year-over-year, respectively.

While not called out specifically in this year's dataset, data centers were frequently cited as another area that firms expect to see growth, particularly as AI and digital infrastructure accelerate demand.



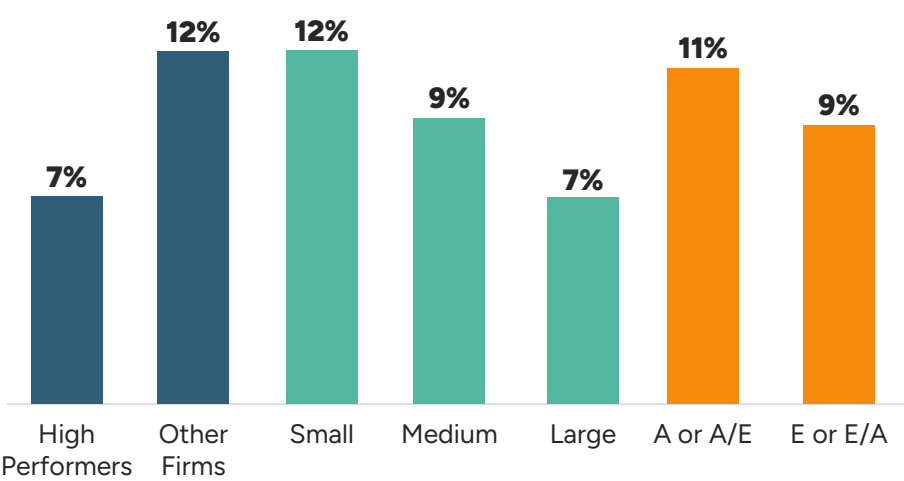
Net Revenue Growth Forecast

After three years of double-digit expectations, the median net revenue growth forecast for 2025 softened to 9.6%, down 1.3 percentage points from the previous year. This dip suggests a subtle but meaningful shift in confidence, particularly given broader macroeconomic and geopolitical concerns that may have a direct impact on project funding.

The decline was driven by large firms (-8 percentage points), medium-sized firms (-3 percentage points) and engineering firms (-4 percentage points). In contrast, small firms reported more optimism, increasing their forecast by four percentage points. Growth expectations for architecture firms held relatively steady (+1 percentage point).

This year's data may also reflect deeper shifts in ownership and performance pressure. With more firms now owned by private equity (estimated at around 20%), some growth targets are being shaped by acquisition strategies or investor expectations. For this subset of firms, revenue forecasts may reflect both organic growth and aggressive acquisition activity. But in aggregate, these projected gains may be offset by more conservative projections from medium-sized and large firms.

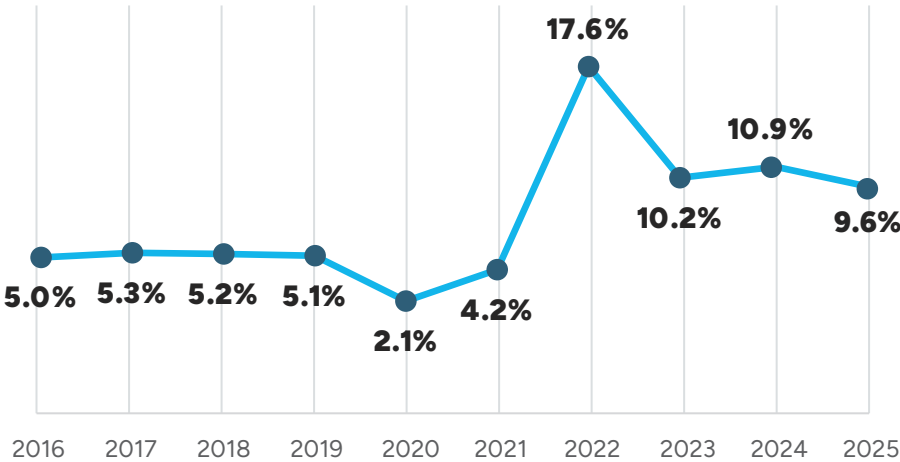
Looking at the 10-year trend, this year's number still represents relatively strong momentum, but it may also mark the beginning of a plateau especially if broader market uncertainty causes a pullback. As opportunity volume stabilizes and delivery capacity remains tight, business development teams will face continued pressure to maintain pipelines that can meet higher internal targets, despite potential softening in the market.



9.6%
-1.3

Top Quarter
19.1%
Bottom Quarter
-7.0%

Net Revenue Growth Forecast: 10-Year Trend

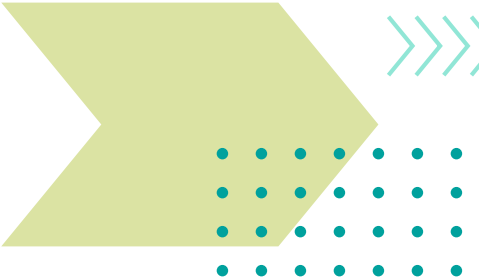
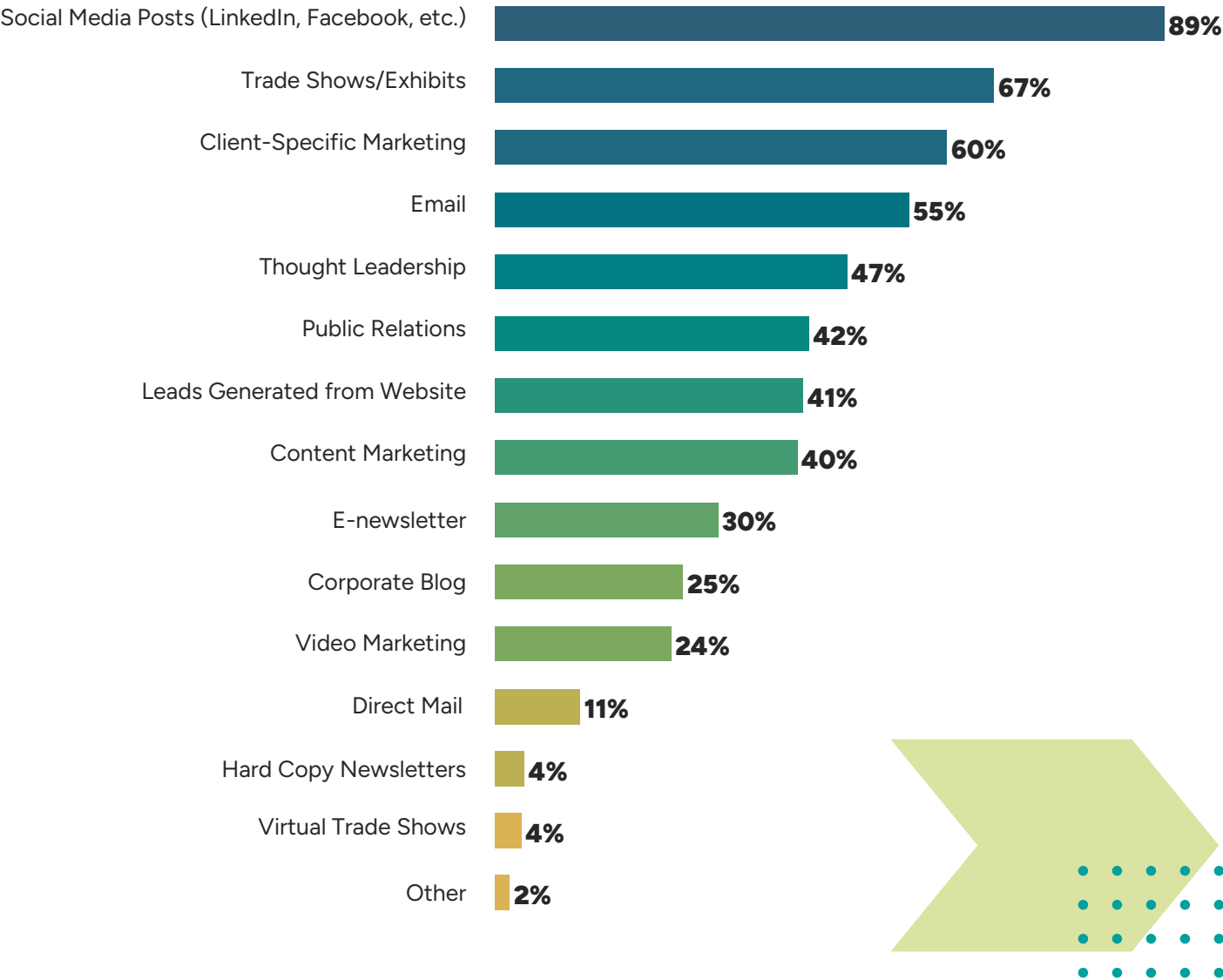


Top Marketing Techniques

Firms continue to use a wide range of marketing tactics to engage clients and prospects, with social media and trade shows remaining the top two methods, both holding steady in year-over-year usage. Client-specific marketing, however, declined by five percentage points, while thought leadership efforts rose by four percentage points, signaling a shift toward more scalable, content-driven strategies.

While social media ranks highly, some firms may struggle to quantify its impact on winning work, seeing the biggest potential impact on firm visibility, recruitment or industry presence rather than owner engagement. For many, continued reliance on traditional tactics like trade shows may be driven more by habit, but they are also likely proving effective.

At the same time, emerging AI tools are making inroads in content creation and development, helping BD and marketing teams move faster and scale efforts with fewer resources. As firms explore how to do more with less, technology will likely play a growing role in refining the marketing mix and measuring impact.



Top Business Development Initiatives

Firms are reporting a wide range of business development priorities, marking a shift from prior years when a few clear initiatives dominated. This year's responses were more evenly distributed, suggesting firms are tailoring strategies to align with internal goals, resource levels and market dynamics.

Earlier identification of opportunities rose to the top of the list for the first time, increasing by four percentage points. Other growing priorities include automating time-consuming tasks (+10 percentage points) and improving analytics (+6 percentage points), both pointing to a greater reliance on tools and tech to scale strategic efforts. As reporting expectations grow, especially among private equity-owned firms, BD teams are under increasing pressure to demonstrate impact and track ROI.

While strategic networking declined by seven percentage points and hiring additional staff fell by 10 percentage points, both remain core to many firms' plans. These declines likely reflect market normalization after three years of elevated hiring needs and heavy emphasis on teaming.

Meanwhile, AI continues to reshape how BD is executed. Proposal generation remains one of the most common applications, helping firms speed up production and freeing staff for more strategic work. As AI and automation evolve, they may help bridge gaps in staff availability, training and time without sacrificing personalization or quality.

Ultimately, there's no one-size-fits-all approach. The firms seeing the most traction are those aligning BD initiatives with broader firm strategy and the largest BD challenges, equipping teams with the data and tools to pursue the right work in the right way.



Clarity Outlook

BUSINESS DEVELOPMENT

Net revenue growth is forecast at 9.6%, signaling continued optimism across the industry. However, with rising costs and economic uncertainty, firms will need to stay disciplined to meet expectations and protect margins.

Firms are optimistic for 2025 with a net revenue growth forecast of 9.6%, though the pace has slowed slightly. As expectations stay high and staffing stays tight, BD teams are prioritizing strategic focus over volume.

Proposal submissions dropped 38% while the value of awarded work jumped 52%, indicating greater discipline in selecting pursuits that align with firm strengths. "Fit for the type of work" is now the top pursuit driver, overtaking existing relationships for the first time.

Firms are also leveraging AI, automation and formal go/no go processes to streamline decisions and reduce admin time, freeing staff to focus on strategy and client engagement.

As diversification continues, strategic teaming helps firms fill gaps and enter new markets. Meanwhile, thought leadership is rising in importance as firms look to scale visibility without overextending limited resources.

With growing questions around global market conditions and economic stability, firms that prioritize focus, fit and long-term positioning will be better equipped to adapt.

PROJECT MANAGEMENT

Firms are sharpening their internal focus, and investing in training, clarifying roles and formalizing best practices to improve project delivery and hit KPI targets.

Amid staffing constraints, schedule pressure and evolving client expectations, firms are accelerating their use of data and AI to tackle project management challenges at their core. By upskilling project managers, improving collaboration and leaning into process, A&E firms are beginning to close long-standing performance gaps. Still, progress remains uneven, and firms that move decisively to build internal capability will be best positioned. These findings reflect an industry in transition—one that is working to improve internal clarity, consistency and capability as the foundation for external performance.



75%

of A&E projects are on or under budget

ADDRESSING TOP PROJECT MANAGEMENT CHALLENGES

1 Competing priorities

Project managers are being asked to do more than ever—balancing project delivery, administrative responsibilities and increasingly, business development. As more firms adopt a seller/doer model, PMs are expected to manage both client relationships and BD strategies while keeping projects on time and on budget. Without clearly defined roles or structured support, these competing demands can lead to inefficiencies, missed opportunities and burnout. Helping PMs balance billable and non-billable tasks, delegate effectively and work within clearly defined roles is essential to improving project delivery, collaboration and overall efficiency.

2 Staff shortages

Workforce limitations have improved, yet remain a challenge across the industry. Recruiting and retaining skilled professionals, streamlining workflows with technology and investing in training are key strategies firms are using to sustain operations and reduce delivery risk.

3 Inexperienced PMs

Many firms continue to report a shortage of formal training among project managers—a gap that directly impacts project quality and consistency. In response, firms are ramping up internal training. An emphasis on role clarity and best-practice development will also give project managers the tools they need to succeed. These efforts reflect a broader industry trend toward getting the internal house in order before taking on new challenges.

“There is notable evidence that integrated project teams yield more efficient projects, with all the players working together from pre-planning through post-occupancy.”

— MICHELE RUSSO, VICE PRESIDENT, AMERICAN INSTITUTE OF ARCHITECTS

PROJECT MANAGEMENT OVERVIEW

As project workloads increase and resource constraints persist, firms are sharpening their internal focus, and working to strengthen project management fundamentals, clarify roles and expand access to timely project data.

Despite growing demands on project managers, client relationship management remained a leading area of confidence, with firms ranking it as their top project management strength.

At the same time, visibility into key project metrics, including cost variance, schedule variance and client satisfaction, declined across the board. While some of this may reflect heavier workloads or reporting gaps, it also reinforces the need to leverage systems, processes and more proactive management tools more effectively.

Firms are responding by prioritizing internal project management training; defining roles across PM, business development and design; and formalizing internal best practices. These initiatives align closely with the top challenges firms expect to face in the next three years: competing priorities, staff shortages and inexperienced project managers. Together, these trends signal a clear shift toward getting the internal house in order—equipping teams with the skills, structure and tools they need to improve project delivery and reduce risk.

While firms continue to invest in new tools and explore emerging technologies, many are also focused on using existing resources more effectively. As project managers gain clarity and capability, firms are laying the groundwork for stronger visibility, accountability and performance across the full project lifecycle.

Firms must be proactive and methodical in tracking project health. One way to strengthen project delivery is to expand internal PM training and supplement it with flexible, third-party certification programs.

Top Project Management Challenges

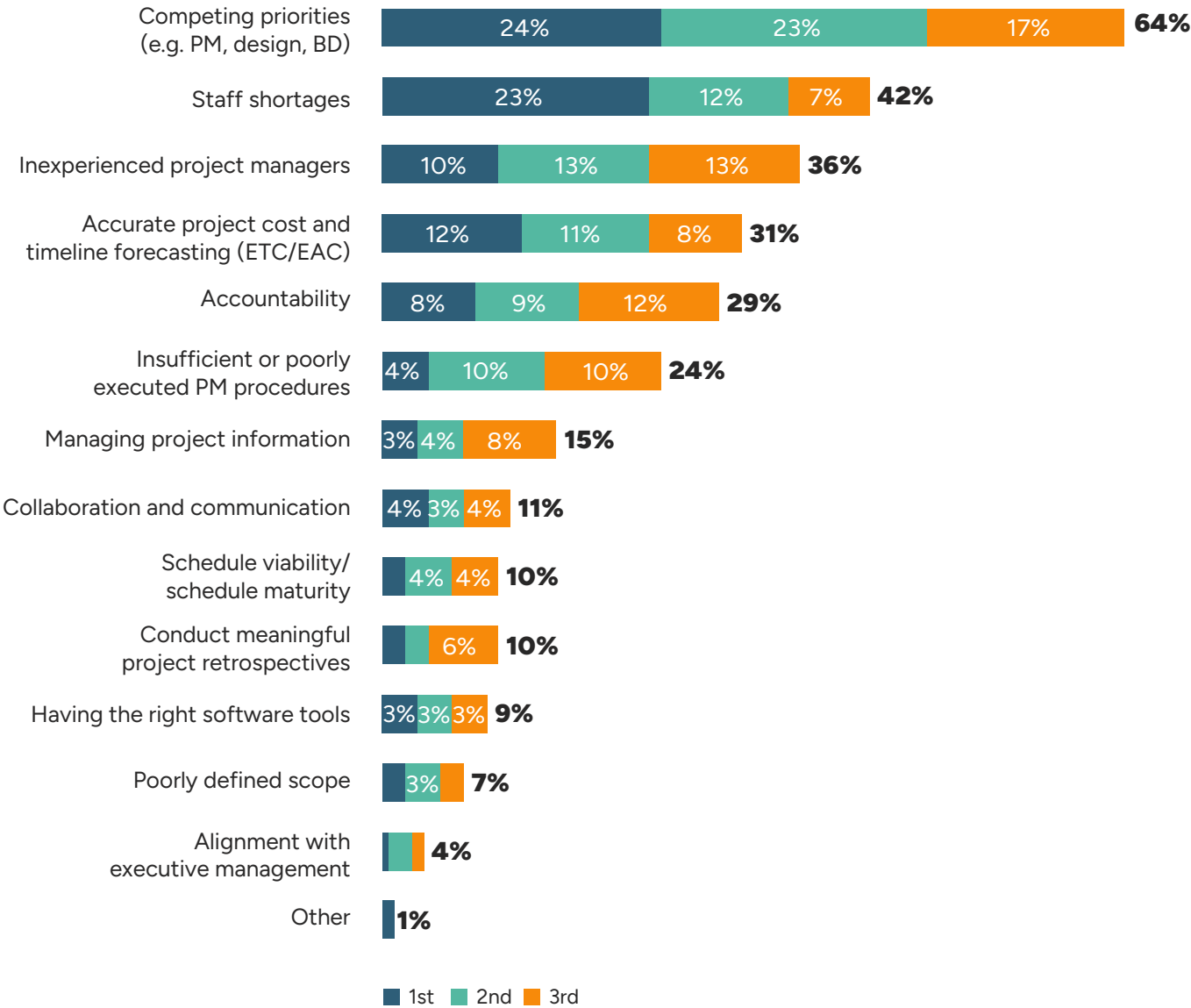
A&E firms continue to face a familiar set of project management challenges, but the pressure behind them is intensifying. For the sixth year in a row, the top three challenges remain unchanged: competing priorities, staffing shortages and inexperienced project managers. What’s evolving is the context.

Competing priorities now tops the list for 64% of firms, up four percentage points from last year. As project complexity increases, PMs are being asked to do more. They’re taking on internal initiatives, working on deliverables and increasing their BD responsibilities. The shift toward seller/doer models means many PMs must block time for BD and planning, even as delivery demands continue to rise.

Staff shortages, cited by 42%, remain a major concern but declined 12 percentage points from last year. This suggests firms are beginning to adapt, improve processes and leverage technology.

The third most-cited challenge was inexperienced project managers (36%). While down three percentage points from last year, this reinforces the need to invest in training, mentorship and career development.

While the challenges themselves are consistent year to year, the urgency behind them continues to build, calling for more intentional resource planning, clearer roles and better support for PMs across the board.



Additional Challenges Facing Project Management

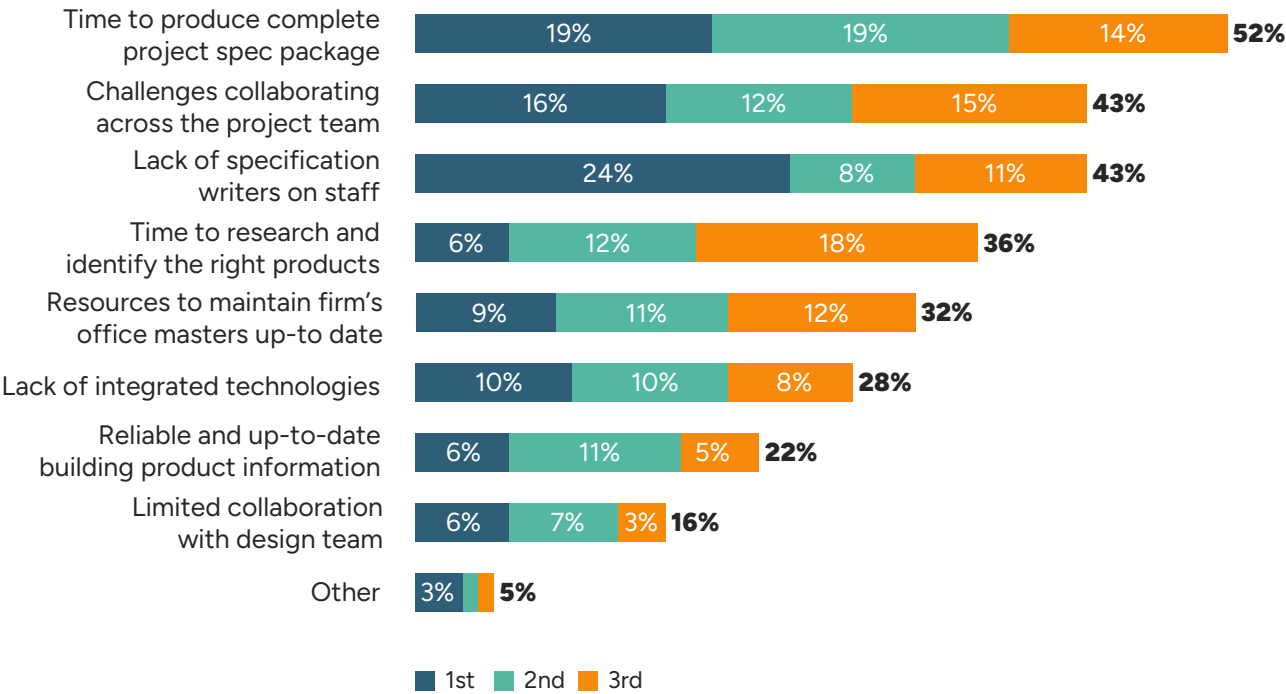
As projects grow more complex, many A&E firms are finding their documentation processes under increasing pressure. Fifty-two percent of firms cite the time required to produce a comprehensive construction specification package as the most common challenge. This issue is exacerbated by a lack of specification writers (43%) and is compounded by collaboration challenges across the project team (43%).

The ability to work effectively across distributed teams is becoming as critical as technical expertise. Unlike labor shortages, this challenge can't be solved by hiring alone. It requires stronger internal systems, and sometimes cultural change. In many firms, spec writers remain siloed from the design process, which can lead to disconnects from design changes that impact specifications.

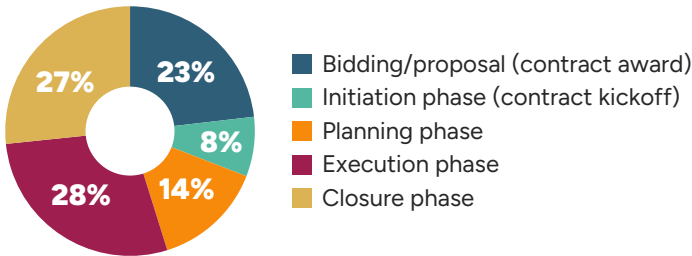
Managing project information faces its own challenges, with concerns about deliverable quality remaining the top issue (56%). Administrative workload (46%) and collaboration (38%) also remained high. Meanwhile, compiling notes and photos after a site visit remains a top bottleneck for field reporting (63%). While the closure phase was previously the most challenging project phase, the picture now shows a more even distribution of challenges across the contract award, execution and closure phases.

Taken together, these findings show that while design tools have matured, how teams manage project information and deliverables still has a lot of room for improvement.

Top Construction Specification Challenges



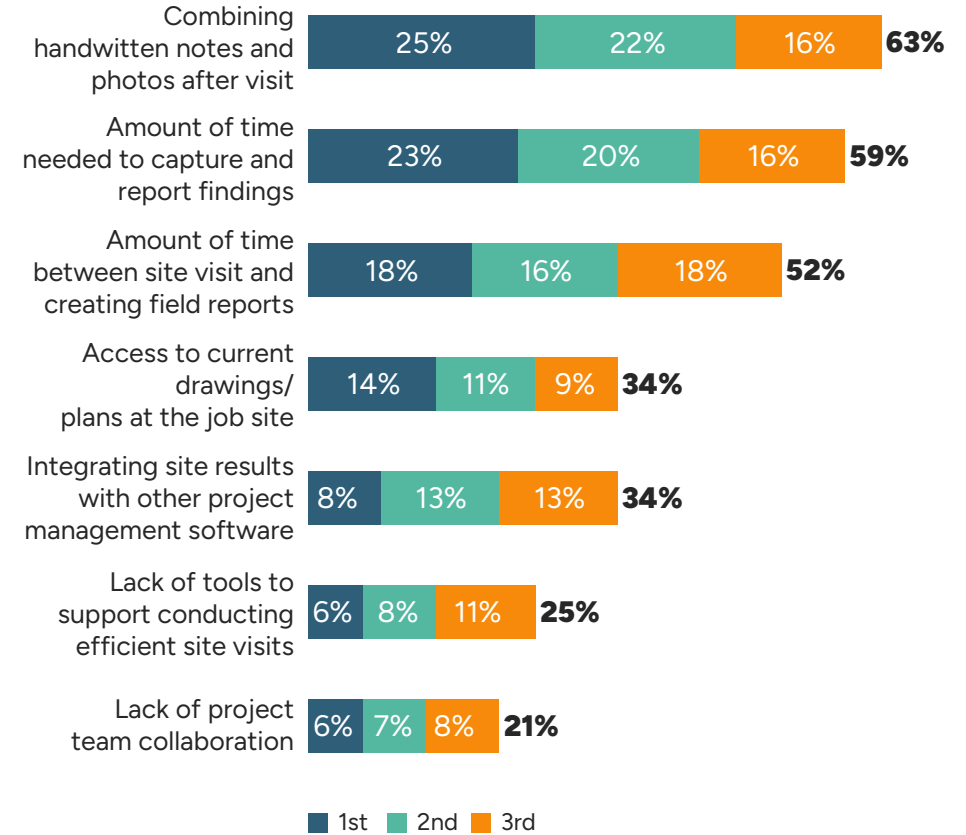
Most Challenging Project Lifecycle Phase



Top Challenges to Managing Project Information



Top Challenges to Documenting Site Visits

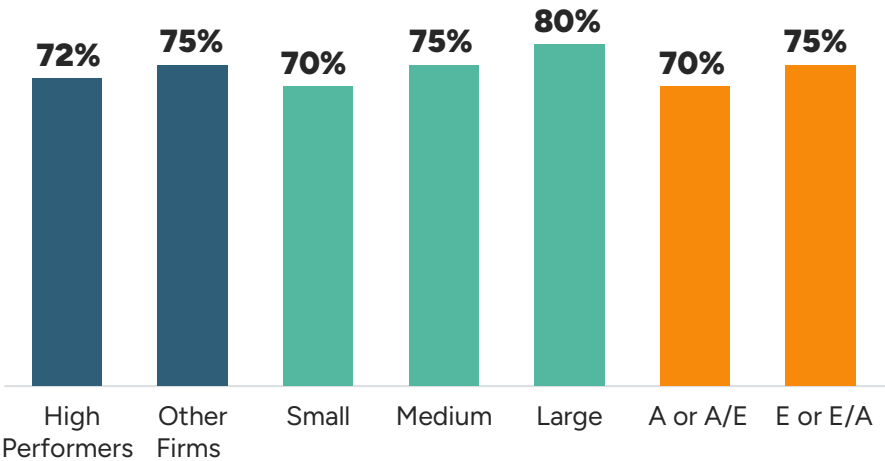


Projects On or Under Budget

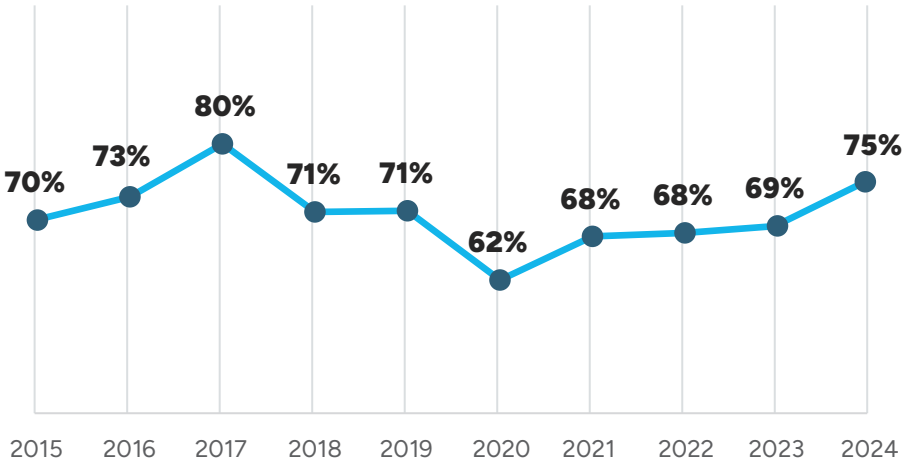
Keeping projects on track from a financial perspective is improving across the A&E industry. Firms reported that 75% of projects were on or under budget, the highest level since 2017 (80%). This marks a clear jump from 69.2% in 2023 and reflects a steady recovery from the pandemic-era low of 62.1% in 2020.

The turnaround suggests firms are strengthening how they plan and manage project finances. While visibility into cost variance declined slightly this year, it remains the most closely monitored KPI, indicating a continued emphasis on early issue detection and cost control. At the same time, firms are investing in internal training, clarifying roles, developing best practices, hiring more qualified staff and formalizing KPI tracking. Together, these efforts are helping firms improve consistency in project performance.

These gains are evident across firms of all sizes and point to a maturing approach to cost discipline. If firms can sustain this momentum, they may regain the pre-2017 performance benchmark of 80%, even as market conditions remain dynamic.



Projects On or Under Budget: 10-Year Trend



75%
+5.8

Top Quarter
85.0%
Bottom Quarter
60.0%

59.5%

+1.6

Top Quarter

85.0%

Bottom Quarter

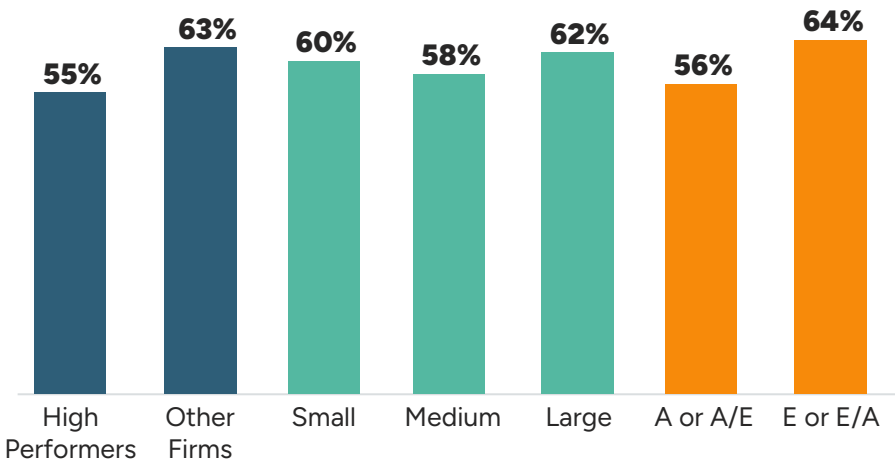
30.0%

Projects On or Ahead of Schedule

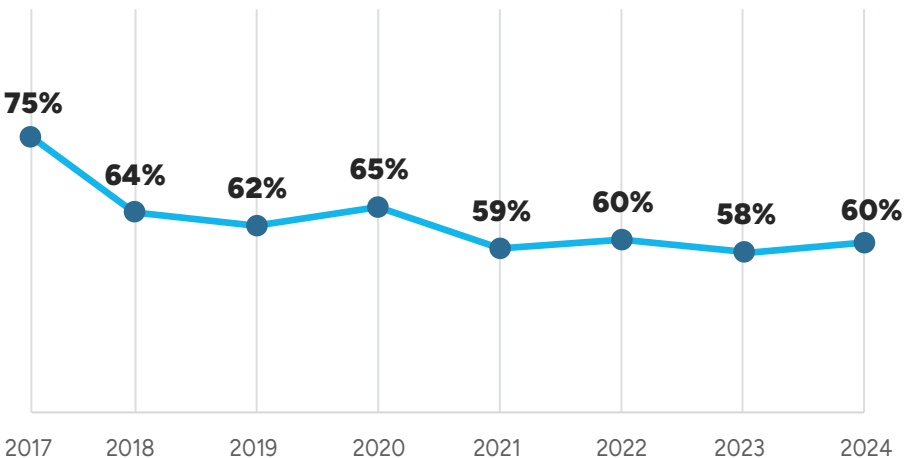
Schedule performance continues to improve gradually, but remains below the historical high of 75% in 2017. Since then, the percentage of projects delivered on time has plateaued around 60%. Firms reported that 59.5% of their projects were on or ahead of schedule, up slightly from 57.9% in 2023. While this marks the third straight year of incremental gains, it still falls short of the most recent high of 65% reported in 2020.

Architecture firms continue to report greater difficulty with on-time delivery compared to engineering firms. This may reflect differences in markets, project complexity, phasing or external dependencies such as client approvals or permitting processes.

As firms look to keep projects on track, better internal coordination, more accurate forecasting and proactive management of client-driven changes will be essential. Continued gains in this area could also help reduce resourcing disruptions when projects are delayed or put on hold.



Projects On or Ahead of Schedule: 8-Year Trend



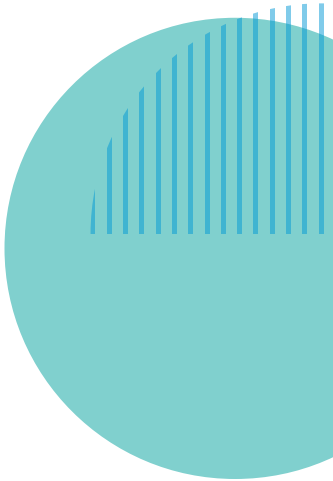
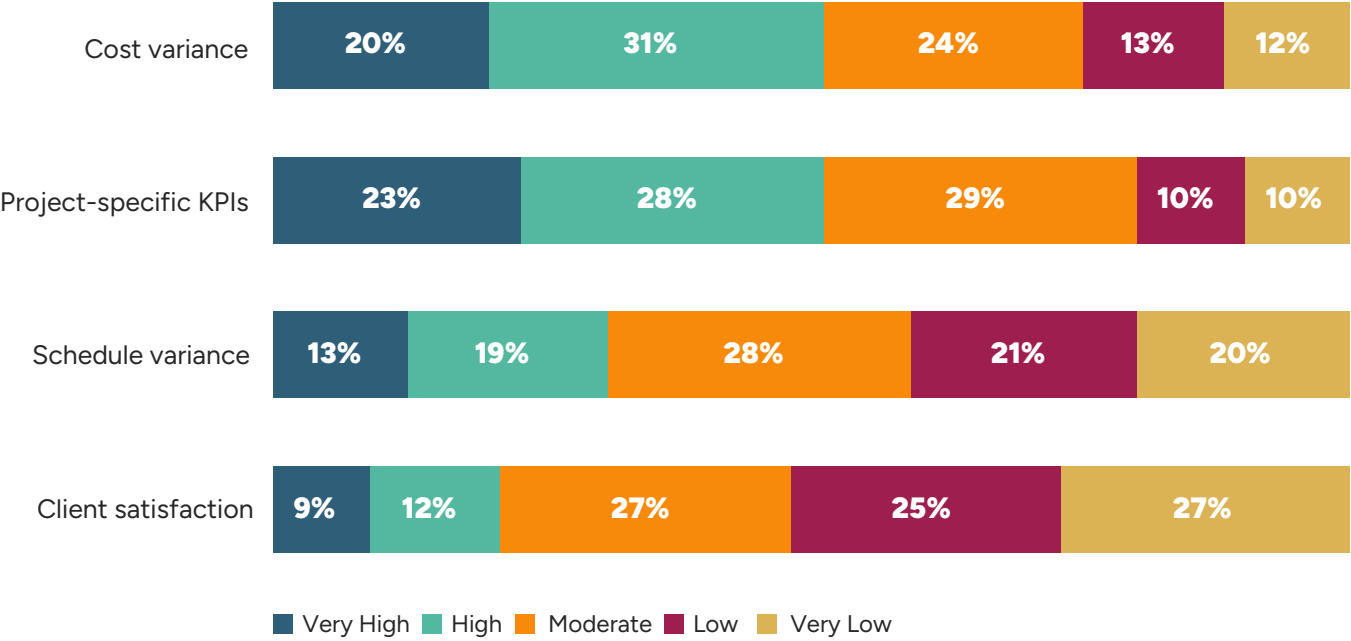
Project Status Visibility

Firms continue to report the greatest visibility into cost variance and project-specific KPIs, with 51% of firms rating their visibility as high or very high in both areas. However, visibility into schedule variance and client satisfaction remains limited, lagging more than 15 percentage points behind the top KPIs.

Firms reported year-over-year declines on all four metrics, led by a seven percentage-point drop in cost variance and a six percentage-point drop in client satisfaction. These shifts may reflect that PMs and other project leaders don't have access to the information they need to monitor the health of their projects.

Limited visibility into project status can leave teams reacting to issues rather than proactively managing them. Without clear, timely and accurate data, it's more difficult to forecast risks, adjust schedules or course-correct before projects or client relationships are impacted.

To maintain project performance and client satisfaction, firms will need to strengthen feedback loops, ensure PMs have access to timely data and utilize tools and processes that surface critical status metrics more consistently. Empowering project managers with clearer insight not only supports delivery, but also frees up time to focus on continuous improvement and client management.



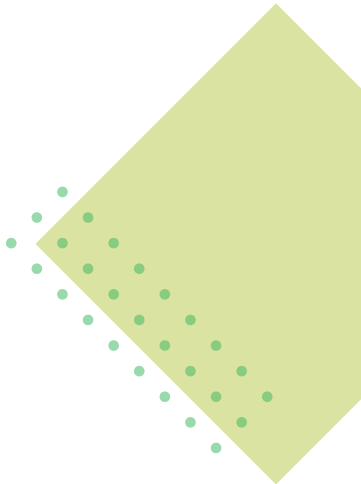
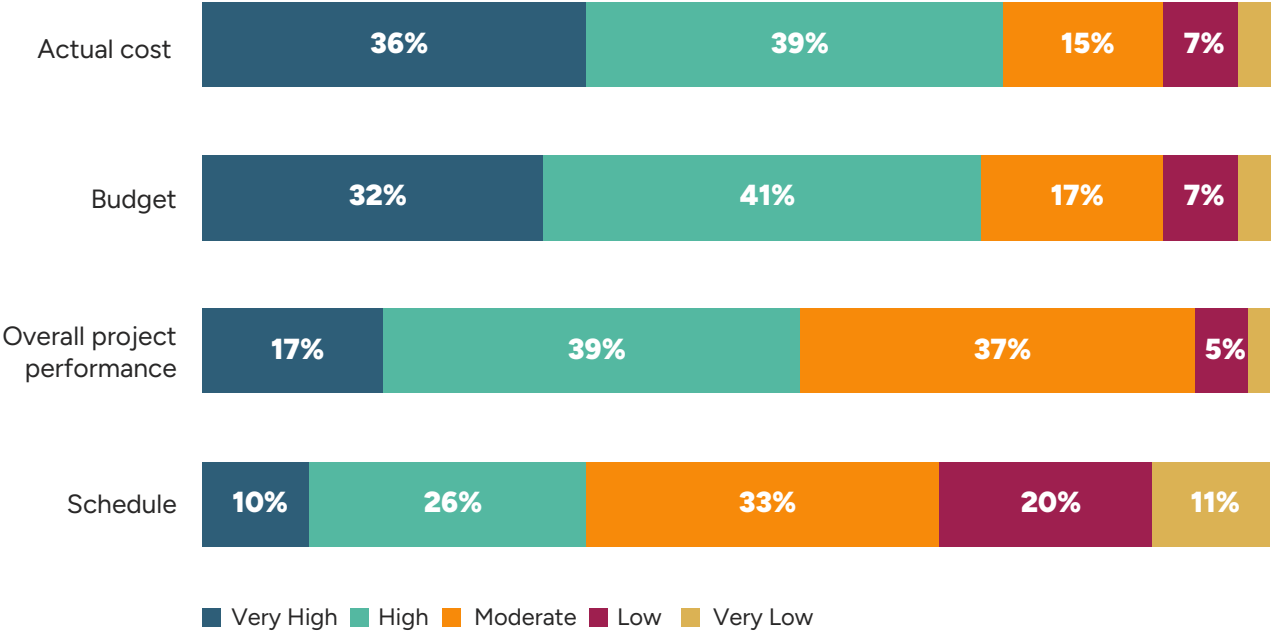
Project Reporting Accuracy

Confidence in project reporting accuracy remains strongest around cost and budget metrics, with most firms expressing high or very high confidence in reporting on actual cost and budget data. These results suggest that core financial metrics are being consistently tracked and integrated into project reporting workflows.

A notable change this year is the increase in schedule reporting accuracy, marking a shift from prior years when schedule accuracy lagged behind other metrics. This improvement may be driven by wider adoption of project management tools that automate or streamline schedule tracking.

Despite these gains, challenges persist. Confidence in reporting accuracy for overall project performance metrics remains uneven, and firms continue to face gaps in how consistently and accurately data is captured throughout the project.

Ensuring accurate, timely project data is critical for both internal coordination and client trust. Firms that equip project teams with project-centric tools and provide ongoing training in project scope, budgeting and scheduling processes are more likely to deliver consistent results and retain clients seeking transparency and accountability.



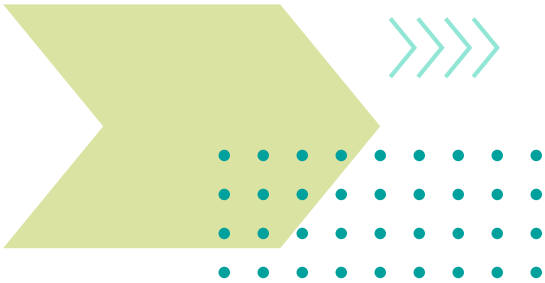
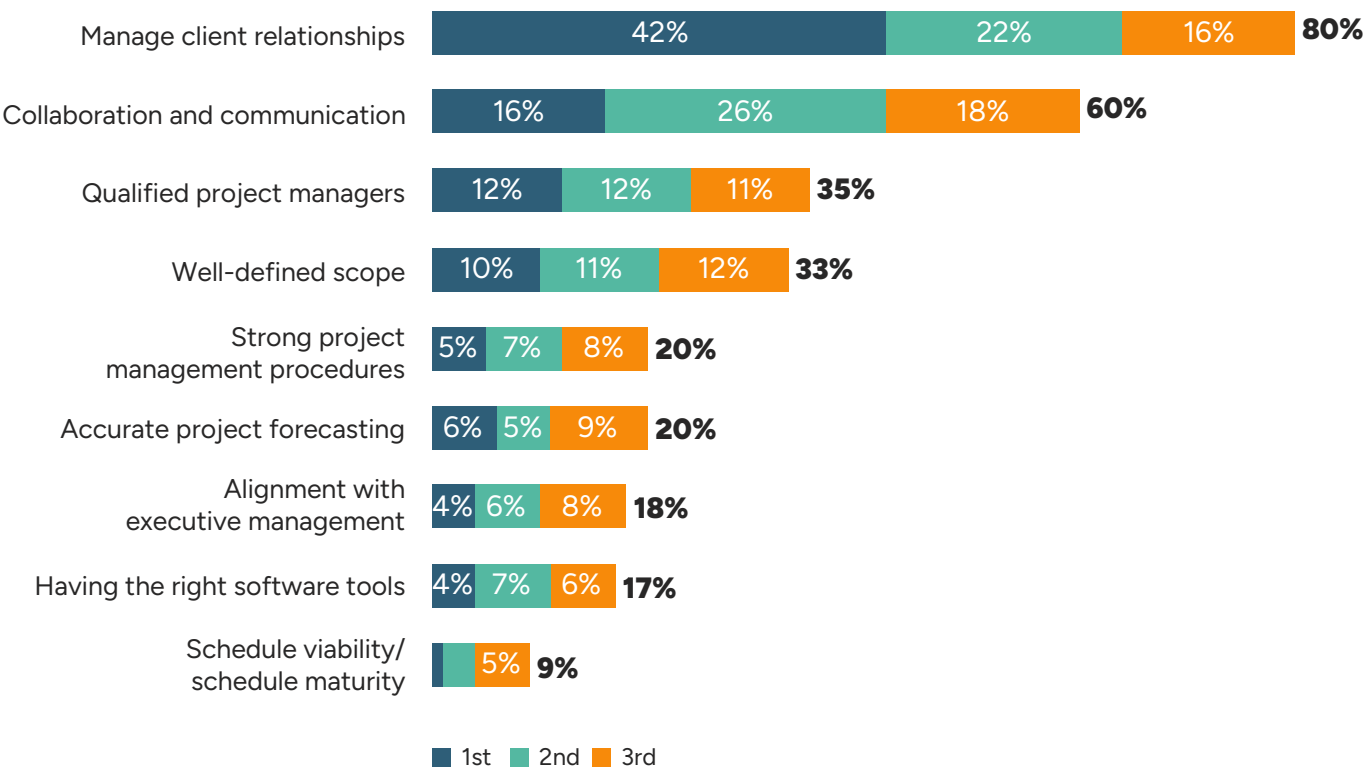
What Firms Do Well in Project Management

Firms continue to identify managing client relationships as their strongest project management capability. In 2024, 80% of firms ranked it as one of their top strengths for project managers. Though down by seven percentage points relative to last year, it remains well ahead of any other PM competency. This emphasis reflects a consistent focus on responsiveness, trust-building and communication as key components of project success.

Collaboration and communication followed as the second-highest area of strong performance for 60% of firms. While this suggests growing confidence in team coordination, there may still be specific areas or links within the PM team that remain an opportunity for improvement.

Fewer firms identify foundational project management tasks such as well-defined scoping or project staffing as core strengths. Without strength in these areas, even strong client relationships and collaboration may not be enough to deliver projects on time and within budget.

To sustain long-term improvements, firms must pair relationship management and collaboration with stronger project management processes and tools. Enhancing capabilities across scheduling, staffing and performance tracking can help firms deliver reliable project outcomes more consistently and improve client retention.



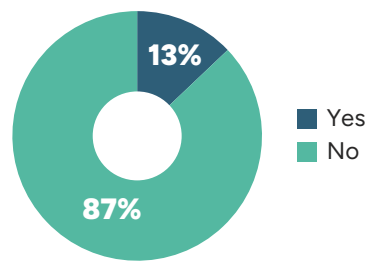
Use of Clearly Defined PM Processes

The use of clearly defined project management processes rebounded slightly after a dip the previous year. Firms using formal PM processes on at least half of their projects rose to 69%, up three percentage points from the prior year. This modest increase suggests a renewed focus on process, possibly in response to growing project complexity and the need for more consistent delivery.

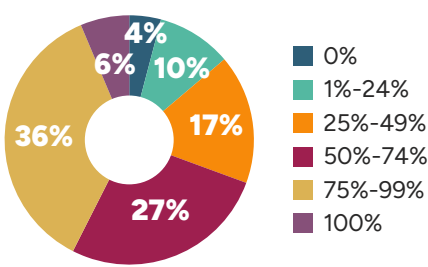
Despite this positive shift, a consistent year-over-year gap remains in the adoption of centralized structures, with only 13% of firms reporting they have a Project Management Office (PMO) or Center of Excellence. Formal project management training also remained flat, with only one in five firms reporting that at least 75% of their project leaders have received formal PM training. Without PM career development pathways, firms may struggle to build a strong pipeline of qualified project managers equipped to handle larger, more technical or multidisciplinary projects.

To scale PM excellence, firms need to continue investing in both systems and people. Centers of Excellence and PMOs can help institutionalize best practices, foster cross-functional alignment and help PMs transition more effectively from designers to project managers, ensuring they have the skills to effectively manage projects.

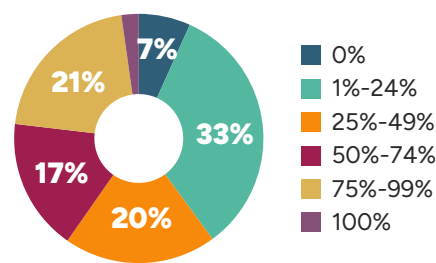
Firms with PMO or Center of Excellence



Projects Using Clearly Defined PM Process



Project Leaders with Formal PM Training



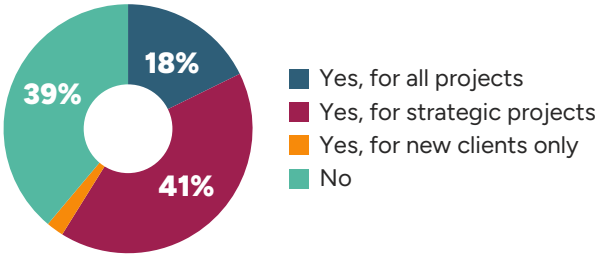
Internal Project Performance Evaluations

The use of internal project performance evaluations increased slightly, with 61% of firms reporting they conduct evaluations, up from 58% the year prior. This modest gain suggests a growing recognition of the value that structured, post-project analysis can bring to firm operations and project outcomes.

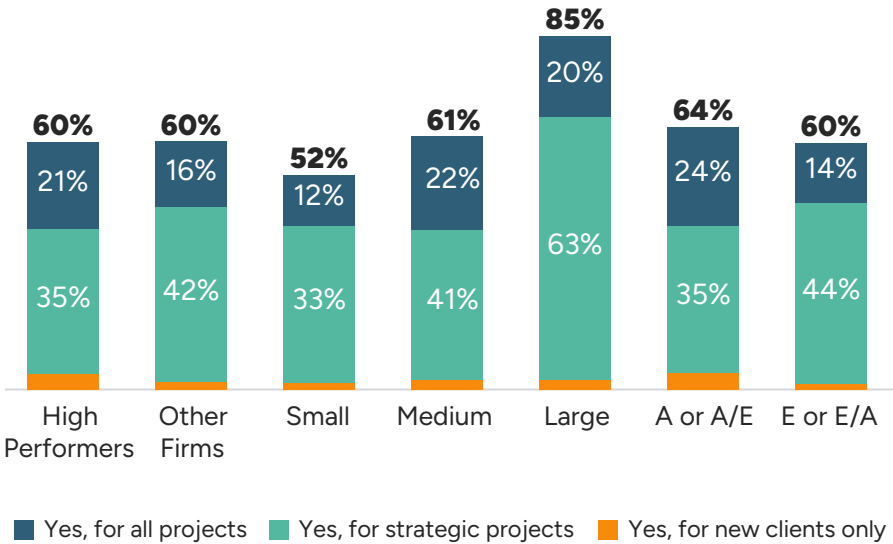
While much attention is often placed on client feedback, internal evaluations are an equally effective tool for continuous improvement. Regular assessments allow project teams to reflect on performance, identify challenges and apply lessons learned to future work without waiting for broader performance reviews.

As project complexity increases, maintaining an internal feedback loop is critical. Firms that build time into their workflows for thoughtful evaluation are better positioned to fine-tune delivery, improve staff engagement and elevate overall performance. With a broad range of formal and informal evaluation tools now available, firms of all sizes can benefit from being more intentional in how they capture and act on internal insights.

Internal Project Performance Evaluations



Evaluations by Firm Type/Size



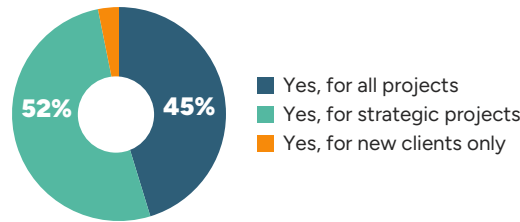
Measuring Client Satisfaction

The percentage of firms measuring client satisfaction declined to 39.1% (-5.1 percentage points) from the prior year, reversing the gains made in the previous year. Among those still collecting client feedback, 45% measure satisfaction across all projects, while 52% limit tracking to strategic projects only. These figures suggest that while some firms continue to prioritize client input, broader momentum towards consistent client satisfaction tracking has slowed.

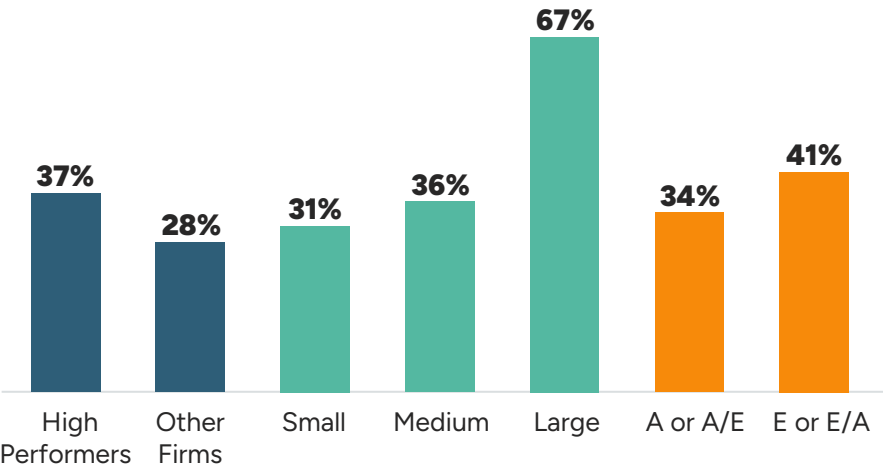
Firms are also becoming more deliberate about when they gather client feedback. The trend toward structured, scheduled evaluations continued this year, with more firms collecting input at key project milestones and on an annual basis. Ad hoc or irregular feedback practices have increased slightly, but are better at 34% than they were three years ago (49%).

Client satisfaction remains a critical success factor in project delivery and firm growth. When firms embed feedback into the project lifecycle rather than relying on end-of-project surveys or informal input, they strengthen relationships, uncover service gaps and build a more responsive, competitive delivery model. As expectations for transparency and responsiveness rise, those who systematize their approach to client satisfaction will be better equipped to retain clients and compete for new work.

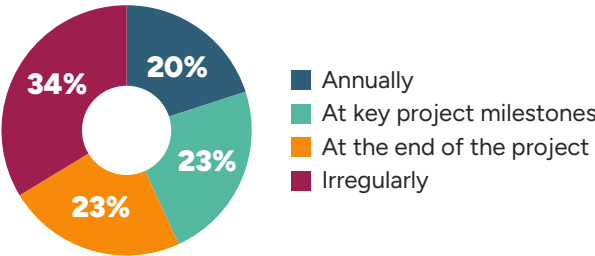
Measuring Client Satisfaction by Project Type



Firms Measuring Client Satisfaction



Frequency of Measuring Client Satisfaction



39.1%

-5.1

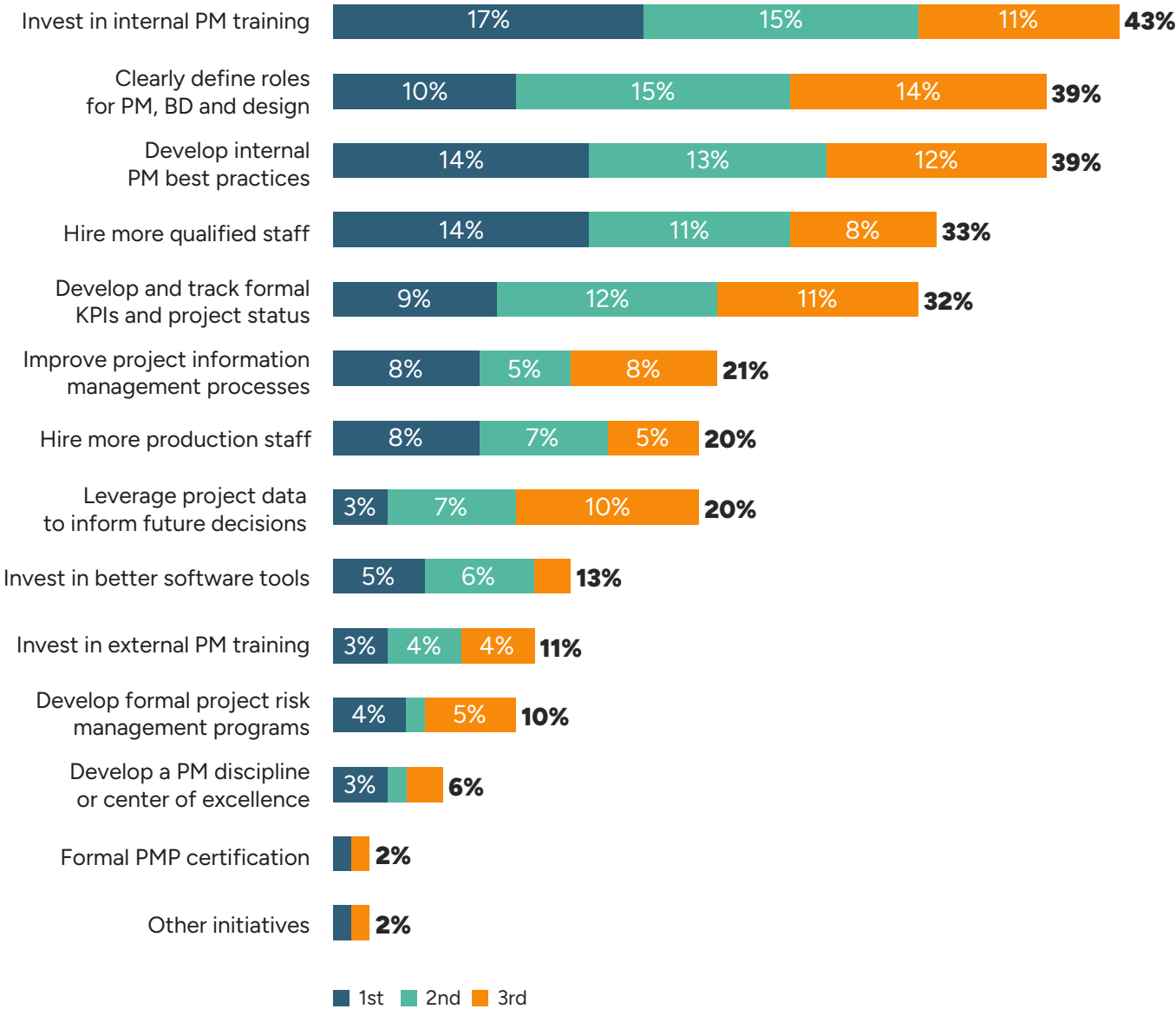
Top Project Management Initiatives

Investing in internal project management training remains the top initiative firms intend to pursue over the next three years. This sustained focus reflects a clear acknowledgment of one of the industry’s most persistent challenges: the shortage of time and resources to train project managers. As previously noted, only a small share of firms report that the majority of their PMs have received formal training.

Firms are also prioritizing the clarification of roles across project management, business development and design, and also the development of internal PM best practices—both tied for second place at 39%. Together, these efforts show that firms are not only aware of the need for stronger PM leadership and structured roles, but are actively taking steps to address it.

Interest in hiring more qualified staff and external training leveled off, suggesting a strategic shift from headcount expansion to internal capacity-building. Meanwhile, more firms are turning to project data to inform future decisions, up five percentage points to 20%, pointing to a growing interest in evidence-based improvements. This may also align with an uptick in go/no go strategy on the BD side, and a more strategic approach to pursuits. It can also enable PMs to create better estimates and project plans for future projects.

By upskilling teams, clearly defining responsibilities and sharing best practices, firms can close the gap between planning and execution to achieve more resilient operations and scalable project success.



PROJECT MANAGEMENT

Firms continue to face pressure to deliver more complex projects with tighter margins, higher client expectations and increased accountability for the PMs. As visibility into project performance declined this year, many firms are acknowledging that better tools alone aren't enough. Firms need to strengthen internal processes, communication and collaboration.

Project management leaders are signaling a shift: rather than looking outward for solutions, many are turning inward to address longstanding gaps. Firms are investing in internal training, clarifying roles and seeking to embed project management best practices that have historically been informal or inconsistently applied. But improvement is uneven, and good intentions haven't always yielded positive results. The lack of formal training among PMs and the continued struggle with competing priorities highlight the need for a more deliberate approach.

Looking ahead, firms that prioritize execution along with planning will be better positioned to raise project performance and adapt to ongoing pressures. Getting the house in order means aligning teams around shared expectations, increasing access to timely project data and holding firm to consistent standards. These foundational steps are also essential for firms that want to successfully adopt emerging tools, including AI-powered solutions. With strong processes in place, the benefits of advanced technology are within reach.

HUMAN CAPITAL MANAGEMENT

Reductions in force, increased voluntary turnover in certain segments and acquisitions signaled continued disruption, forcing firms to focus more closely on employee engagement.

Firms reported slower staff growth and fewer open positions, reinforcing a more deliberate hiring environment. Matching qualified candidates to roles gained urgency, even as compensation concerns declined. Offer acceptance rates dropped slightly, and more firms emphasized benefits, flexibility and internal development. These shifts point to a continued evolution from reactive recruitment toward more intentional, value-driven workforce strategies.



2.9%

year-over-year staff growth; firms showing slower growth than previous years

ADDRESSING TOP TALENT ACQUISITION CHALLENGES

1 Availability of good candidates

As generational shifts continue and seasoned professionals retire, firms are under growing pressure to replace key resources. This challenge once again topped the list (89%), as firms struggle to identify and attract qualified candidates.

2 Ability to offer competitive compensation

Although this challenge declined slightly year-over-year, it continues to be one of the top challenges in securing top talent (53%). Many firms are shifting away from salary escalation alone to offering more flexible benefits, clearer career growth and stronger alignment with employee values to stay competitive.

3 Matching qualified candidates to open positions

This challenge grew in prevalence, underscoring the difficulty many firms face in aligning candidate skills with specific role requirements. The rise of skills repositories and more structured onboarding processes reflect firms' efforts to better map competencies to job needs whether through internal mobility or more targeted sourcing.

“As market conditions ease a bit this year, turnover should moderate. This gives firms a greater opportunity to implement staff development programs and identify and begin to train the next generation of future leaders.”

— KERMIT BAKER, PH.D., HONORARY AIA, CHIEF ECONOMIST

HUMAN CAPITAL MANAGEMENT OVERVIEW

Firms continue to stabilize their workforce following years of disruption.

The pace of hiring slowed, but the pressure to find the right people, particularly those with specialized skills, remained high. Rather than expanding aggressively, firms focused inward: improving internal mobility, refining job alignment and investing in scalable learning infrastructure. The number of firms citing difficulty finding good candidates remained steady at the top of HR concerns, reinforcing the persistent challenge of aligning talent supply with evolving project needs.

This year also marked an inflection point in how firms plan for and develop future talent. Career development plans grew across firm sizes, particularly among small and large firms. More firms are focusing succession planning on high-potential employees rather than all employees. These shifts reflect a growing emphasis on internal cultivation and long-term readiness. Mentorship programs and employee engagement initiatives also gained traction, supporting knowledge transfer and retention in an increasingly competitive market.

Technology enablement played a growing role in this shift in how career development is being implemented. Learning Management Systems and skills repositories gained ground, but many firms, especially small ones, still rely on spreadsheets and manual processes. This maturity gap could limit firms' ability to scale workforce strategies effectively across offices and disciplines.

Across the board, firms signaled a need to do more with less. Around 18% of firms experienced a reduction in force (RIF) in 2024, compounding the pressures to cover essential roles with remaining staff. As the industry continues to evolve, human capital strategies are becoming more deliberate, data-informed and development-focused in order to adapt.

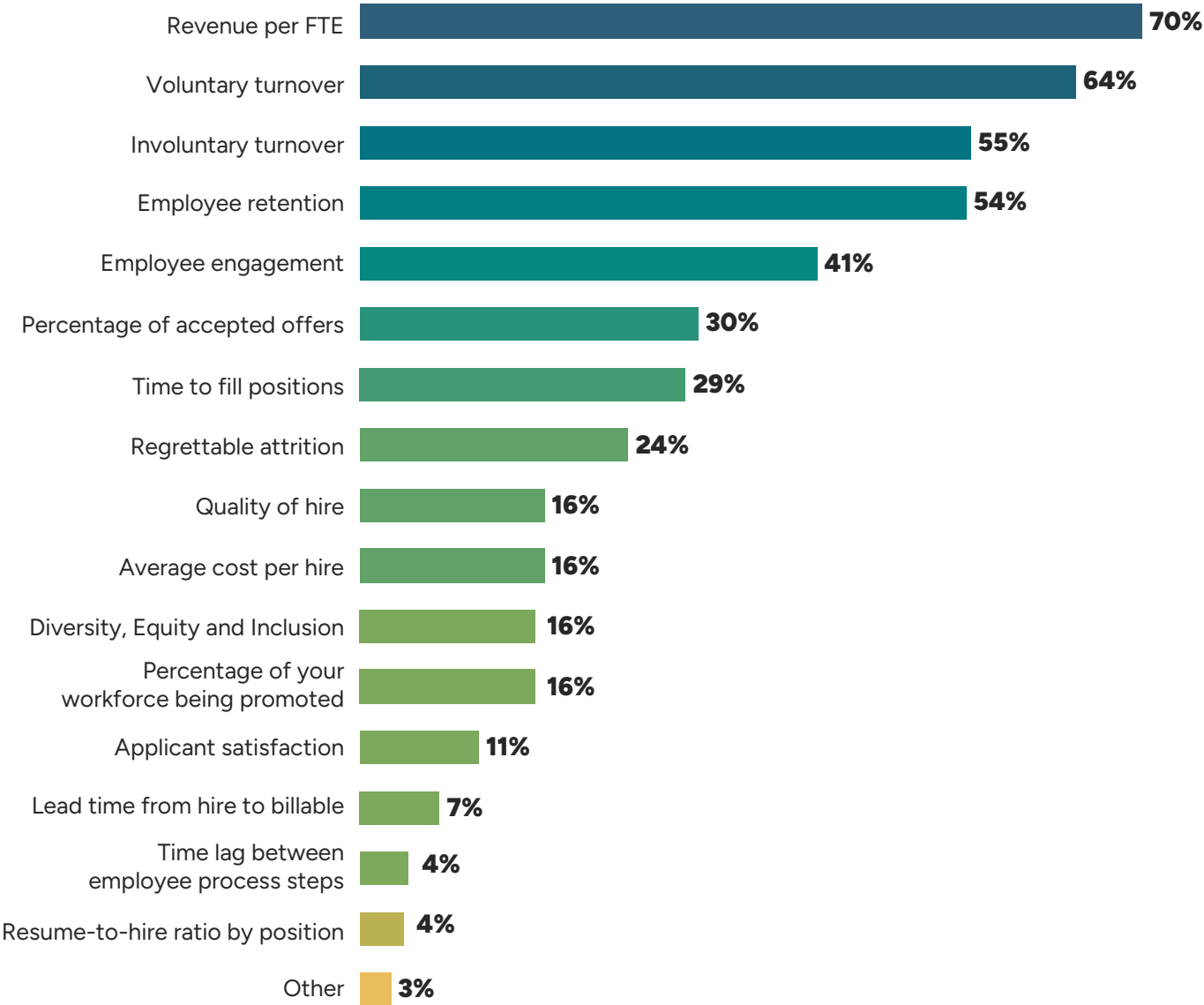
Firms are focusing on internal mobility, leadership pipelines and targeted recruitment—moving toward strategic workforce planning and proactive development. Upskilling, tech enablement and engagement strategies gained ground across all firm sizes.

Human Capital Management KPIs

This year, firms are increasingly focused on tracking key performance indicators (KPIs) that support employee retention and engagement. More than half of firms are tracking employee retention (54%), up eight percentage points year-over-year, and employee engagement grew by seven percentage points to 41%. Firms also showed more interest in measuring recruitment outcomes, with the percentage of firms tracking accepted offers rising to 30% (+8 percentage points).

By contrast, fewer firms reported monitoring KPIs tied to productivity or workforce turnover. Tracking of revenue per full-time employee dropped three points, as did tracking of involuntary turnover. These declines may reflect a continued shift away from aggressive growth strategies in favor of stabilizing and supporting the existing workforce, or perhaps a reflection of the number of firms with RIFs.

Notably, more firms are monitoring average cost per hire (+5 percentage points), a KPI that can provide more insight into the efficiency of recruitment strategies. While still relatively low in adoption, this upward trend suggests a growing interest in understanding and optimizing the full talent acquisition lifecycle.

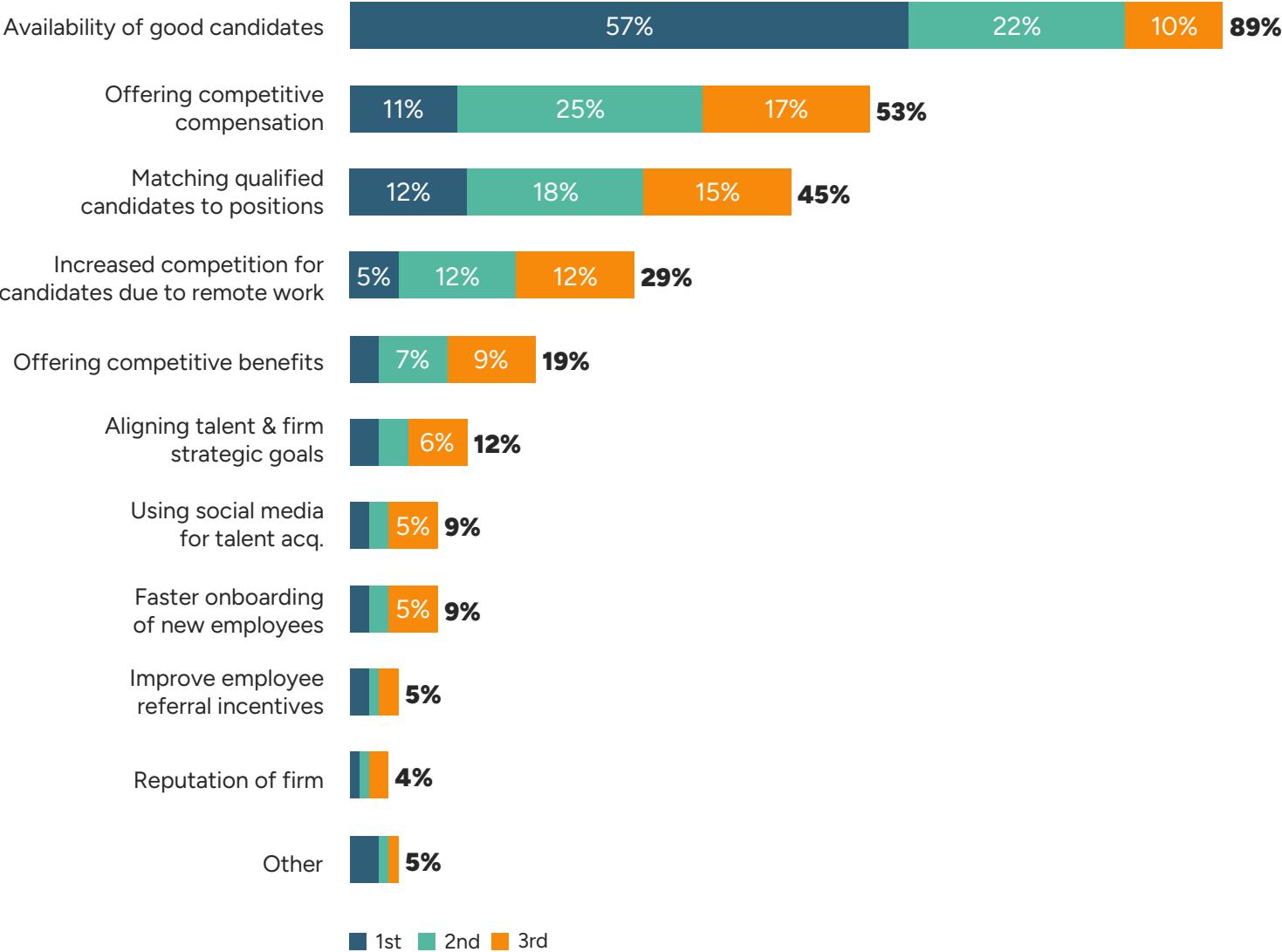


Top Talent Acquisition Challenges

The availability of good candidates remains the top challenge for firms, continuing to outpace all other concerns. While the number of open positions has declined, the demand for highly skilled talent has not, underscoring persistent gaps in capability rather than quantity.

Other acquisition challenges showed signs of easing. Offering competitive compensation declined slightly (down three percentage points), but is still one of the top concerns for more than half of firms, suggesting that firms may be getting more competitive, candidate salary expectations are not as high or firms are getting creative in how they attract talent. This aligns with broader trends showing increased reliance on flexible benefits and workplace culture to differentiate offers.

The challenge of matching qualified candidates to open positions increased, rising from 41% to 45%. As firms sharpen their focus on aligning specific skills to evolving role requirements, many are turning to internal tools like skills repositories and Learning Management Systems (LMS). These platforms are helping to bridge the gap between hiring needs and candidate capabilities, whether through internal mobility or more targeted recruitment. The growth of this challenge underscores the importance of clearly defined job roles and the systems that support smarter talent placement.



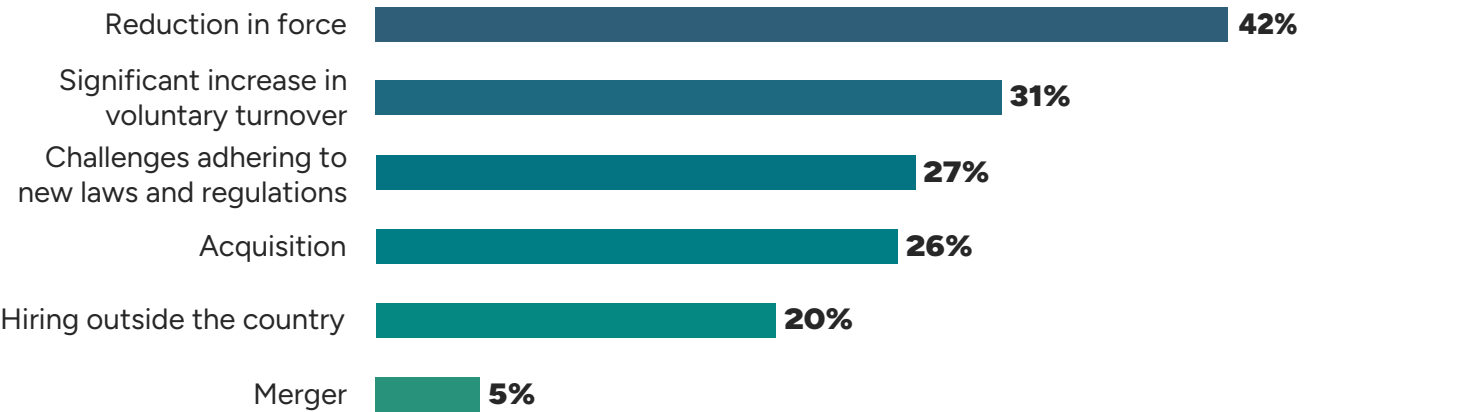
Workforce Events Experienced

Workforce disruptions remain a key theme, with 43% of firms reporting a major event that had a direct impact on staff. Of those firms experiencing an event, the most common type across all segments was a reduction in force (RIF) (42%), an increase of five percentage points year-over-year.

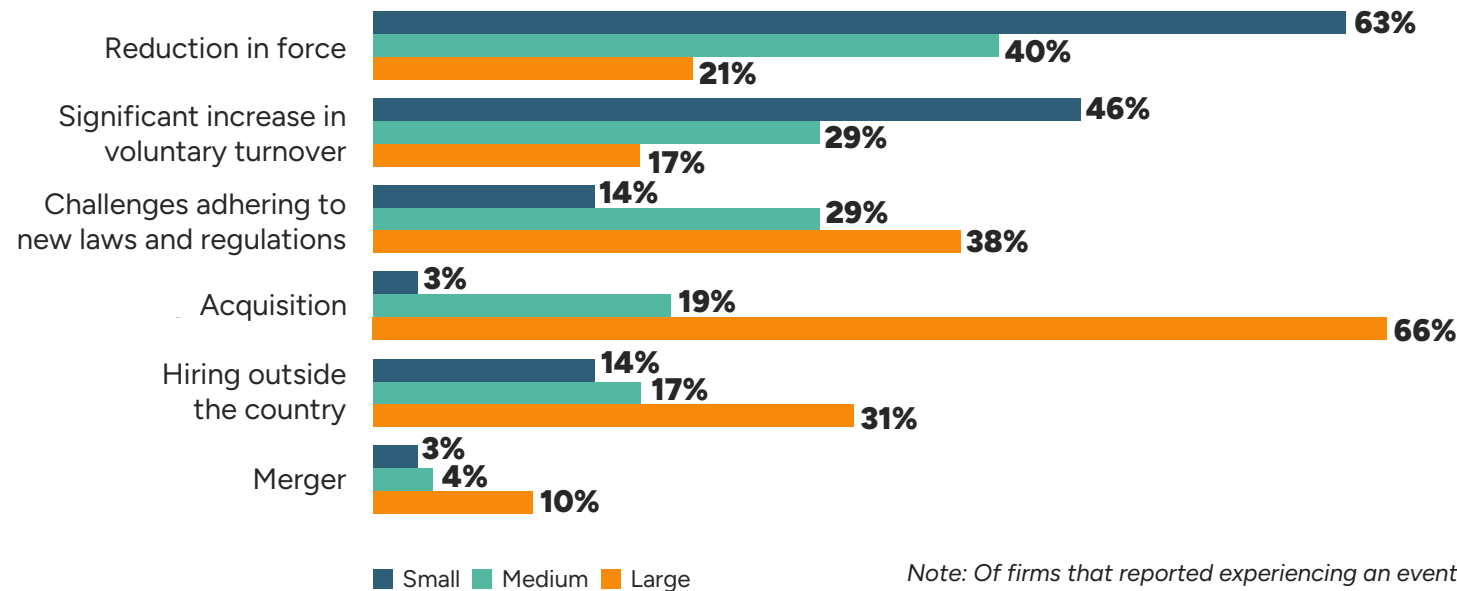
Among small firms, 33% experienced a major event, with RIFs rising sharply (+16 percentage points). Medium-sized firms saw a similar trend, with 41% reporting a major event and RIFs up seven percentage points. Here, staffing cuts may be tied to both workload challenges and redundancies created through M&A activity, where firms may be increasingly acquiring similar skillsets rather than filling gaps.

Large firms reported the highest rate of major events at 72%. While RIFs declined to 21% (-7 percentage points), acquisitions surged to 66% (+14 percentage points) and regulatory compliance challenges also rose to 38% (+14 percentage points), reflecting the complex operational landscape firms face as they scale.

Architecture firms saw upticks in both RIFs to 68% (+9 percentage points) and voluntary turnover to 42% (+17 percentage points), while engineering firms experienced a decline in voluntary turnover to 23% (-12 percentage points) but a rise in acquisitions to 32% (+7 percentage points), suggesting divergent dynamics across disciplines.



Workforce Events Experienced by Firm Size



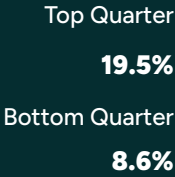
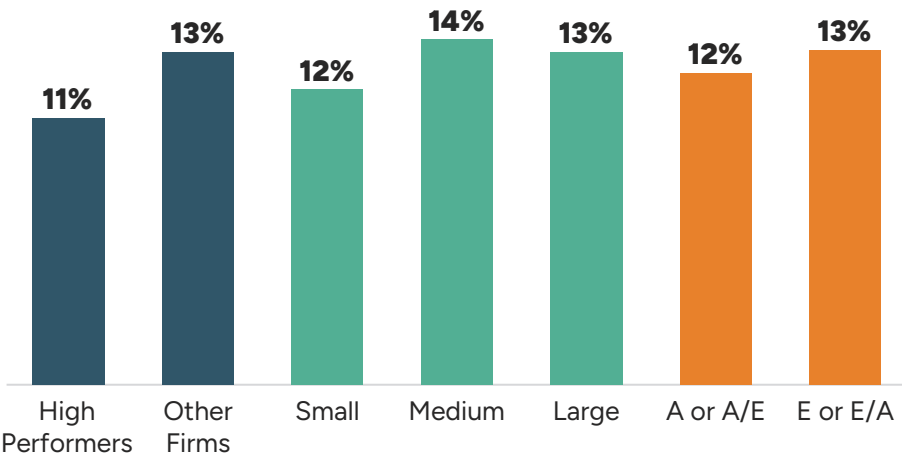
Note: Of firms that reported experiencing an event

Employee Turnover

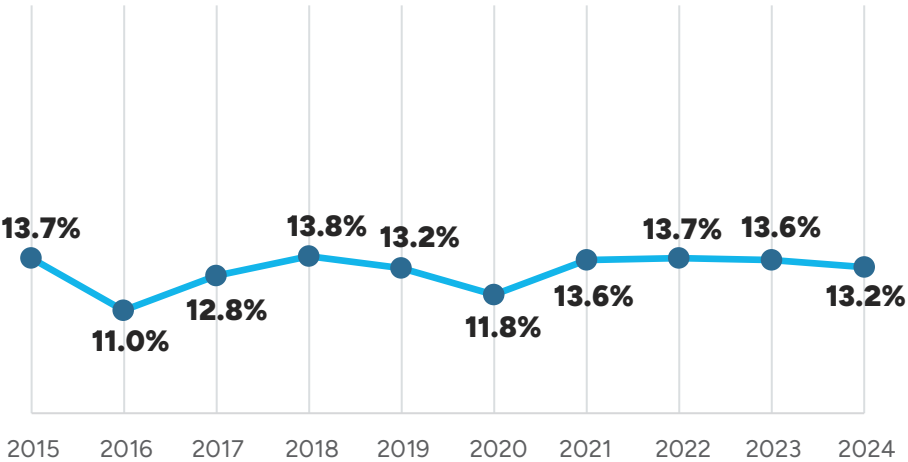
Employee turnover decreased slightly in 2024 to 13.2%, a modest decline from 13.6% the previous year. This shift was largely driven by declines at small and large firms, which reported decreases of four and three percentage points, respectively. These reductions suggest that retention efforts may be gaining traction, particularly among firms that had previously seen elevated churn.

In contrast, medium-sized firms experienced a two percentage-point increase in turnover, indicating that this segment may still be struggling with workforce stability. Contributing factors could include delayed impacts from M&A activity, increased project demands or lack of career planning.

While the overall trend suggests a stabilizing workforce, turnover levels remain elevated enough to strain project continuity, resource planning and firm culture. As such, firms will need to continue investing in strategies that support retention. Mentorship, professional development and career path development are particularly effective at reducing the cost and disruption associated with turnover.



Employee Turnover: 10-Year Trend



2.9%

-3.6

Top Quarter

9.5%

Bottom Quarter

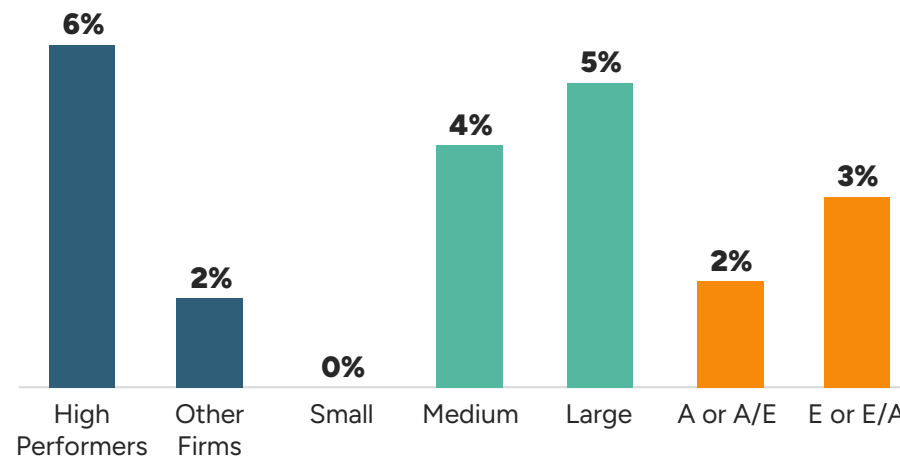
-4.4%

Staff Growth or Decline

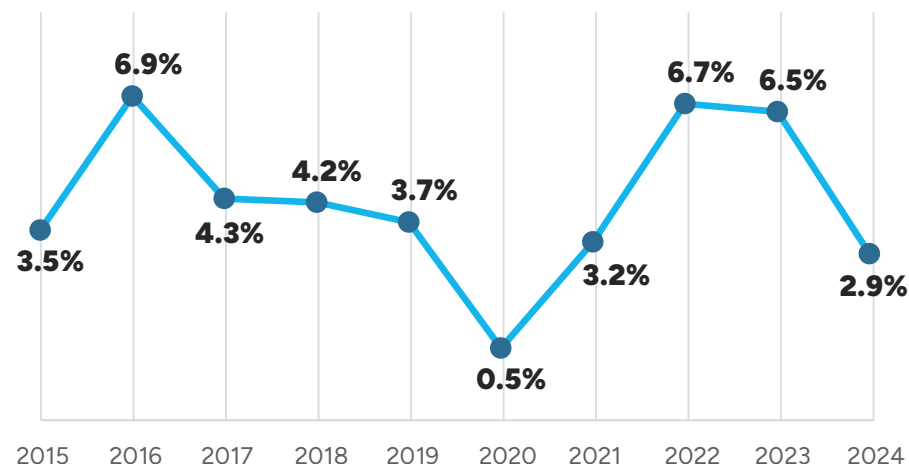
Staff growth sharply declined across the industry from 6.5% to 2.9%. The steepest drop came from small firms, which experienced flat growth, a five percentage-point year-over-year decline. As they were the segment most impacted by RIFs, this is not surprising.

Despite having fewer employees, many firms are maintaining strong revenue performance, suggesting improved operational efficiency or increased productivity per employee. This may reflect the growing adoption of automation, more strategic project selection or better alignment of staff to backlog and workload.

Rather than expanding teams, firms appear to be focused on doing more with less. For small businesses, this shift is particularly notable, as constrained hiring often forces tough prioritization, but can also drive innovation in how work gets done. As growth slows, strategic workforce planning and targeted investments in skills development will become increasingly important to sustaining both capacity and profitability.



Staff Growth/Decline: 10-Year Trend



Open Positions and Hiring Lead Times

Hiring activity remained relatively steady, with more firms (57%) reporting having about the same number of open positions as the previous year (+6 percentage points). While the number of open positions held constant for many, the underlying reasons for those openings continued to shift. Growth was cited more often as the primary driver for open positions, rising seven points year-over-year to 44%, suggesting that while some firms are dealing with RIFs, many firms are still positioning for forward momentum where possible.

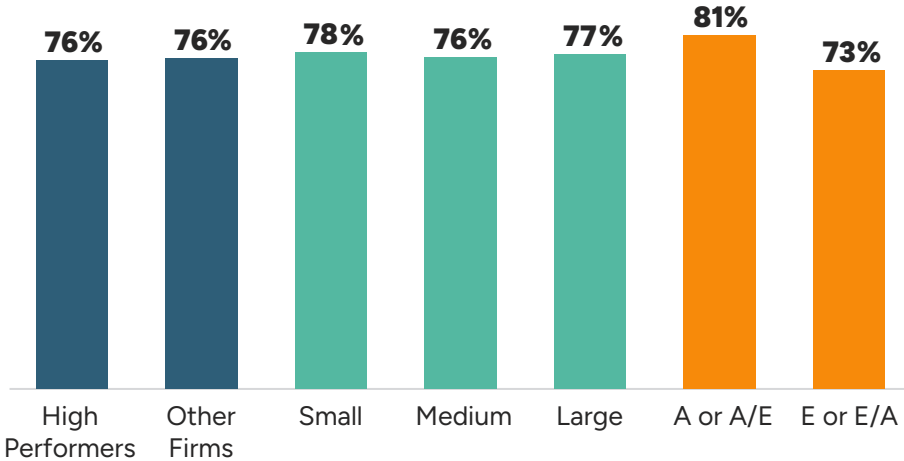
However, filling those roles remains a challenge. The overall percentage of accepted offers declined to 77%, down three percentage points from the previous year, with medium-sized firms seeing the largest

drop (-6 percentage points). Competitive compensation, candidate fit and shifting expectations continue to affect close rates.

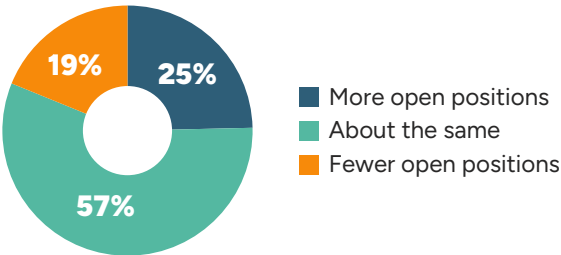
On a more encouraging note, time-to-fill metrics improved modestly. The share of positions filled in under 61 days increased by three points (48%), with all firm sizes reporting gains in filling roles within 0–30 days. These faster hiring cycles may reflect improved internal processes, greater use of recruiting automation or refined candidate pipelines.

While recruitment timelines are tightening, conversion remains a sticking point, which underscores the need for firms to refine both their outreach and their offers to secure top talent.

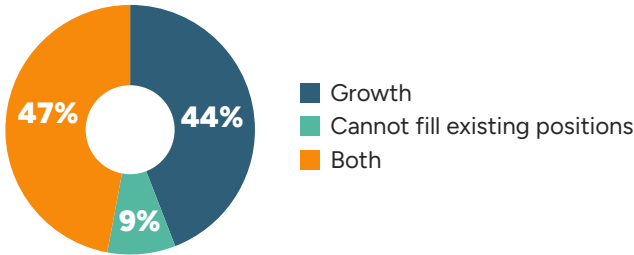
Percentage of Offers Accepted



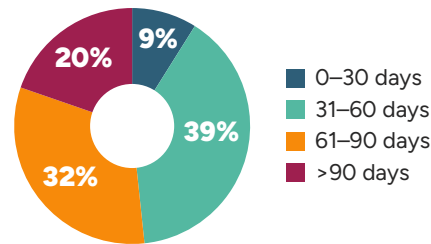
Number of Open Positions



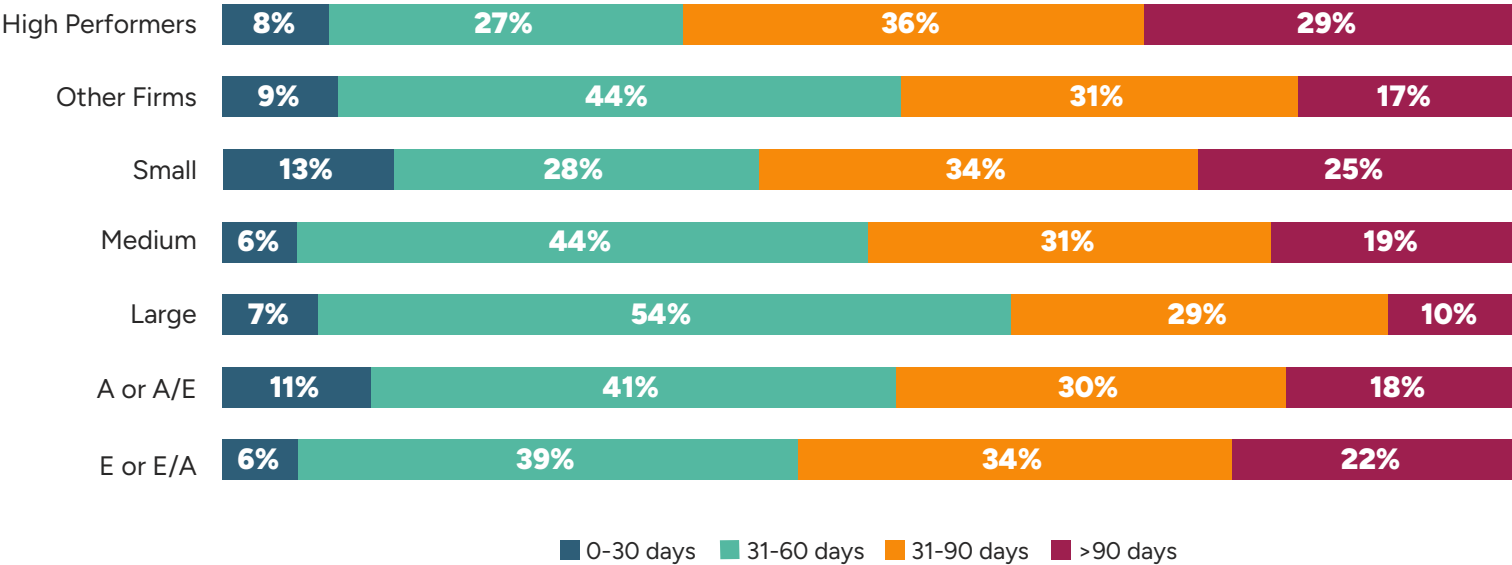
Reason for Open Positions



Average Time to Fill Position



Average Time to Fill Position by Firm Type/Size



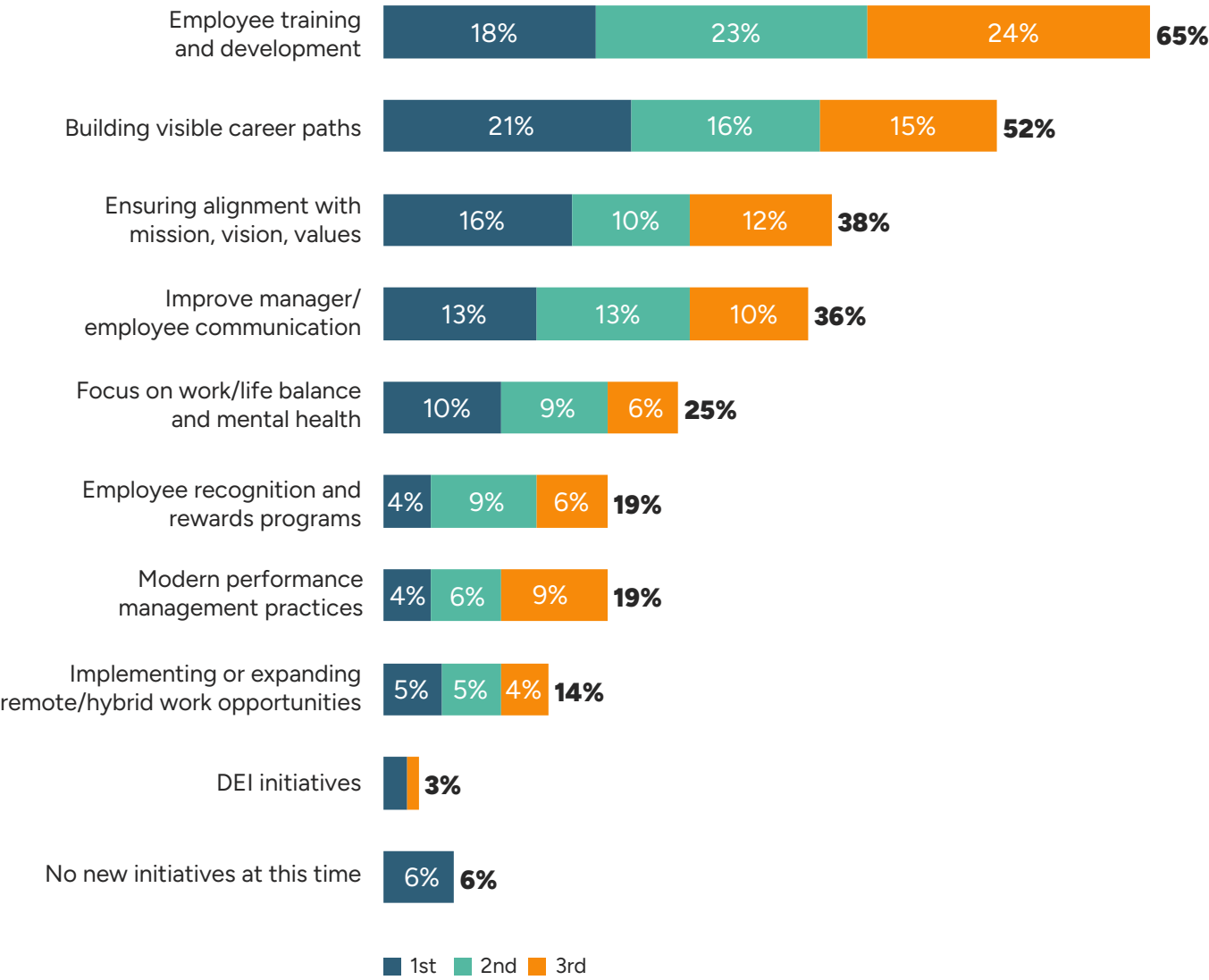
0–30 days 31–60 days 31–90 days >90 days

HR Initiatives to Retain and Attract

Core strategies to attract talent remained consistent year-over-year: employee training and development, building visible career paths and ensuring alignment with mission, vision and values. These efforts signal a continued emphasis on long-term growth, engagement and cultural clarity as firms compete for talent in a tight labor market.

Interestingly, initiatives supporting work/life balance and mental health experienced the steepest decline, dropping nine percentage points year-over-year to 25%. This pullback comes at a time when expectations around workload are shifting dramatically. Whereas long hours were once the norm in the A&E industry, many employees today are pushing back on overtime altogether, prompting firms to gain efficiencies through improved collaboration, project management training and tools that streamline workflows.

Generational dynamics may be contributing to these trends, with younger professionals placing greater emphasis on flexibility, work/life balance and values alignment. While the study did not collect generation-specific data this year, the evolving mix of employee expectations underscores the need for firms to reassess their attraction strategies and ensure they reflect the priorities of a changing workforce.

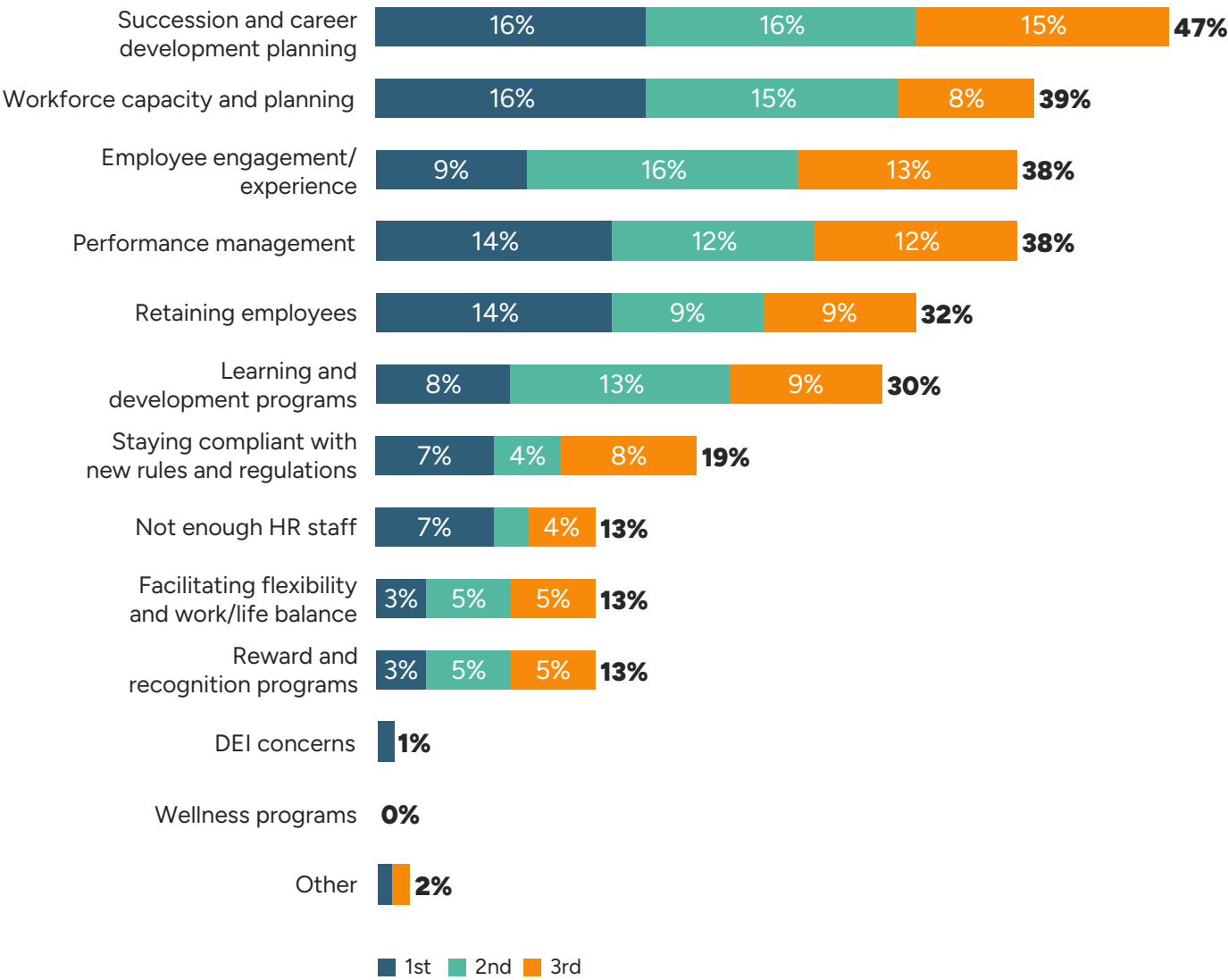


Top Challenges Managing Human Resources

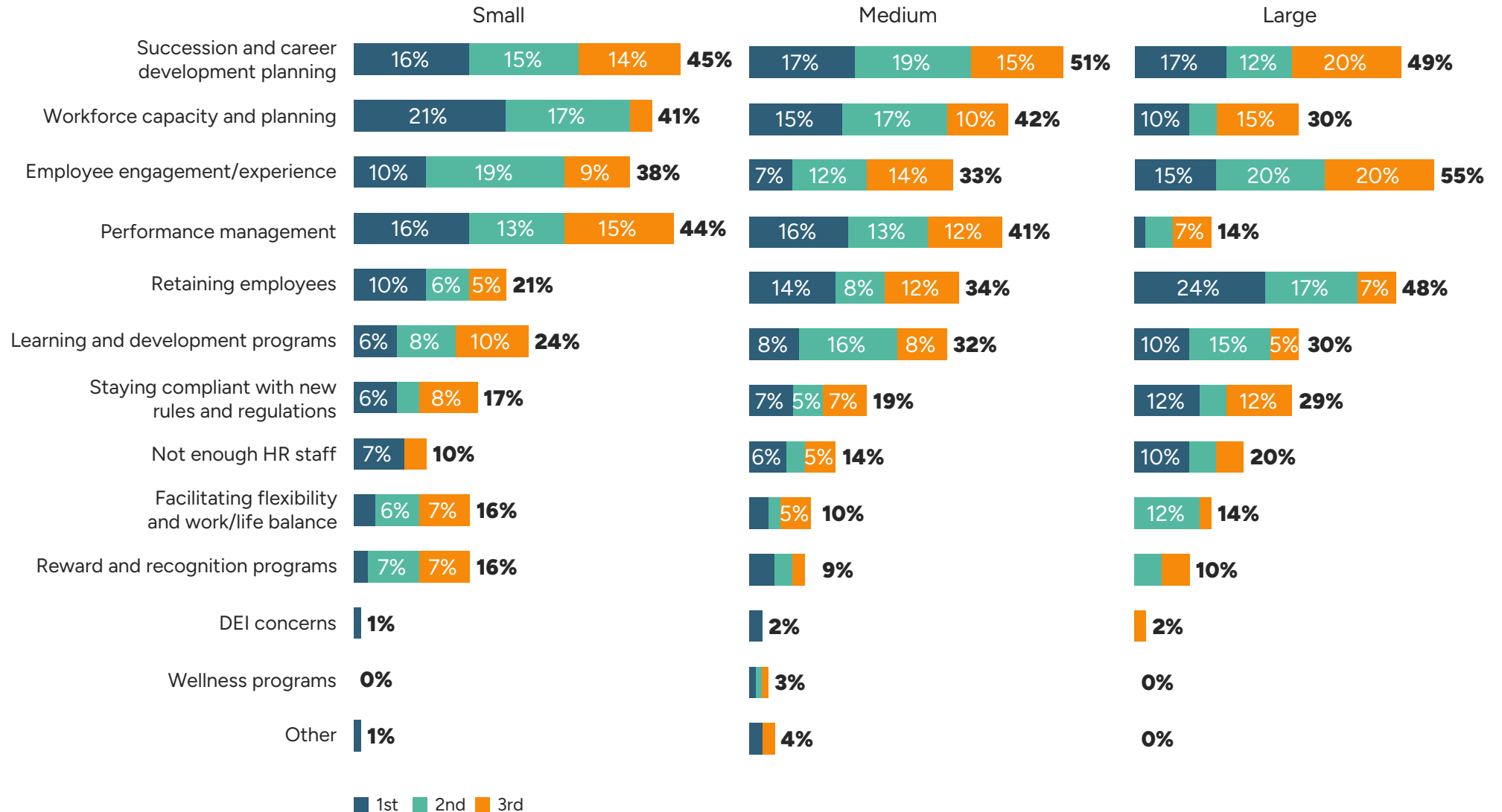
Succession and career development planning remained the most commonly reported HR challenge, increasing by three percentage points year-over-year to 47%. This continued concern reflects pressure on firms to develop clear internal pathways for advancement, especially as experienced professionals retire and firms seek to promote from within. Workforce capacity and planning rose two percentage points to 39%, while employee engagement/experience fell by three percentage points to 38%. Notably, learning and development programs rose to 30% as a concern (+6 percentage points), signaling a growing emphasis on upskilling and knowledge continuity.

The nature of challenges varied significantly by firm size. Large firms see their top challenge as employee engagement and experience, likely a byproduct of M&A activity and dispersed workforces. As firms integrate new employees and cultures, maintaining a sense of connection and shared identity becomes more complex, with clear implications for retention. In contrast, small and medium-sized firms were more likely to struggle with succession planning and performance management, reflecting the leaner resources and less formalized processes common at these sizes.

By firm type, succession planning topped the list for both architecture and engineering-led businesses. However, more engineering firms face challenges with employee retention and engagement, while architecture firms are more often challenged by performance management, highlighting cultural and structural differences across disciplines.



Top Challenges for Managing Human Resources by Firm Size



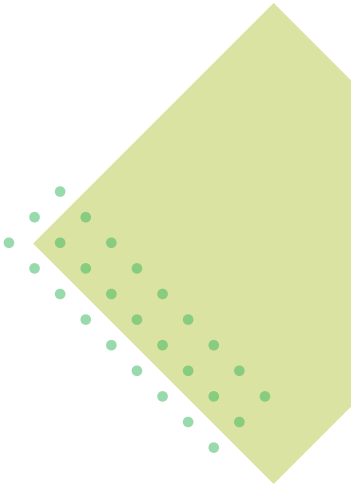
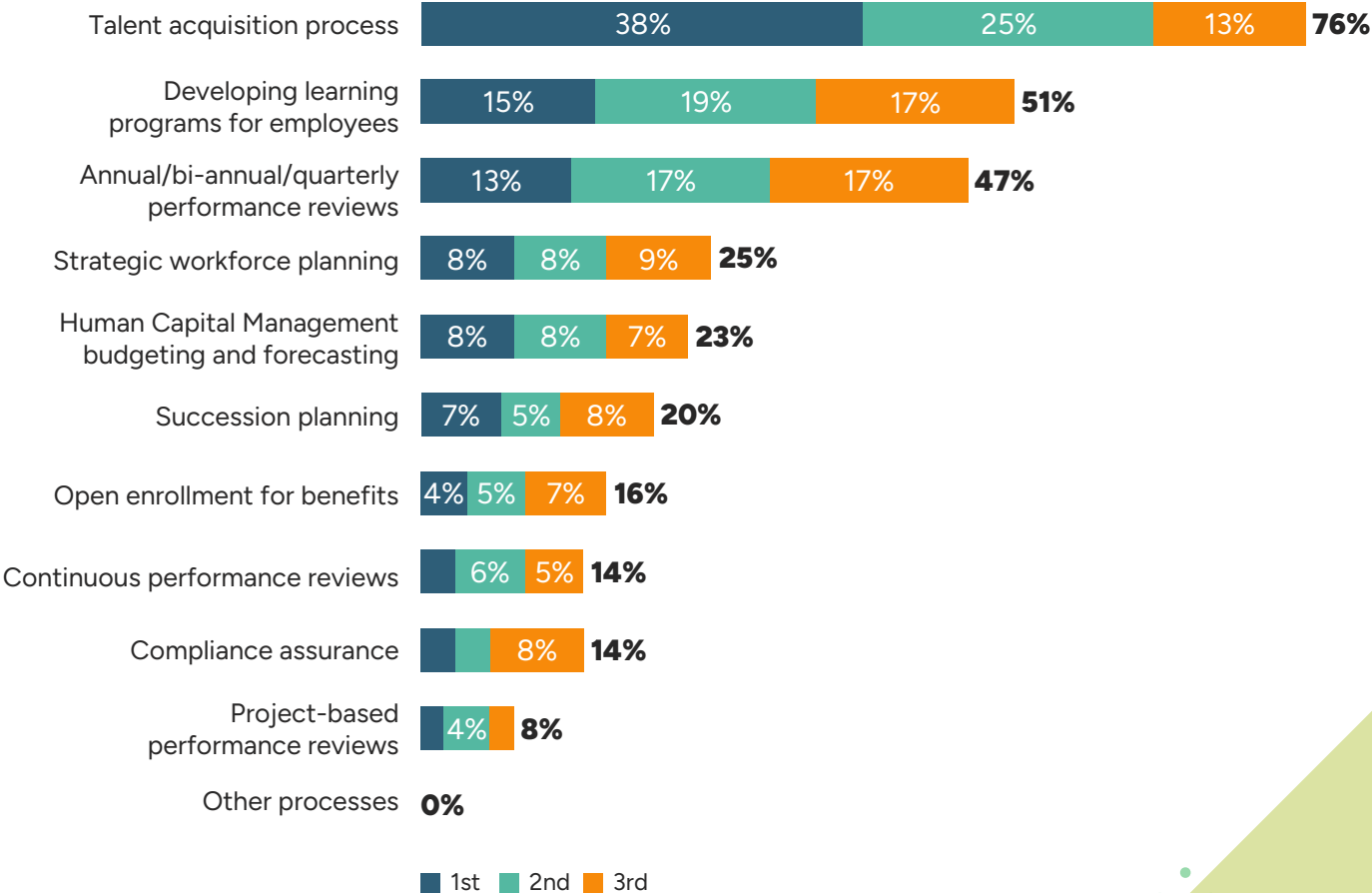
Most Expensive Business Processes to Support

Talent acquisition remains the most expensive business process for firms, reinforcing the ongoing challenges of identifying, attracting and securing qualified candidates in a competitive labor market. As firms continue to face pressure on compensation, timelines and close rates, recruitment demands both time and investment, especially for specialized or leadership roles.

Developing learning programs was ranked more costly by 51% of firms, rising six percentage points year-over-year as a top expense. This aligns with broader trends around upskilling and succession planning, as firms prioritize internal development to fill talent gaps and support long-term growth.

Conversely, open enrollment for benefits dropped 11 percentage points to 16% as a perceived cost burden. This decline may reflect streamlined processes, outsourcing or technology-driven efficiencies that have reduced the administrative load in this area.

As firms balance growth with cost control, the data suggests reallocating investment toward workforce development, shifting attention from routine benefits administration to more strategic, long-term talent initiatives.



42%

-2

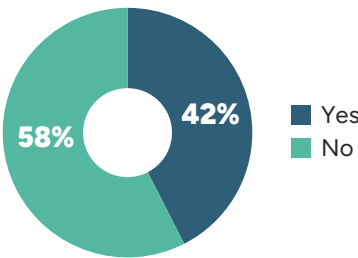
Firms with Formal Succession Plans

Fewer firms reported engaging in formal succession planning in 2024, with participation declining by two percentage points year-over-year to 42%. While still a core component of long-term workforce strategy, succession planning appears to be narrowing in scope, with many firms refining their focus rather than expanding it.

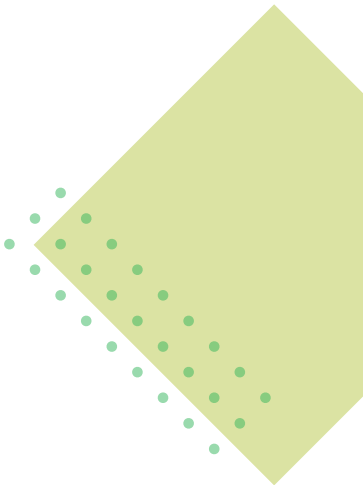
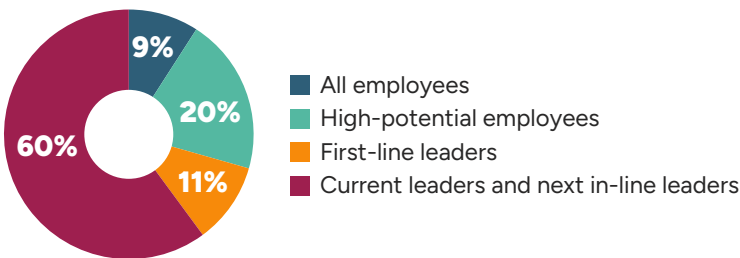
Planning for all employees declined (-3 percentage points), as did coverage for current leaders and next-in-line leaders (-8 percentage points). Instead, more firms concentrated their efforts on high-potential employees, which rose sharply (+11 percentage points). This targeted approach may reflect limited resources or a desire to prioritize the development of future leadership talent with the most strategic value.

Small firms remained most likely to provide succession plans for all employees (16%), aligning with their flatter organizational structures and broader role coverage per individual. In contrast, medium-sized and large firms drove the increase in succession planning for high-potential employees, up 13 and 15 percentage points, respectively, suggesting a more selective, performance-based model.

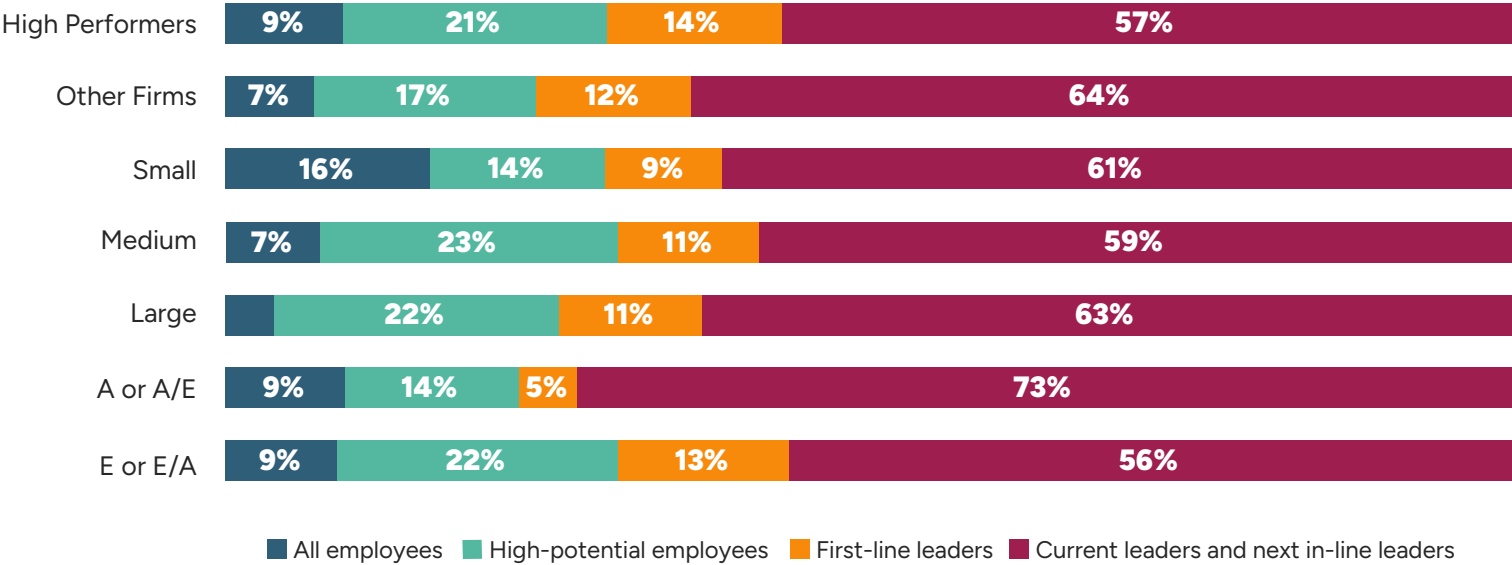
As firms continue to manage generational turnover, M&A integration and evolving workforce expectations, succession planning will need to balance inclusivity with impact. A focused strategy can be effective, but long-term resilience may depend on cultivating leadership readiness across all levels of the organization.



Who Succession Plan Applies to at Firm



Who Succession Plan Applies to by Firm Type/Size



“Invest in individual and team executive coaching for next-generation leaders. Intentionally challenge the next generation to improve how the firm operates.”

— MICK MORRISSEY, MANAGING PRINCIPAL, MORRISSEY GOODALE

45.1%

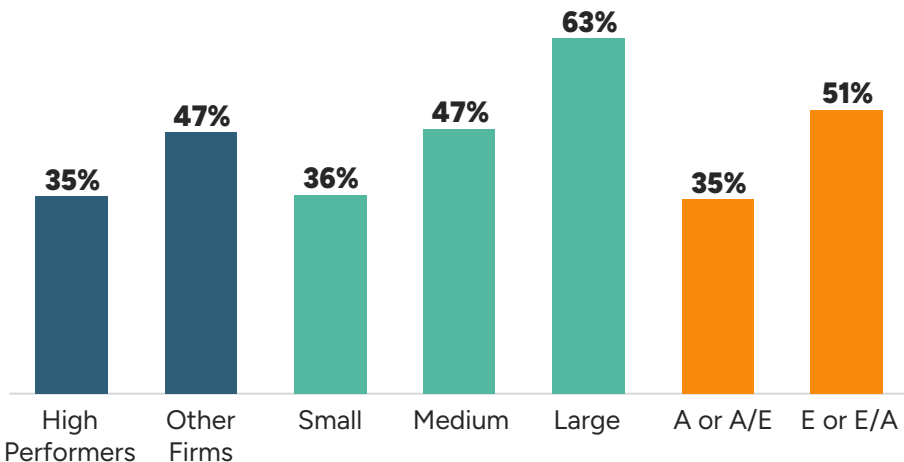
+5.2

Career Development Planning

The upward trend of formal career development plans continued, with overall adoption rising to 45.1%, up 5.2 percentage points from 2023. Small and large firms led this growth, increasing by 10 and seven percentage points, respectively. The trend suggests a growing recognition that employee development supports both individual advancement and broader organizational performance.

However, while more firms are investing in career planning overall, fewer are applying these programs universally. The percentage of firms extending development plans to all employees dropped by 14 percentage points to 77%. Instead, firms are shifting focus toward targeted segments such as current leaders, first-line leaders and high-potential employees.

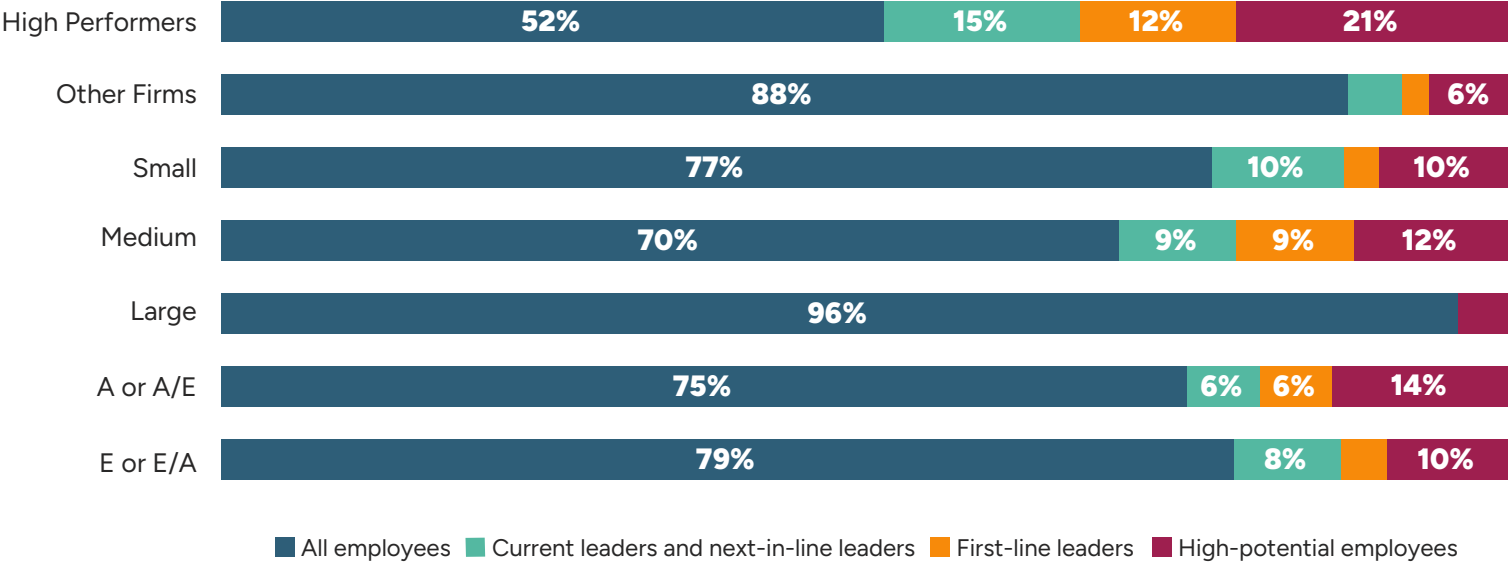
This trend was most pronounced among high-performing firms, where application to all employees declined a dramatic 40 percentage points year-over-year. This evolving approach reflects a balance between scalability and impact. While broad access to development opportunities can build engagement across the workforce, many firms are prioritizing depth over breadth, offering more personalized growth paths for those identified as rising leaders or key contributors. There may be a risk however, of the narrowed focus leading to voluntary attrition.



Career Development Plan Application



Career Development Plan Application By Firm Type/Size



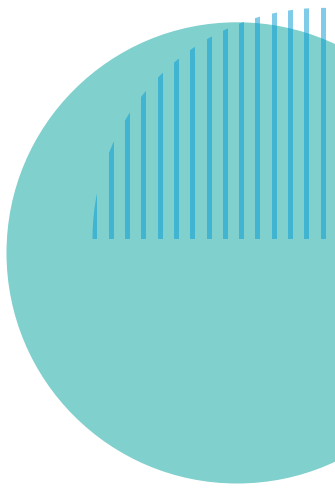
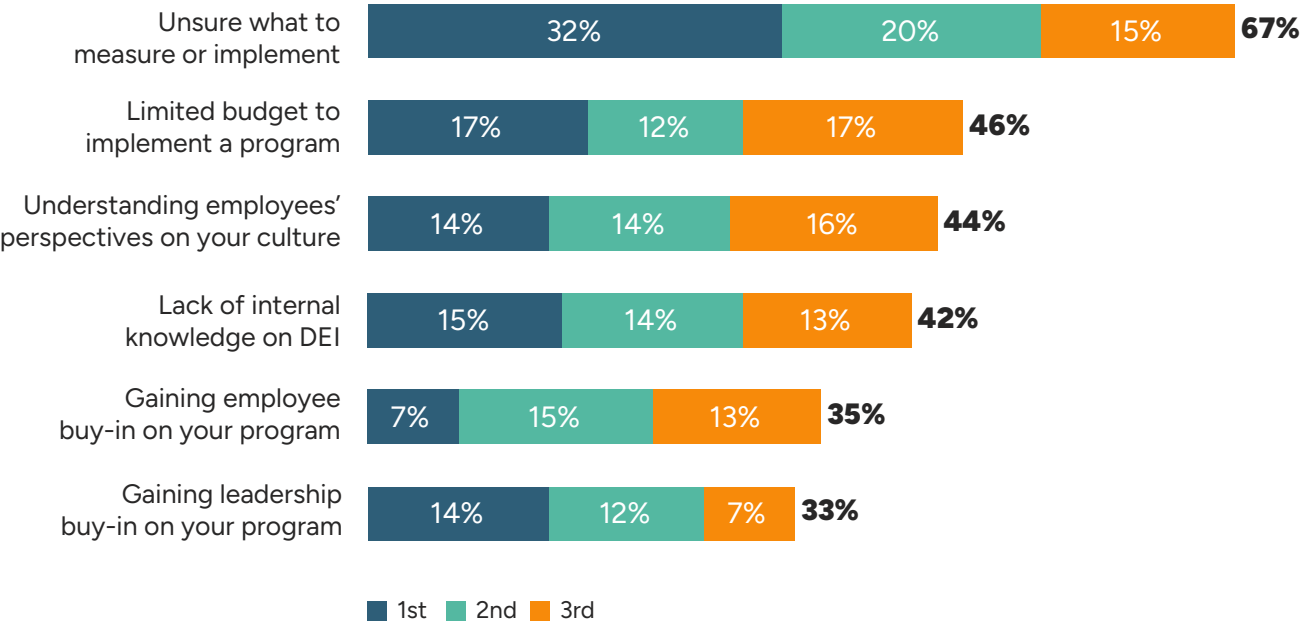
Top Challenges to Building DEI Programs

While the top four challenges to building diversity, equity and inclusion declined, two key barriers grew in prominence: gaining employee buy-in was cited by 35% of firms (+8 percentage points), and gaining leadership buy-in was cited by 33% of firms (+3 percentage points). This suggests that the conversation around DEI is shifting from operational implementation to cultural integration.

With many firms having already established DEI programs or policies, the current challenge lies in sustaining momentum and embedding these efforts into everyday behaviors and decision-making. Resistance or disengagement from employees or leadership can stall progress and limit the effectiveness of even well-designed initiatives.

The year-over-year declines in other DEI challenges may point to improved clarity around metrics, processes or compliance. Still, the uptick in cultural buy-in issues highlights the need for continued communication, transparency and leadership modeling.

As firms mature in their DEI journeys, success will depend not only on having the right structures in place but also on building shared ownership across all levels of the organization.

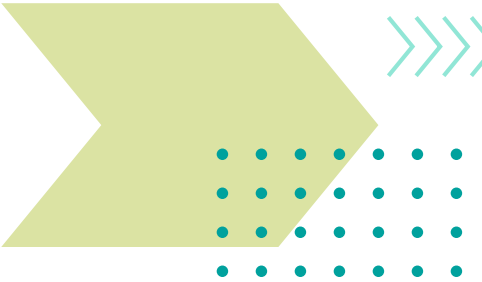
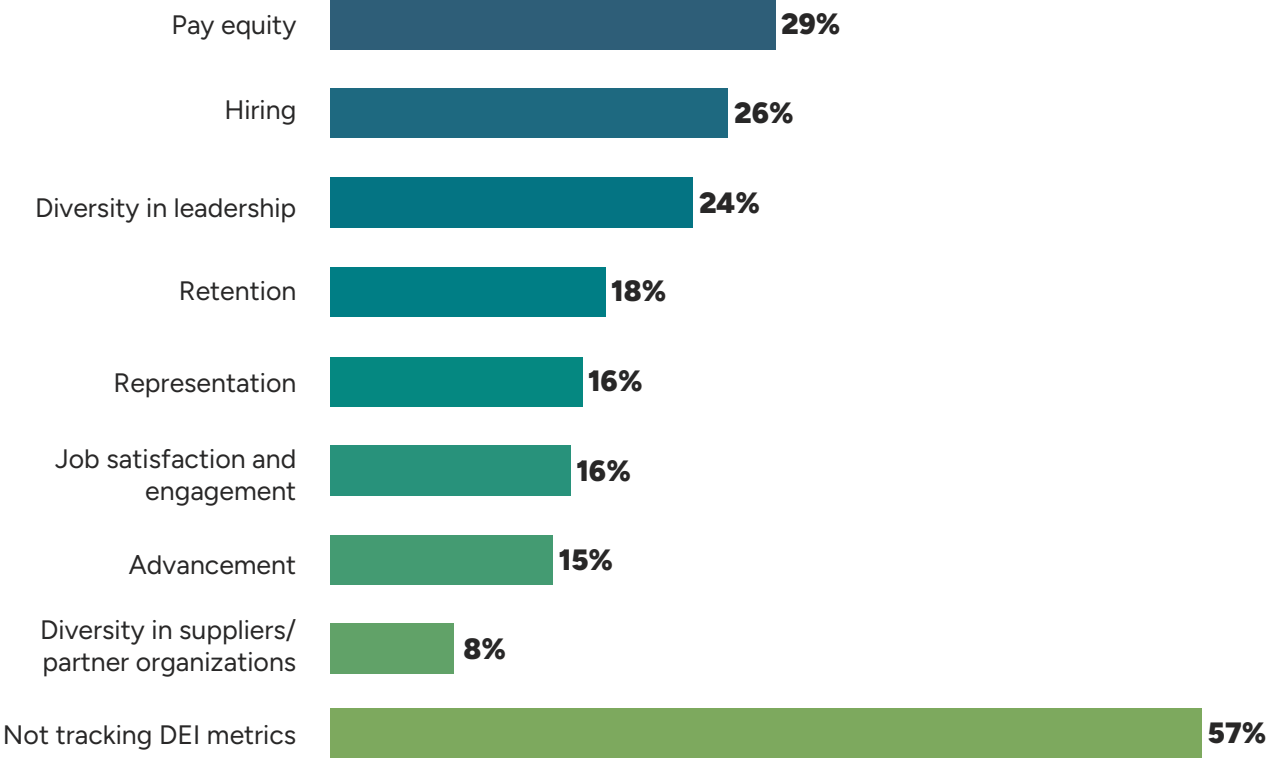


DEI Metrics Tracked

Tracking of DEI metrics remained limited across the industry. A majority of firms (57%) reported not tracking any DEI-related metrics, up four percentage points from the previous year. Among the minority that do track metrics, pay equity and hiring remain the most commonly monitored areas.

This snapshot reflects a continuation of previous efforts to bring more structure to DEI programs, particularly among firms working in public sector or institutional markets where expectations around transparency and accountability have been historically stronger.

However, the tides seem to be turning as we look ahead. Shifts in federal guidance and contract language are beginning to influence how firms approach DEI, particularly those pursuing government-funded work. Some firms are reassessing what they measure and communicate, anticipating a potential cooling of formal DEI requirements in procurement processes. While 2024 data captures the tail end of earlier momentum, future results may reflect a more cautious or scaled-back approach.



Use of Human Resource Management Solutions

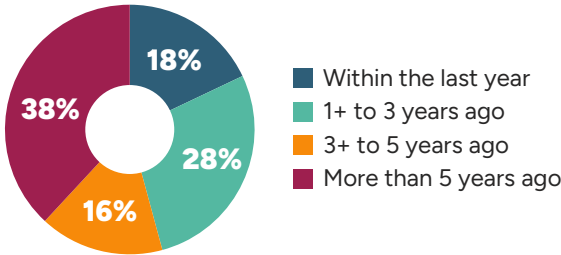
HR technology modernization appears to be lagging for a sizable portion of the industry. More than one-third of firms reported that their most recent modification to an HR management solution occurred more than five years ago, a signal that many firms may be working with outdated tools and limited system functionality.

Small firms were the most likely to fall into this category, with more than half replacing or significantly adding to their HR systems, a nine percentage-point increase to 54%. This may reflect budget limitations or lower perceived urgency among smaller firms, where manual processes seem manageable in the short term.

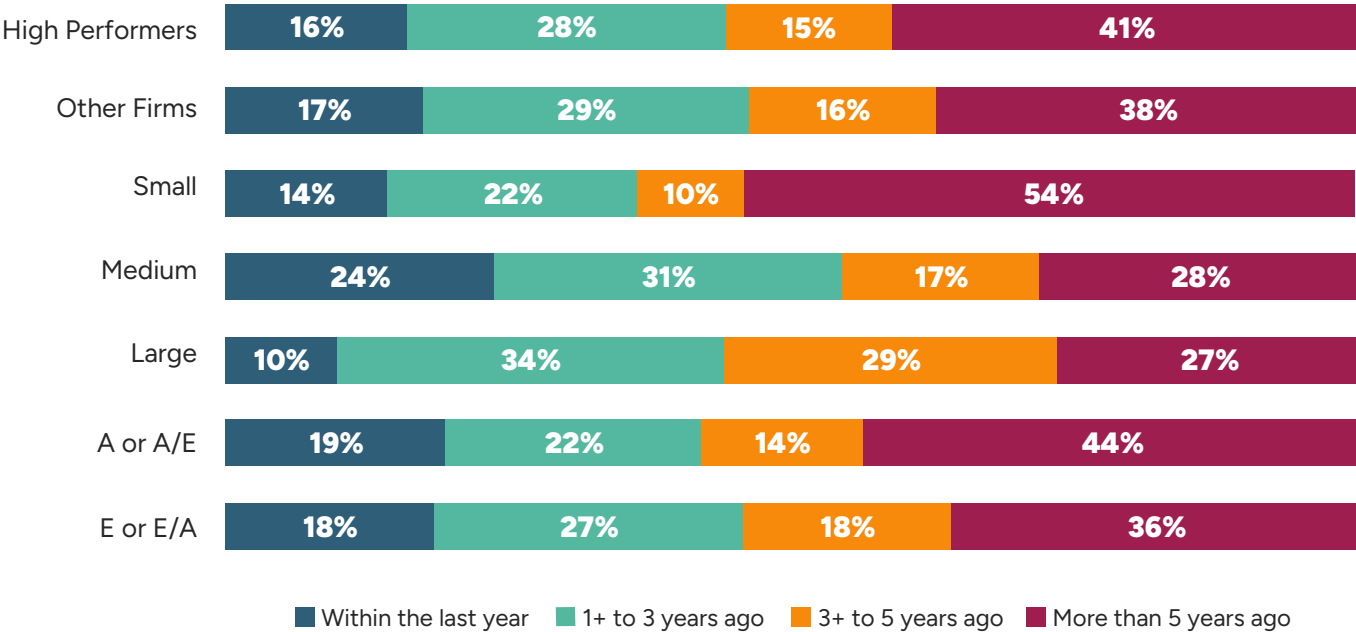
In contrast, medium-sized firms showed momentum in the opposite direction. A growing number (24%) reported modifying their HR solutions within the past year (+6 percentage points), suggesting a recognition that more advanced tools are needed to support evolving HR demands such as recruiting, career development tracking and regulatory compliance.

As firms look to optimize hiring pipelines, retention strategies and workforce analytics, investments in modern HR solutions could play a critical role in driving consistency, scalability and insight across the employee lifecycle.

Last HR Solution Modification



Last HR Solution Modification By Firm Type/Size



Firms with a Learning Management System

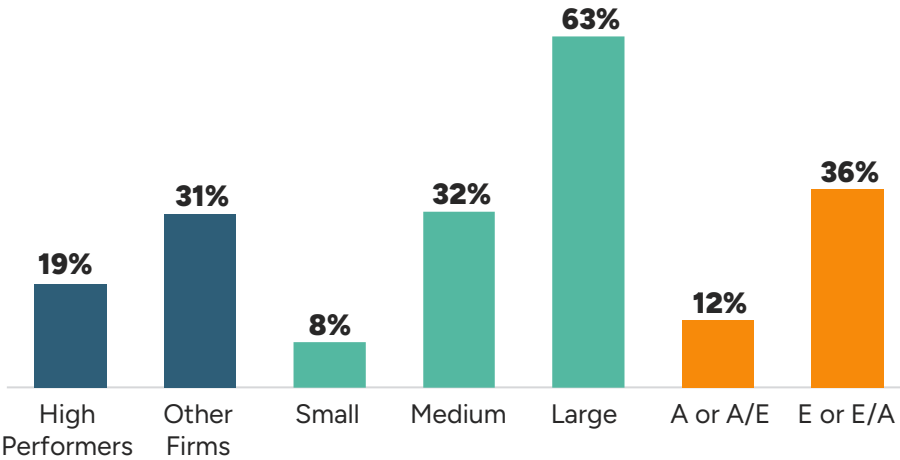
Adoption of Learning Management Systems (LMS) is inching upward, with 27.2% of firms reporting possession, up just one percentage point from the prior year. The gains were driven by small and medium-sized firms, which saw increases of one and two points, respectively. While the overall growth was modest, it signals continued interest in scalable, tech-enabled approaches to workforce development.

Firms also reported increased use of skills repositories to track employee capabilities and development goals. This trend was again led by small and medium-sized firms, which saw gains of 11 and six percentage points, to 27% and 38% respectively. These tools can play a pivotal role in succession planning, career path development and project resourcing, particularly as firms grapple with staffing constraints and shifting role expectations.

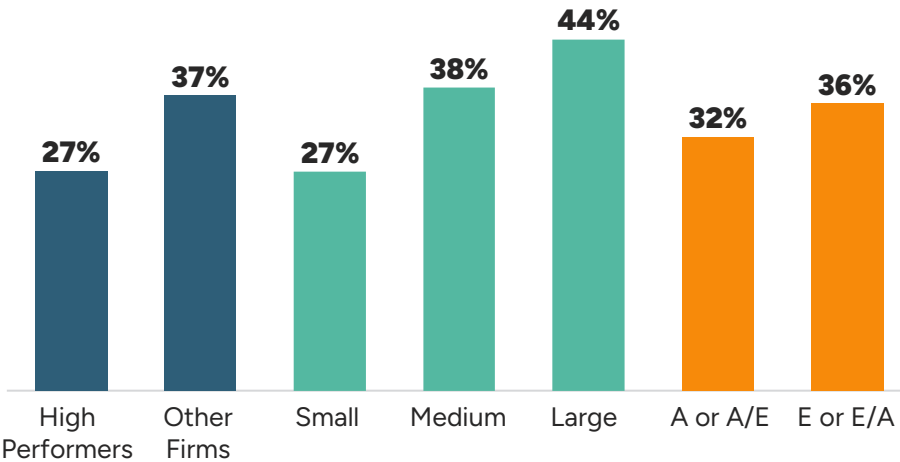
Despite increased adoption, the format of these repositories remains relatively unsophisticated. Spreadsheets are the most common way to track skills data, and usage grew by three percentage points year-over-year. While spreadsheets offer flexibility, they lack the integration, automation and scalability of more advanced platforms.

Together, these trends suggest that firms are moving in the right direction, but still have significant opportunities to modernize and maximize the value of their learning and development infrastructure.

Firms with a Learning Management System



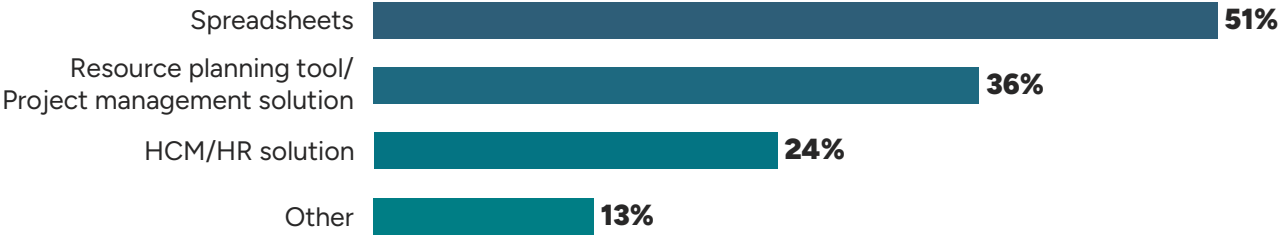
Firms with a Skills Repository



27.2%

+1.0

Location of Skills Repository

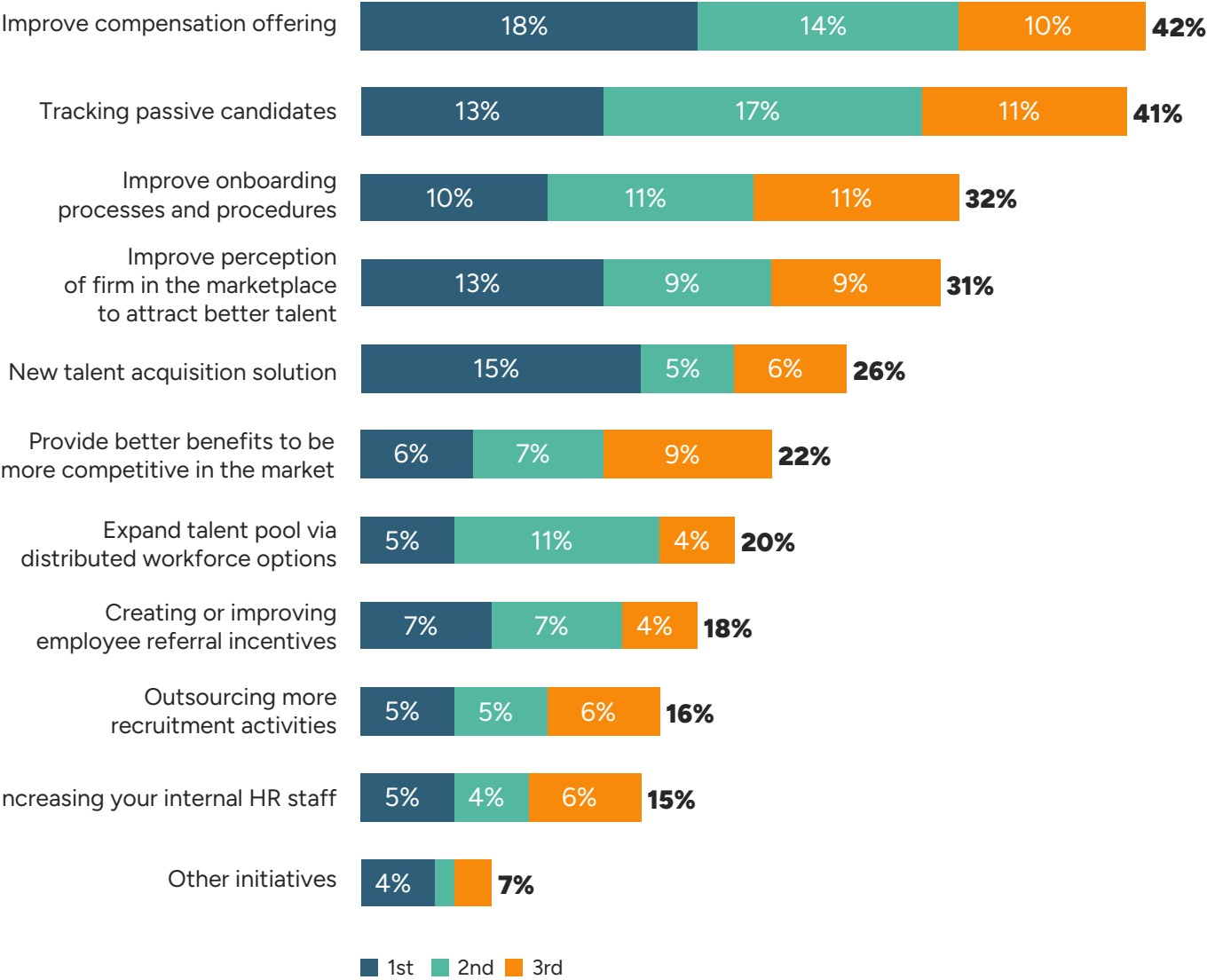


Top Talent Acquisition Initiatives

Firms appear to be leveraging a wide range of strategies to address talent acquisition challenges. Improving compensation offerings was still in first place at 42%, but was flat year-over-year. Tracking passive candidates grew to 41% (+7 percentage points), and improving the perception of the firm in the marketplace to attract better talent rose by one percentage point. Most other approaches declined: improving onboarding processes dropped eight percentage points to 32%, and creating or enhancing employee referral incentives fell nine percentage points to 18%.

Even among firms that previously identified onboarding as a top priority, enthusiasm appears to have waned. The widespread decline across initiatives suggests there is no single “silver bullet” solution guiding talent acquisition over the next three years. Instead, firms may be experimenting with multiple approaches or pulling back to re-evaluate what’s delivering results.

As the labor market continues to shift, success in talent acquisition may depend less on any one tactic and more on how well firms align their strategies to current conditions and candidate expectations.



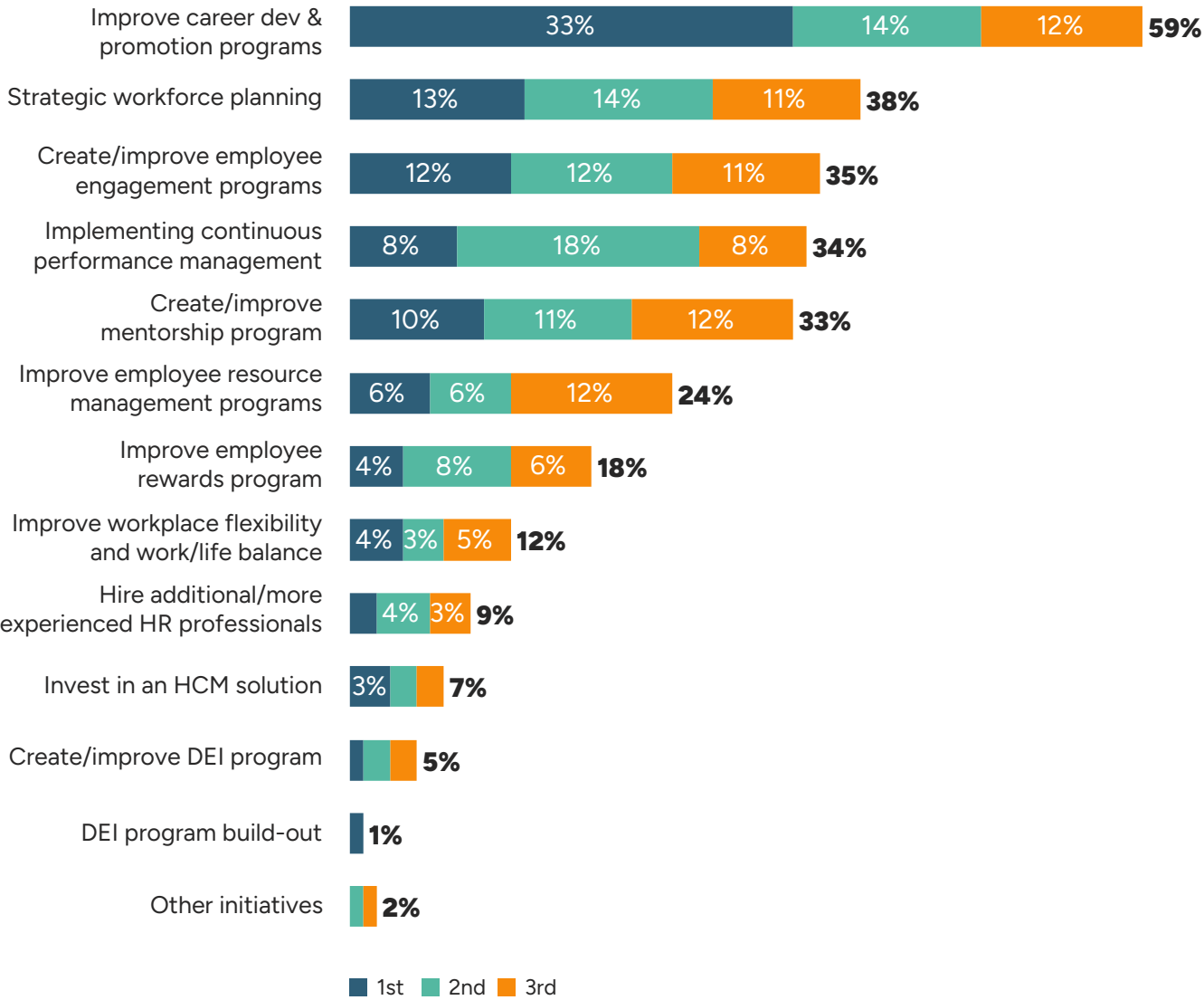
Top HR Initiatives for Managing Talent

Improving career development and promotion programs remained the top HR initiative at 59% (-6 percentage points). Strategic workforce planning was flat year-over-year at 38%. While still clear priorities, these shifts may reflect resource constraints or a strategic pause as firms assess the effectiveness of existing frameworks.

In contrast, engagement-focused initiatives gained momentum. The share of firms prioritizing the creation or improvement of employee engagement programs rose by three percentage points to 35%, and those implementing continuous performance management programs increased by four percentage points to 34%. These shifts suggest that firms are looking for more sustained, real-time approaches to employee satisfaction and connection, especially as retention and cultural cohesion remain ongoing challenges.

Mentorship programs declined by one percentage point as a top initiative. As firms grapple with leadership succession and shifting workforce expectations, mentorship is emerging as a key bridge between development and engagement to support both knowledge transfer and deeper employee connection, important in hybrid and post-M&A environments, as well as with the generational dynamics.

The growing emphasis on engagement and mentorship indicates a broader evolution in HR strategy: one that moves beyond static career ladders toward more personalized, ongoing development paths that strengthen organizational loyalty and resilience.



Clarity Outlook

HUMAN CAPITAL MANAGEMENT

Some firms are entering 2025 with leaner teams while others are managing increased project delivery demands. In response, firms are expecting to sharpen their focus on employee engagement, accelerate succession planning for high-potential staff and invest in HR tech to scale talent development and build organizational resilience.

Firms are poised to continue the shift from reactive recruitment to intentional workforce planning. With the supply of skilled candidates still limited, competition will increasingly center on career visibility, mentorship and internal mobility. Investments in onboarding, role alignment and skills repositories will be key to filling gaps without expanding headcount.

Leadership development will also take on new urgency, narrowing career planning efforts to focus on rising talent, particularly in medium-sized and large firms. While efficient in the short term, this may be shortsighted in the long term. Firms will need to strike a balance in their succession planning so that it doesn't overlook potential talent. To support this shift, LMS

adoption is expected to grow, though many firms must still modernize outdated systems.

The regulatory landscape around DEI is evolving rapidly. Recent federal directives have led to increased scrutiny of DEI programs, causing some organizations to reevaluate or modify their initiatives to remain legally compliant.

As firms adapt to market uncertainty and delivery pressure, those that thrive will prioritize workforce agility. Strategic planning, better data infrastructure and a more targeted, tech-enabled approach to talent development will be essential to balancing cost, continuity and capacity going forward.

FINANCIAL MANAGEMENT

Firms delivered record-high profit margins by balancing rising labor costs with efficiency gains and greater diversification of revenue streams.

In 2024, firms successfully balanced rising labor expenses with improved project cost estimating and increased utilization, achieving their highest operating profit on net revenue in a decade. Strategic diversification of revenue streams and targeted technology-driven investments further boosted financial resilience, enabling firms to navigate ongoing market uncertainty effectively.



21.4%

operating profit
on net revenue,
up 2.7 from
previous year

ADDRESSING TOP FINANCIAL CHALLENGES

1 Finding and retaining qualified staff

For the fifth year in a row, staff recruitment and retention ranked as the most pressing financial challenge, cited by 59% of firms in 2024. While unchanged from last year, its continued dominance underscores firms' ongoing struggle to secure skilled talent in a competitive labor market. Supporting employee retention through development opportunities, compensation strategy and workload management remains essential.

2 Increasing profitability

Selected by 48% of firms, profitability held steady as the second-ranked challenge. In 2024, many firms responded to rising labor costs by shifting more work to direct labor, a move that improved utilization and multiplier metrics but may also obscure the underlying impact of persistent cost pressures. Addressing this will require sharper scope control, better project pricing strategies and more balanced resourcing.

3 Increasing leaders' financial knowledge

This challenge moved into the top three for the first time, rising from fifth last year. While few firms ranked it as their top concern, strong secondary and tertiary importance scores indicate growing awareness of the need for improved financial fluency, especially among project managers.

“Firms demonstrating financial discipline and predictability—those prioritizing clean financials, consistent cash flow and disciplined working capital management—are the ones best positioned to adapt, grow and sustain a long-term competitive advantage.”

— JON ESCOBAR, PRINCIPAL, MORRISSEY GOODALE

Clarity Outlook

FINANCIAL MANAGEMENT

Architecture and engineering firms demonstrated strong financial performance, notably improving profitability despite persistent cost pressures and labor market challenges.

Median operating profit on net revenue rose significantly year-over-year, reaching its highest point in the last decade. These improvements were primarily driven by gains among large and engineering-focused firms, while smaller firms struggled more acutely with ongoing cost increases.

Labor costs continued their upward trajectory, reflected in higher gross wages and total labor cost per employee. However, firms successfully balanced these rising expenses through better labor utilization, improved project cost estimates and careful management of project backlogs. These measures led to higher net labor and payroll multipliers, indicating enhanced efficiency in converting labor costs into revenue. Still, leaders recognized the risks of pushing utilization too far, with potential impacts on employee burnout and turnover rates.

The revenue mix diversified on multiple fronts, with shifts in both contract type and market focus. Firms reported greater activity in public-private partnerships, along with increased work in the transportation and water/wastewater/stormwater sectors. This diversification reduced dependency on traditional revenue streams, positioning firms for greater resilience amid economic uncertainty.

Financial ratios also reflected improving performance. Firms reported lower average collection periods, stronger current ratios and reduced reliance on debt funding, highlighting better liquidity and lower financial risk. However, investment strategies shifted notably, as evidenced by declining net fixed assets per employee, suggesting a strategic pivot away from capital-intensive asset investment toward flexible, technology-driven operational spending.

Overall, 2024 was marked by firms' effective adaptation to evolving market demands and disciplined management of operational and financial strategies. These efforts enabled businesses to not only weather ongoing market pressures, but also achieve meaningful gains in profitability, efficiency and long-term resilience.

In 2024, A&E firms navigated rising costs effectively, delivering significant profitability gains through improved efficiency and strategic revenue diversification.

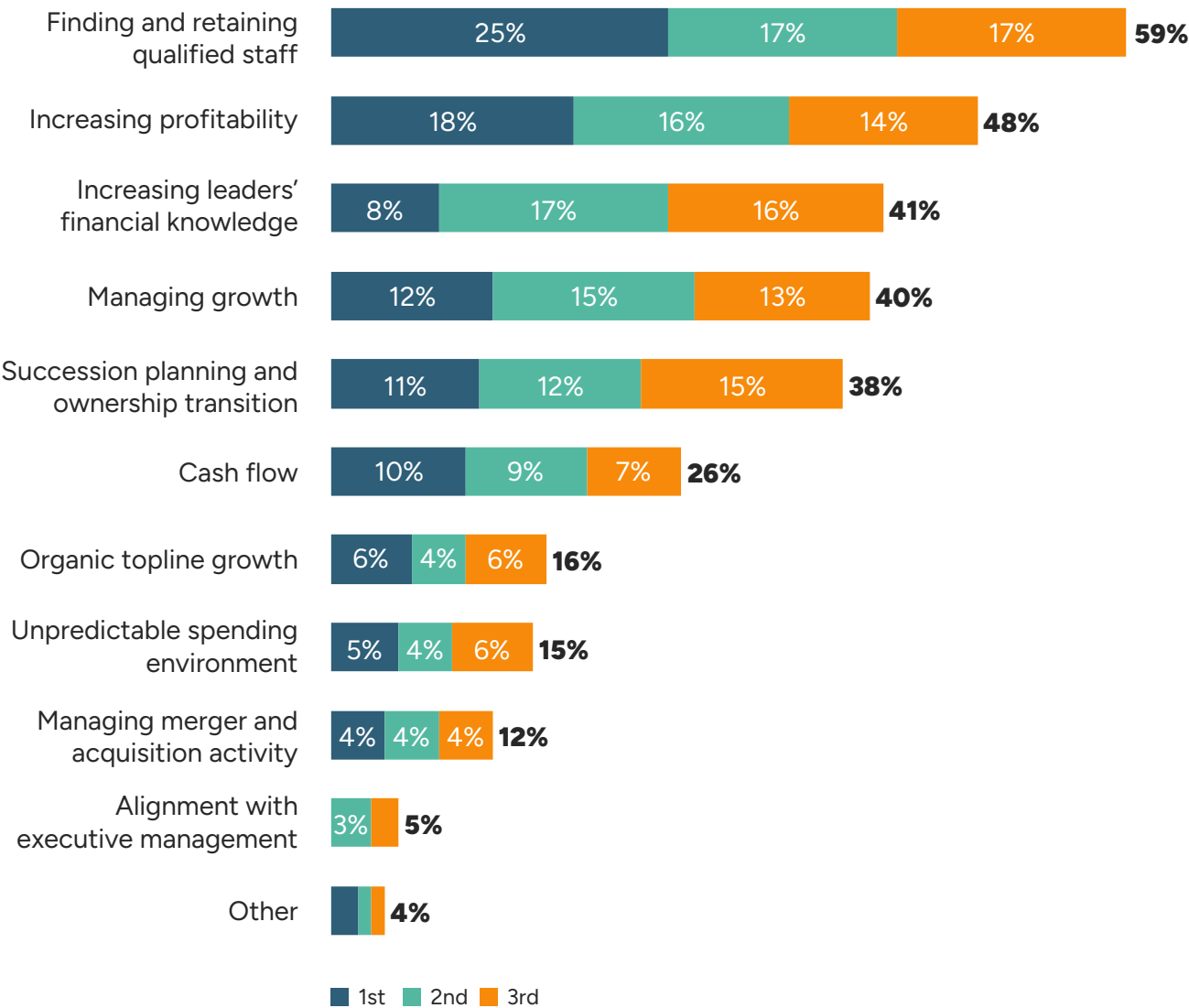
Top Financial Challenges

The top financial challenges reported by A&E firms were nearly identical to those cited the year prior. Once again, the most pressing concern was finding and retaining qualified staff, cited by 59% of firms.

Increasing profitability remained the second most frequently cited challenge, identified by 48% of respondents. With labor costs continuing to rise, many firms sought to offset the impact by shifting more work to direct labor. While this helped boost short-term utilization, it may obscure the broader impact of cost pressures and increase the risk of burnout.

A key shift is the increased importance of “increasing leaders’ financial knowledge,” as the third-highest ranked challenge, up from fifth place last year. Though few firms selected it as their top issue, strong secondary and tertiary rankings point to a growing awareness of the need to improve financial fluency, particularly among project managers. While firms consistently acknowledge this need, several factors may be slowing progress, including cost of training, limited bandwidth and evolving the PM role in many firms to include accountability for project financials.

Succession planning dropped from third to fifth, signaling a modest reprioritization as firms focus more on immediate operational concerns. Yet with aging ownership demographics and rising M&A activity, it remains a critical issue for long-term stability.



Operating Profit on Net Revenue

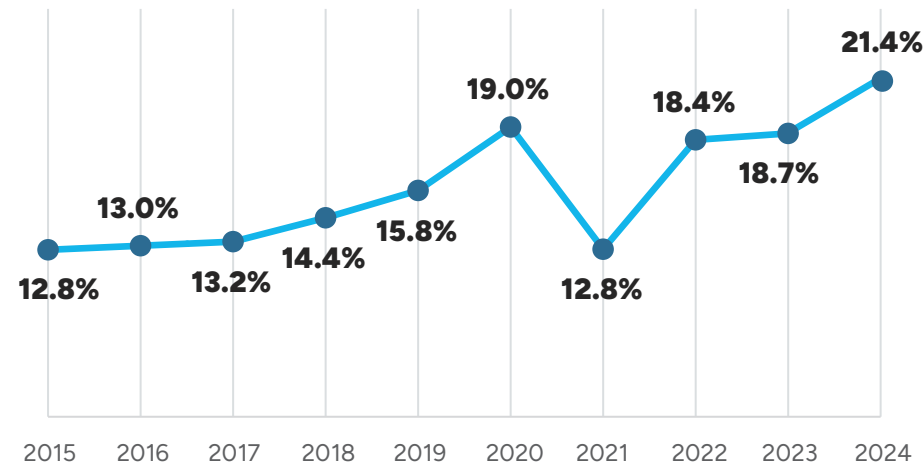
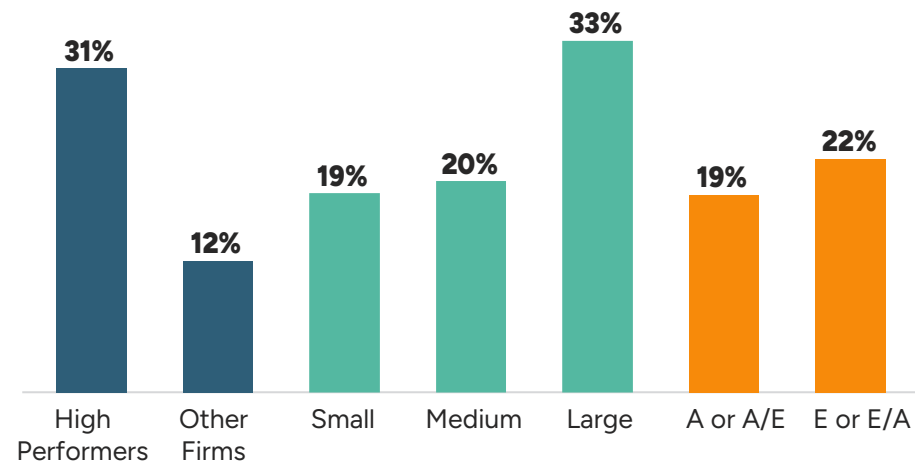
Architecture and engineering firms reported a median operating profit on net revenue of 21.4% in 2024, up 2.7 percentage points from the previous year. This marks the highest level in a decade and reflects strong overall profitability despite ongoing cost pressures.

The increase was driven by large and medium-sized businesses, high performers and engineering-focused firms, all of which posted above-median results.

In contrast, small firms saw operating profits decline, suggesting a widening gap in margin performance across the industry. While some firms successfully converted strong backlogs into revenue, others struggled to keep pace.

10-Year Trend

Operating profit on net revenue has generally trended upward since 2015, apart from a brief dip in 2021. The 2024 median of 21.4% reflects a rebound driven by strong project pipelines and tighter financial controls. Maintaining this trajectory will require continued focus on project cost estimating, labor management and proactive financial planning, particularly as firms contend with rising costs and softening labor multipliers.



21.4%

+2.7

Top Quarter

34.9%

Bottom Quarter

11.3%



Divide pre-tax, pre-distribution profit by net revenue (total revenue minus consultants and other direct expenses).

61.1%

0

Top Quarter

70.7%

Bottom Quarter

54.8%

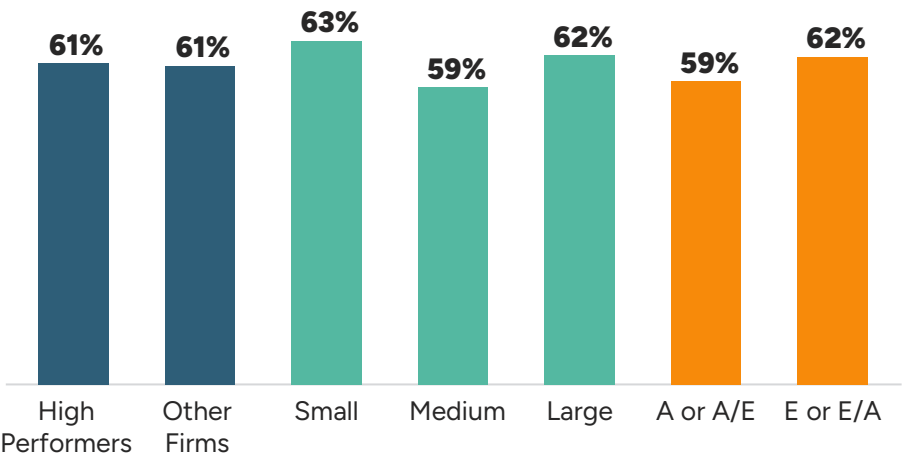


Divide cost of labor
charged to projects
by the total labor cost
of the firm.

Utilization Rate

In 2024, the utilization rate among A&E firms remained steady at 61.1%, unchanged from the previous year. This stability reflects consistent staff allocation for billable work, even as firms navigated ongoing cost pressures.

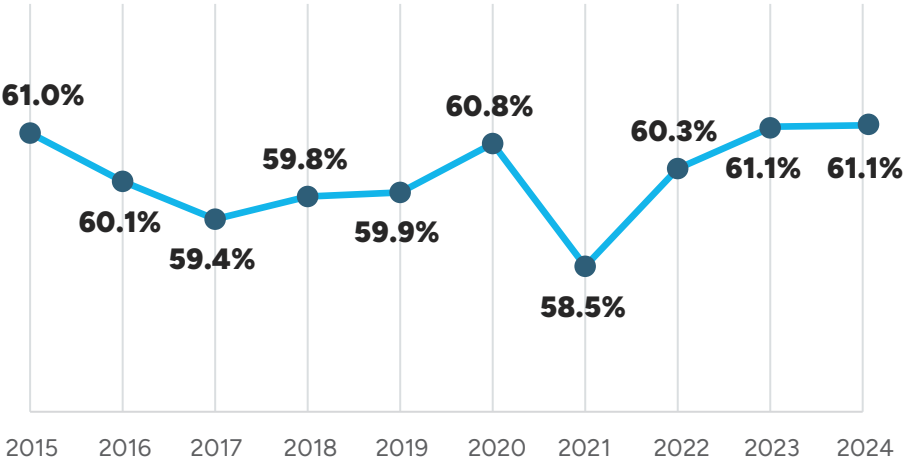
Large firms reported an uptick in utilization, driven by a higher proportion of direct labor expense relative to total payroll. These gains helped offset slight declines seen among small firms and architecture-focused firms, resulting in mixed results across firm segments.



10-Year Trend

The utilization rate held steady year-over-year at 61.1% but remains at the top of the 10-year trend, outperforming lower results seen as recently as 2021. This long-term perspective underscores ongoing industry efforts to boost labor productivity and manage costs by directing a larger share of employee hours toward billable projects.

Sustaining these higher utilization rates in the future will depend on carefully balancing efficiency with employee well-being, professional development and firm growth initiatives to prevent burnout and ensure continued quality in project delivery.



Net Labor Multiplier

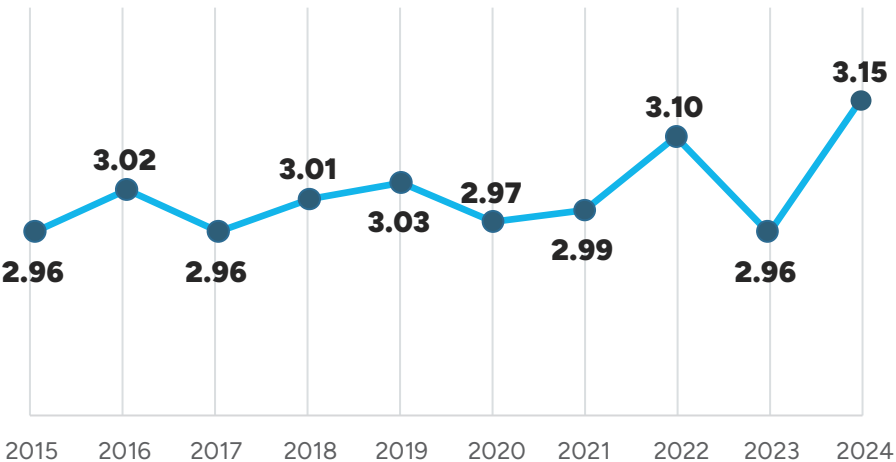
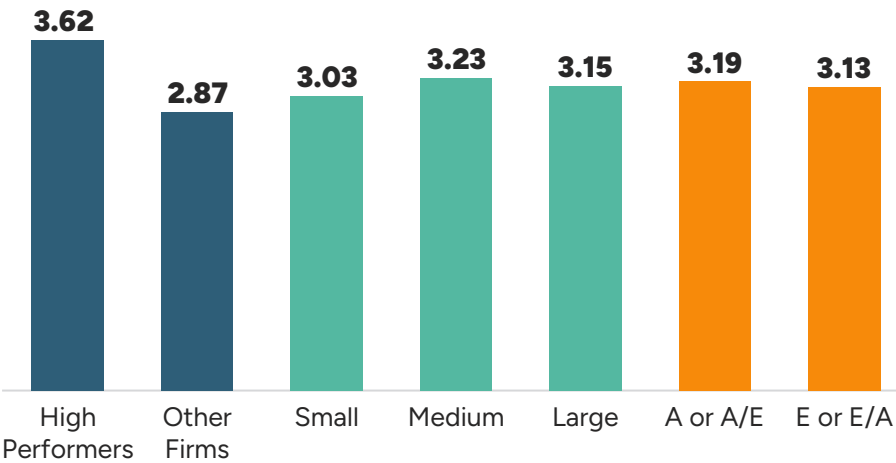
The net labor multiplier (NLM) among A&E firms improved notably, reaching 3.15, up 0.19 from 2.96 last year. All firm segments reported better year-over-year results, highlighting industry-wide improvement.

The strongest gains were seen among large firms, engineering-focused firms and notably, small firms, all of which significantly improved their efficiency in generating revenue per dollar of direct labor expense. Engineering firms, already performing above the median, reinforced their strength in managing project costs.

These results suggest firms successfully responded to rising labor costs through improved project scope discipline, resource allocation and project pricing strategy. Maintaining this momentum will require ongoing diligence as labor markets remain tight and competitive pricing persists.

10-Year Trend

Over the past decade, the median Net Labor Multiplier has generally remained close to 3.00, though results from 2022 and 2024 notably surpassed this trend. Firms in these years showed increased effectiveness in converting direct labor costs into stronger revenue performance, indicating improved operational discipline and pricing strategies during periods of cost pressure.



3.15
+0.19

Top Quarter
3.60
Bottom Quarter
2.83



Divide net revenue by direct labor (cost of labor charged to projects).

1.86

+0.10

Top Quarter

2.27

Bottom Quarter

1.65



Multiply net labor multiplier by utilization rate.

Total Payroll Multiplier

A&E firms reported a median total payroll multiplier (TPM) of 1.86, up 0.10 from 2023. The increase reflects labor costs growing more slowly than productivity, enabling firms to generate more revenue per dollar spent on total payroll.

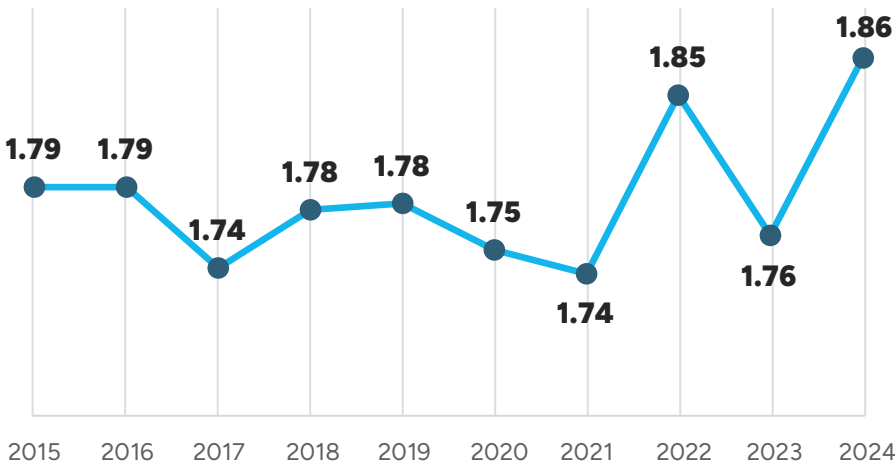
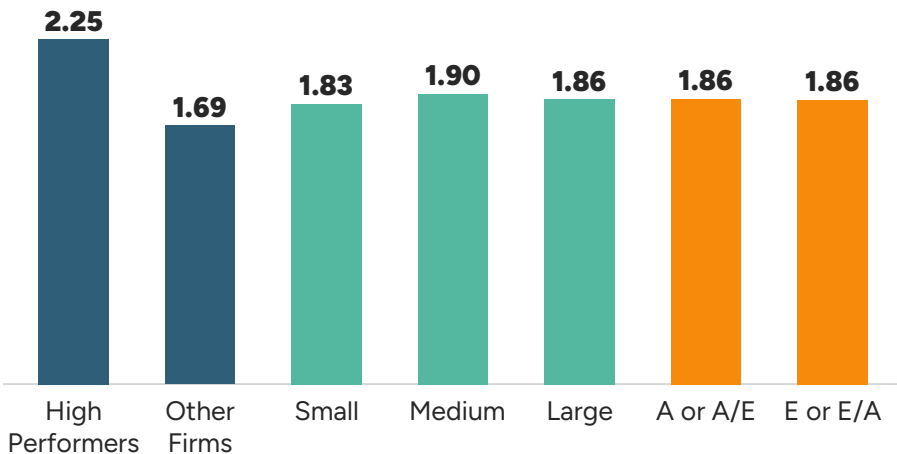
This positive trend was broadly distributed across firm segments, with especially strong gains reported among high performers, medium-sized firms and large firms. The widespread gains reflect a “rising tide lifts all boats” scenario across the industry.

Firms’ ability to improve their payroll multipliers despite persistent cost pressures highlights successful management strategies, including better project staffing, project pricing and productivity. In some cases, recent workforce reductions may have contributed to these gains, particularly if firms reduced overhead roles while preserving delivery capacity. Continuing to balance payroll growth with strong revenue outcomes will be essential for firms aiming to maintain these improvements.

10-Year Trend

The Total Payroll Multiplier rose to 1.86, its highest level in a decade, demonstrating firms’ stronger ability to convert payroll into revenue.

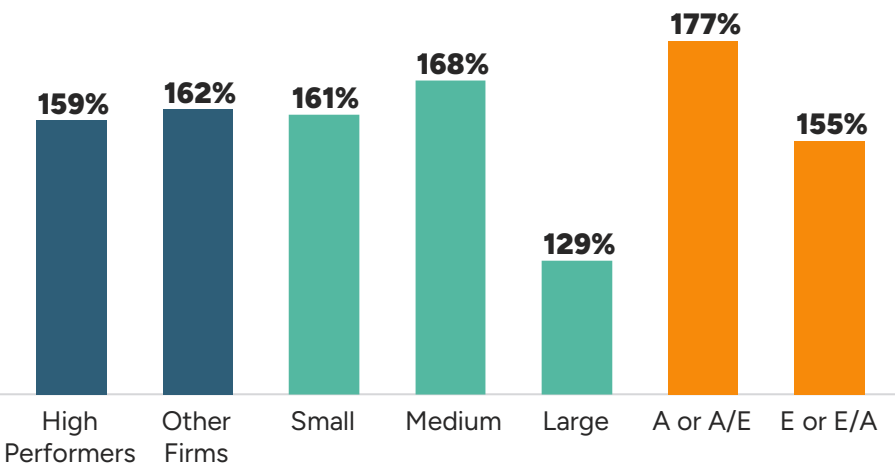
The upward movement in both NLM and TPM suggests firms are not only delivering projects more efficiently but also managing their broader workforce and overhead functions with greater discipline. This alignment reinforces the trend of improved operational performance across the board, from project teams to support staff.



Overhead Rate

The median overhead rate rose notably to 160.0%, a 6.5 percentage point increase from 153.5% in 2023. Nearly every firm segment reported higher overhead rates, with particularly large increases among architecture firms (+15 percentage points), engineering firms (+8 percentage points) and medium-sized firms (+8 percentage points).

In contrast, large firms reported a decline of 27 percentage points, a significant shift that stood out in an otherwise upward trend. This reduction was driven by indirect labor costs growing more slowly than direct labor costs. Given the stability in utilization rates year-over-year, the drop in overhead among large firms was notable within this year's dataset.



160%

+6.5

Top Quarter

188.6%

Bottom Quarter

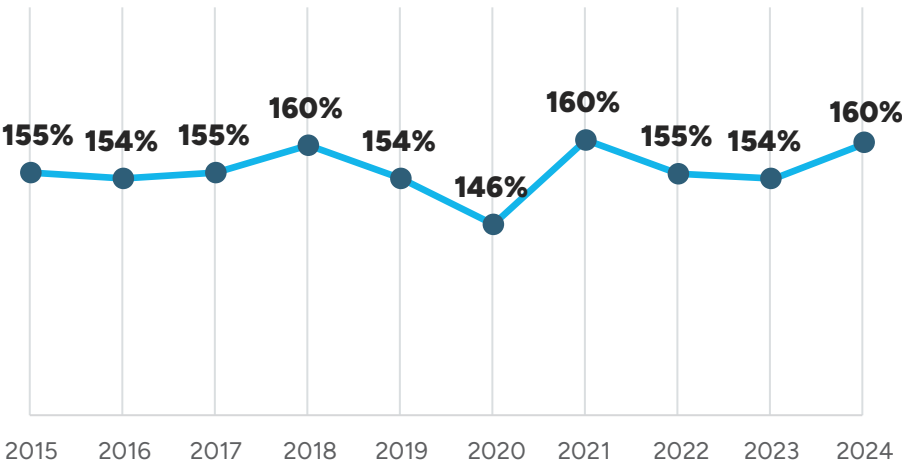
128.8%



Divide total overhead (before distributions) by total direct labor expense.

10-Year Trend

The overhead rate in 2024 matches peaks previously observed in 2021 and 2018. Over the last decade, overhead rates among Deltek Clarity participants have been stable around 155%. Elevated results in 2024 may be the result of an industry-wide increase in indirect expenses or shifts in cost classification among responding firms.



\$180,852

+ \$17,819

Top Quarter
\$209,595

Bottom Quarter
\$151,913



Divide net revenue
by average total
staff during the year,
including principals.

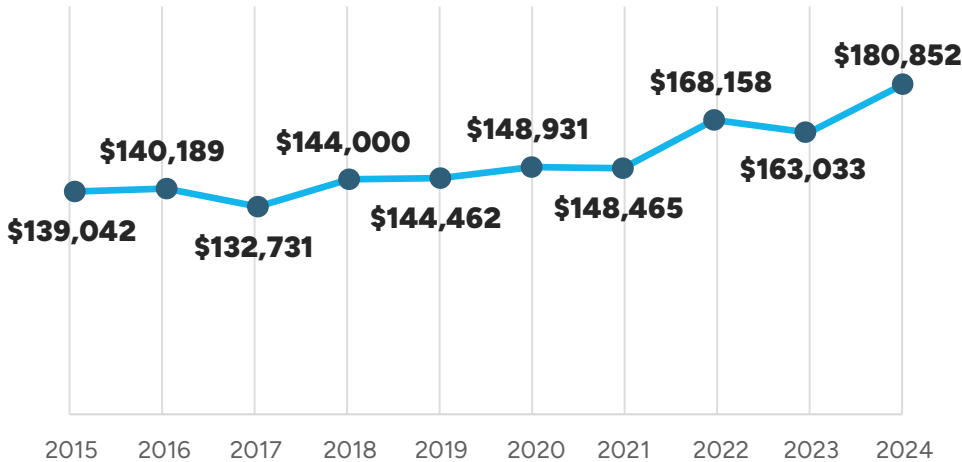
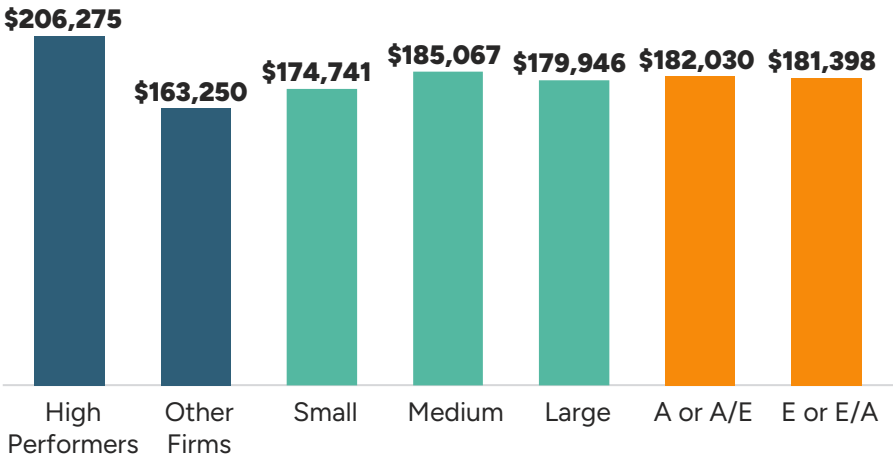
Net Revenue Per Employee

The net revenue per employee rose to \$180,852, an increase of \$17,819 or 11% over the previous year. This sharp year-over-year growth reflects a period in which revenue gains outpaced headcount increases, indicating stronger productivity and improved operational leverage.

All firm segments experienced gains, with the most notable increases reported by large firms, high performers and architecture firms. The rise in net revenue per employee suggests firms are not only pricing and delivering work more effectively, but also becoming more disciplined in aligning staffing levels with demand. This improvement was driven by revenue acceleration relative to employee growth, a signal of improved scalability and project efficiency across the industry.

10-Year Trend

With an 11% year-over-year increase, the 2024 result marks the highest level for this metric in the past decade, continuing an upward trend that began in 2022. This shift underscores firms’ increasing ability to generate more value per employee, reinforcing broader improvements in labor efficiency and operational performance.

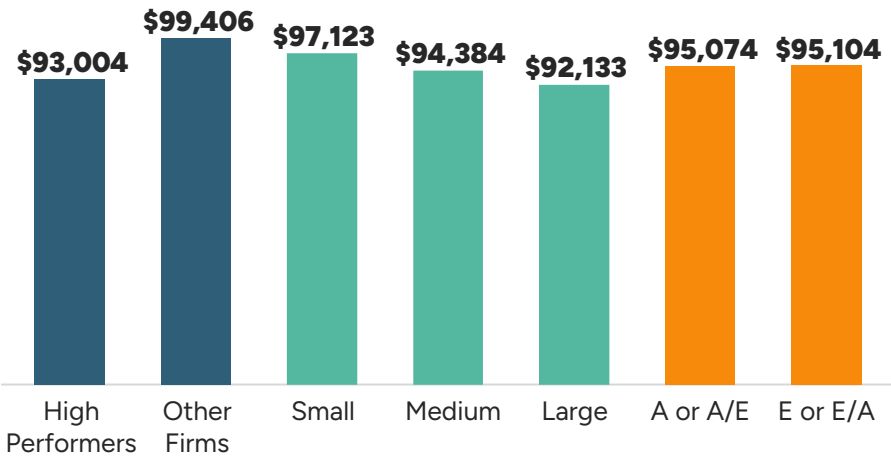


Gross Wages per FTE

Gross wages per full-time equivalent (FTE) rose to \$95,071, a five percent increase over the prior year's figure of \$91,336. This marks a return to wage growth following relatively flat results in 2023 and is reflected across most firm segments.

Small firms, architecture firms and those in the "other" category reported the strongest year-over-year increases. In contrast, large firms were the only group to report a decline, with gross wages per FTE falling by \$3,100 compared to 2023.

This mixed performance suggests that while many firms are continuing to adjust wages upward, likely in response to competitive labor markets and retention pressures, some larger firms may be finding ways to manage or restructure compensation through acquisitions, role consolidation, or other strategies.



\$95,071

+\$3,735

Top Quarter

\$107,821

Bottom Quarter

\$80,425



Divide total labor expenses by the current number of full-time employees.

\$115,412

+\$6,069

Top Quarter

\$129,441

Bottom Quarter

\$95,960



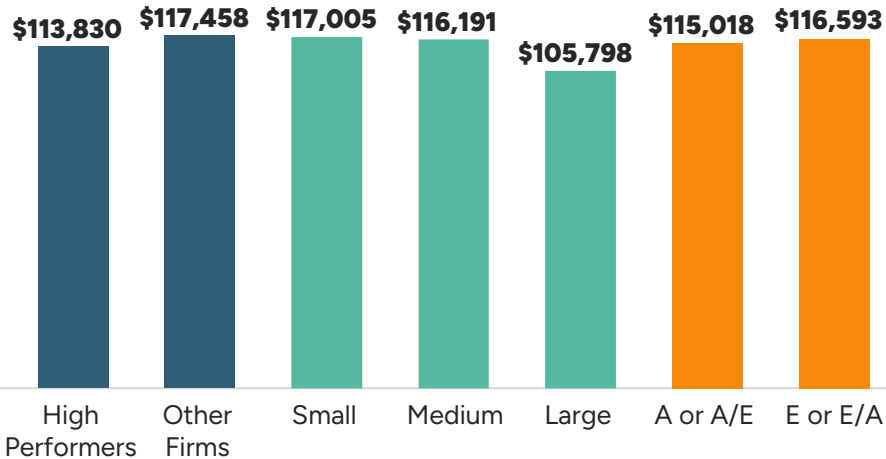
The sum of total labor and other labor-related expenses (taxes, insurance, etc.) divided by the average number of employees during the year. Excludes bonuses.

Total Labor Costs per Employee

The total labor cost per employee increased to \$115,412, up \$6,069 from the previous year. This rise reflects continued upward pressure on labor-related expenses across much of the industry, even as firms managed headcount growth at a measured pace.

The largest increases were seen among small firms, architecture firms and those in the “other” category. These segments likely experienced elevated compensation adjustments, benefits costs, or shifts in workforce composition. In contrast, large firms reported an \$8,000 decline in total labor cost per employee, following a significant increase of more than \$9,000 the prior year.

While the year-over-year rise in total labor cost is moderate, firms will need to stay focused on ensuring that revenue growth continues to outpace labor cost increases. Maintaining this balance is critical to preserving profitability, particularly as firms navigate changes in staff experience levels, compensation structures and market competitiveness.



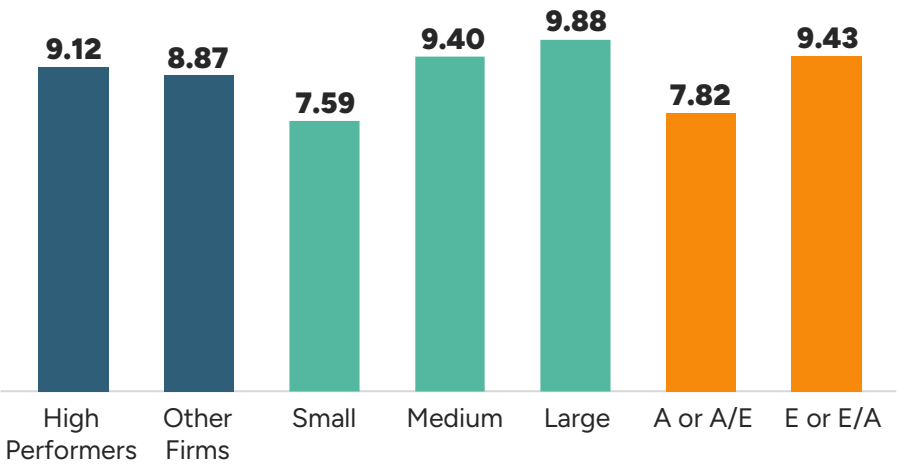
Backlog in Months

Firms are starting to see a slight softening in revenue backlogs, which dropped to 9.0 months, down about five days from 2023. Nearly all segments saw year-over-year decreases, with the most significant reductions among engineering and high-performing firms, each experiencing nearly a one-month drop.

In contrast, architecture firms and firms in the “other” category reported small increases. Despite these slight upticks, the broader trend among architecture firms continues to show softening, raising concerns about future revenue stability.

This observed decline in backlog aligns with softening in net revenue growth forecasts, which fell slightly below the roughly 10% range observed in prior years. Together, these indicators suggest firms may be experiencing shifts in market demand, pricing pressures, or increased competition, highlighting the importance of closely monitoring backlog trends and their implications for future financial performance.

As backlog and forecasts both moderate, firms must strategically manage project pipelines, pricing and staffing levels to preserve profitability and mitigate potential risks to revenue stability.



9.00
-0.15

Top Quarter
12.67 months
Bottom Quarter
5.01 months



Divide backlog dollars by total revenue, then multiply by 12.

73.47

-5.88 days

Top Quarter

57.05 days

Bottom Quarter

94.31 days



Divide accounts receivable by annual total revenue, then multiply by 365.

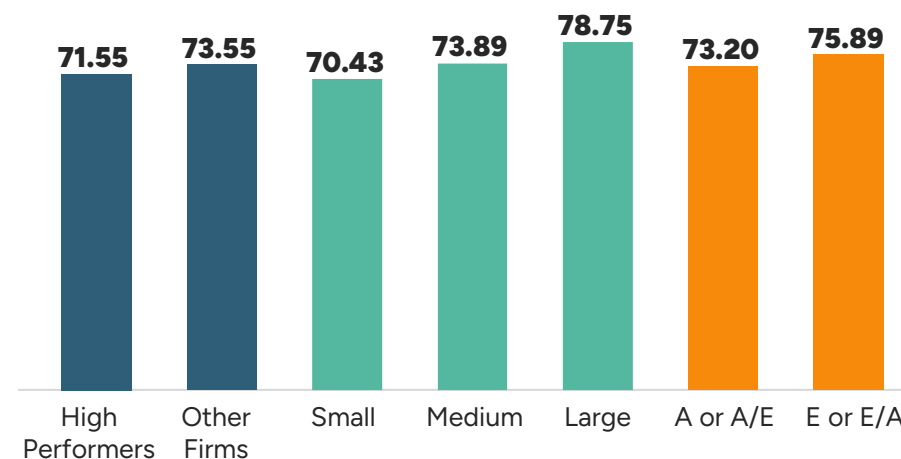
Average Collection Period (in Days)

In 2024, the average collection period reported decreased to 73.47 days, down 5.88 days from 79.35 days in 2023. This improvement indicates firms are collecting payments more efficiently and reducing the time between invoicing and payment receipt.

Medium-sized firms, high performers and architecture firms reported the most significant improvements, each with average collection times dropping by eight to nine days. These gains likely reflect increased adoption of automated billing processes and more timely follow-up on outstanding receivables, both key to strengthening cash flow and improving financial resilience.

10-Year Trend

After several years hovering between 77 and 79 days, average collection periods in 2024 returned to levels more in line with pre-COVID norms, at 73.47 days. This shift brings the metric closer to the averages reported between 2015 and 2019, suggesting a positive reset in firms' receivables performance. If sustained, this trend could mark a lasting shift toward leaner, more disciplined cash flow management industry-wide.

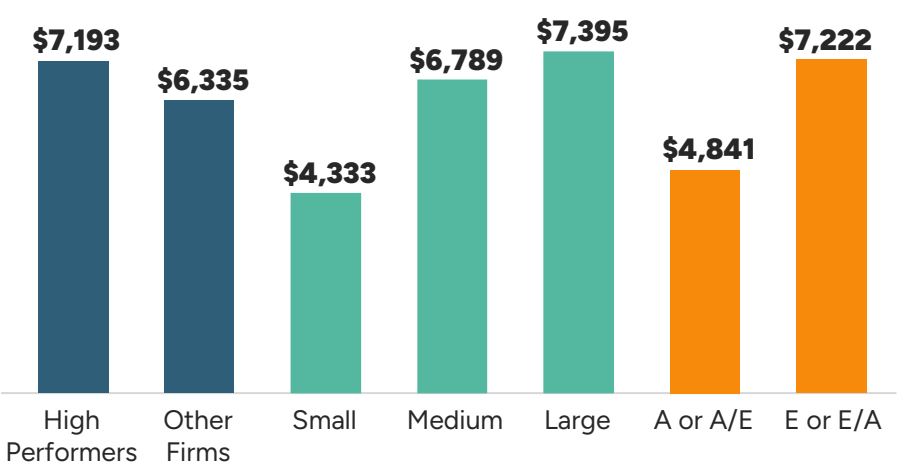


Net Fixed Assets Per Employee

The net fixed assets per employee dropped to \$6,193, down 18% from \$7,521 in 2023. This decline was driven by relatively flat fixed asset levels alongside a 20% increase in full-time equivalent (FTE) employees, which diluted the per-employee ratio.

All firm segments reported year-over-year decreases, with the most significant reductions occurring among high performers, medium-sized firms and large firms. In contrast, small firms and engineering firms experienced the most modest declines.

This downward shift suggests that firms are continuing to scale their workforces without significantly expanding their investments in fixed assets such as equipment, technology infrastructure, or physical office space. While this trend may reflect more flexible, lean operating models, it also raises questions about whether firms are investing sufficiently for the long term to support growth.



\$6,193
- \$1,328

Top Quarter
\$15,982
Bottom Quarter
\$1,428



Total fixed assets minus goodwill and depreciation, then divided by the current number of employees.

3.30

+0.19

Top Quarter

5.50

Bottom Quarter

2.00



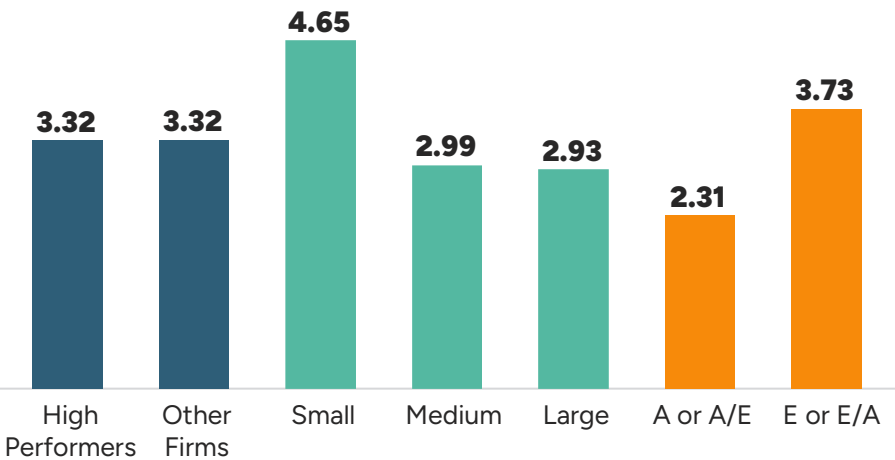
Divide current assets (cash and near-cash assets) by current liabilities (due in one year or less).

Current Ratio

The current ratio increased to 3.30, up 0.19 from 2023. This rebound follows a decline in 2023 and reflects stronger short-term liquidity positions across most firm segments.

Small and large firms saw the most significant improvements, with increases of 1.10 and 0.62, respectively, indicating these firms were better able to grow current assets relative to current liabilities. The only segment to report a decline was architecture firms, whose 0.51 drop suggests that current liabilities grew faster than available short-term assets.

A higher current ratio generally signals improved financial stability and a stronger ability to meet near-term obligations. As firms continue to navigate project delays, rising costs and billing cycle variability, maintaining sufficient liquidity will be key to operational flexibility and resilience.

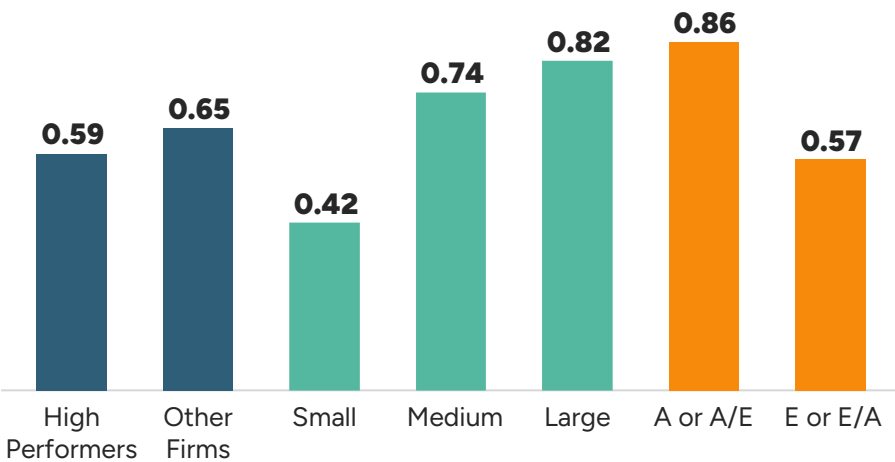


Debt to Equity Ratio

The debt to equity ratio across A&E firms was 0.63, down slightly from 0.66 in 2023. The overall change was modest, with most segments reporting only nominal year-over-year shifts.

One exception was large firms, which reported a significant decline in debt to equity, dropping by 0.40. This indicates reduced reliance on debt financing or increased equity investments to fund business expansion. In contrast, architecture firms experienced an increase of 0.14, suggesting a shift toward a greater reliance on debt financing or a slower growth in equity relative to liabilities.

While industry-wide changes were not dramatic, this metric remains an important indicator of financial strategy and risk tolerance. Firms that maintain lower debt-to-equity ratios are generally better positioned to withstand economic fluctuations and finance growth without overextending their balance sheets.



0.63
-0.03

Top Quarter
1.23
Bottom Quarter
0.27



Divide total liabilities
by stockholders'
equity.

18.5%

+8.1

Top Quarter

38.1%

Bottom Quarter

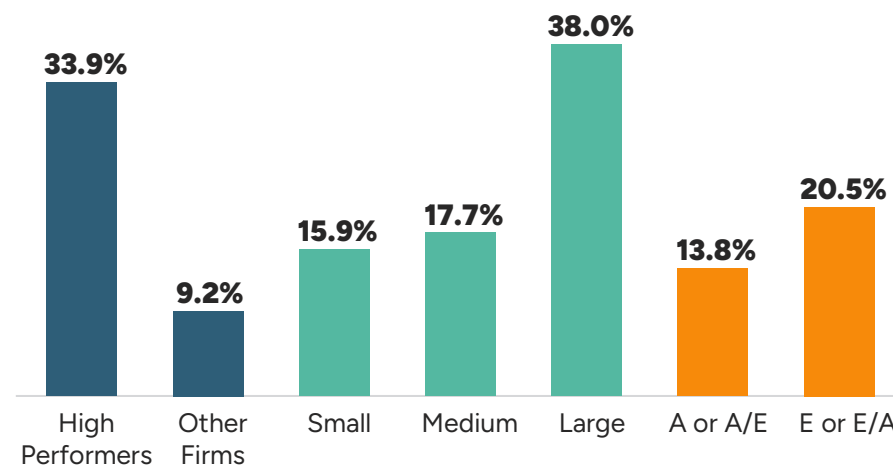
4.4%

Return on Assets

In 2024, return on assets (ROA) rose to 18.5%, up 8.1 percentage points from 10.4% in 2023. This rebound reflects firms' stronger ability to generate income from their asset base following a downturn the previous year.

All major firm segments reported improvements, with the largest gains seen among large firms, high performers and architecture firms. The rise in ROA suggests firms operated more efficiently, making better use of equipment, technology and other resources to drive profitability. Coupled with the observed decline in net fixed assets per employee, the trend may indicate that firms are concentrating their investments on assets with the greatest potential to support revenue generation.

ROA is closely related to return on equity (ROE), which also improved significantly in 2024. Together, these metrics offer a comprehensive view of how well firms have converted operational strength into financial returns.

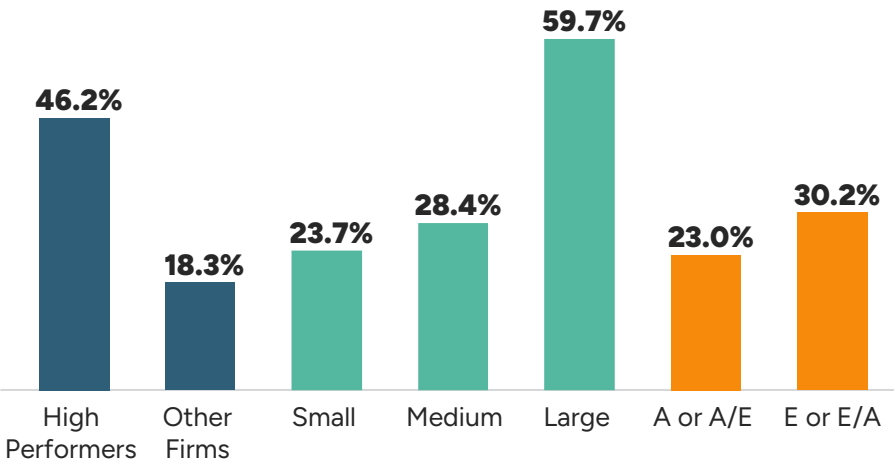


Return on Equity

Return on equity (ROE) climbed to 28.35% in 2024, up 9.25 percentage points from 19.1% the previous year. This gain was driven by improved net income, stronger operational efficiency and disciplined management of costs and resources.

As with ROA, large, high-performing and architecture firms led the way in ROE gains, showing strong alignment between asset use and equity returns. A higher ROE indicates that firms are generating more profit for each dollar of shareholder investment, a key sign of financial strength and value creation.

When viewed alongside ROA, the increase in ROE highlights that 2024 was a year of scalable profitability, with firms making the most of both their resources and their capital.



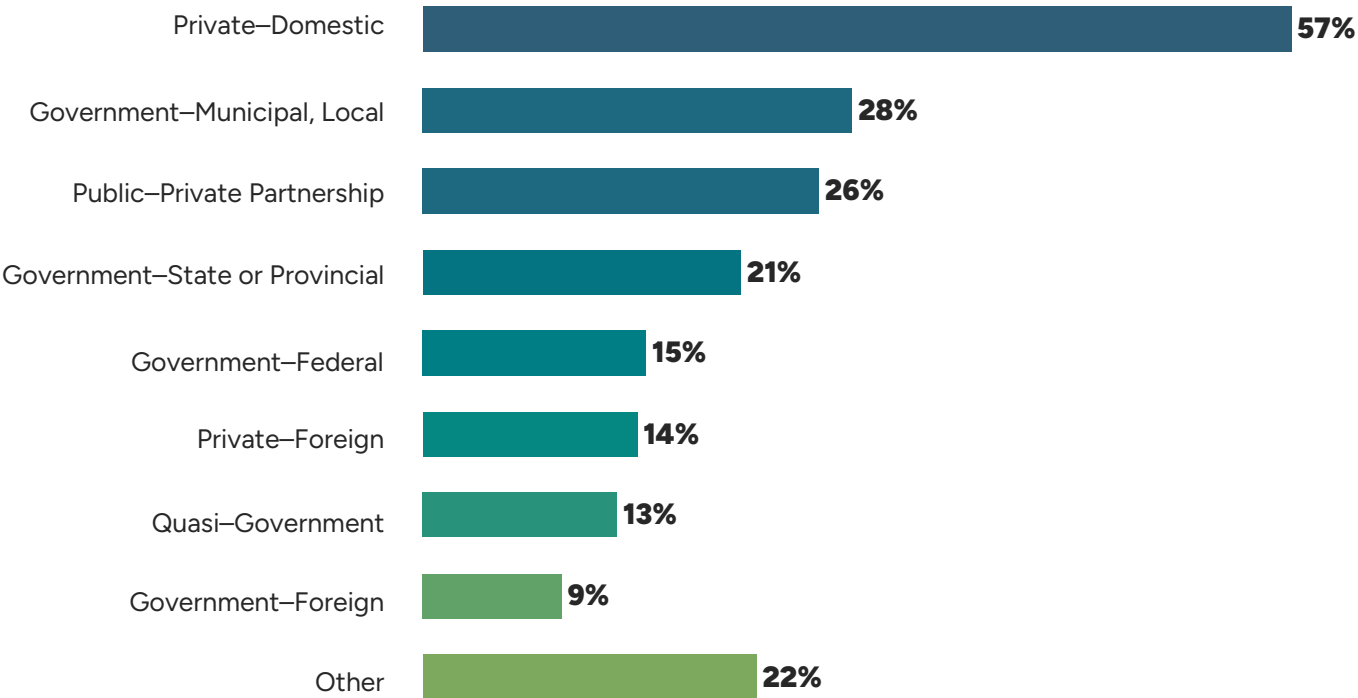
28.35%

+9.25

Top Quarter
55.2%
Bottom Quarter
7.0%

Total Annual Revenue by Client Type

In 2024, private-domestic clients continued to account for the majority of A&E firms' revenue, generating more than half of all reported income. The most significant shift occurred in the public-private partnership (P3) space, which grew by 13 percentage points, reaching 26% of total revenue. Firms also reported increased revenue from foreign and quasi-government clients, indicating broader diversification in their client bases. This expanding mix suggests firms are tapping into a wider range of funding sources, reducing their reliance on any one category, helping to build financial resilience and support growth across varied market conditions.

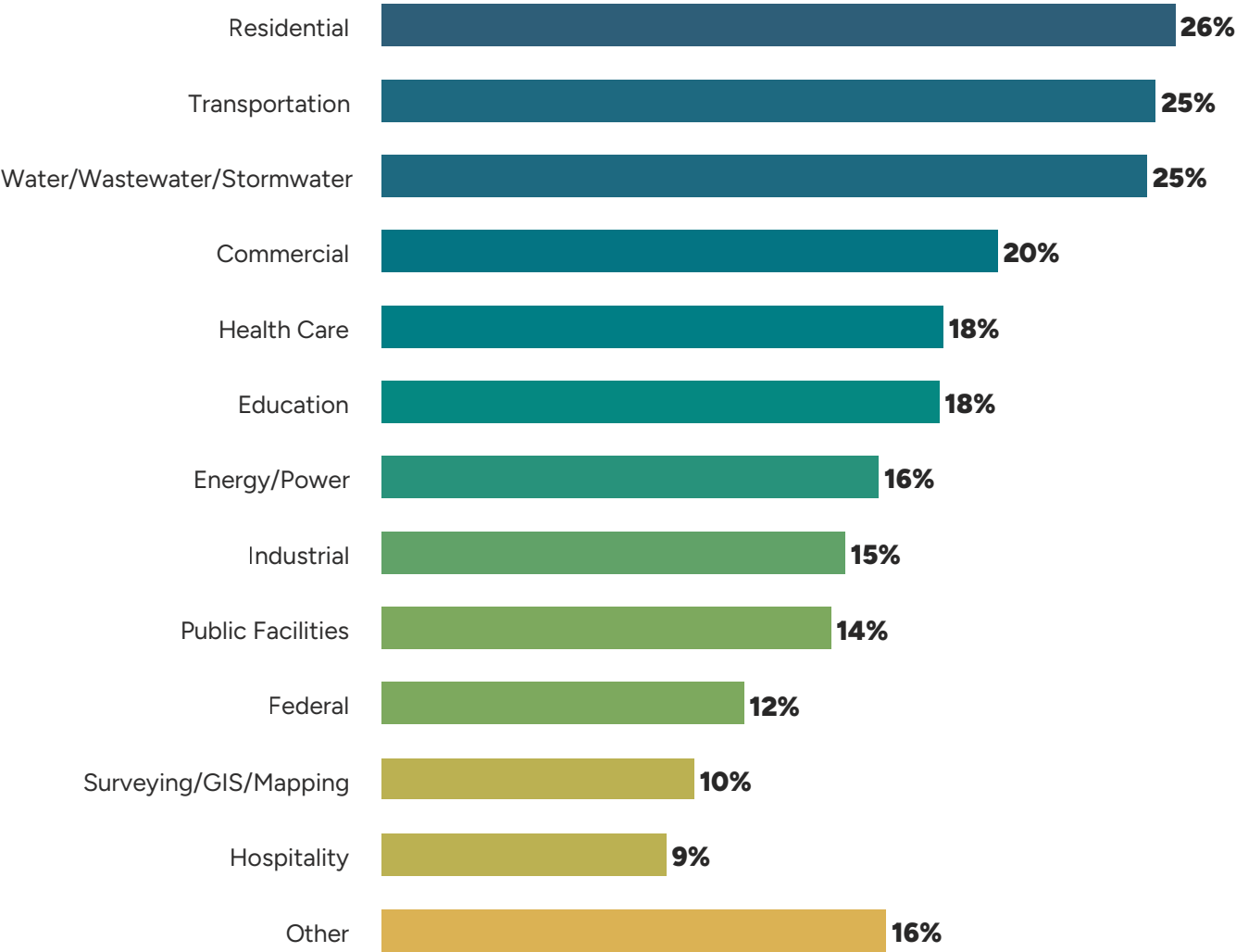


“While it’s important for firm managers to monitor a variety of financial performance metrics, optimizing labor utilization is by far the most impactful on profit margins. Firms that maintain utilization rates at or above industry standards, while also maintaining quality control and minimizing write-offs or re-work, invariably have higher profit margins than their peers.”

— IAN RUSK, MANAGING PRINCIPAL, RUSK O'BRIEN GIDO & PARTNERS

Net Revenue by Project Type

A&E firms reported more balanced project revenue in 2024, with all categories growing year-over-year. Residential projects remained the largest contributor, but significant increases were reported in both transportation and water/wastewater/stormwater sectors. This expansion points to growing demand in public infrastructure markets and a broader shift toward diversified project types. More evenly distributed revenue suggests firms are successfully positioning themselves to meet emerging needs across sectors. By reducing concentration in any one area, firms may be better equipped to manage changes in funding, regulation, or demand in the near term.

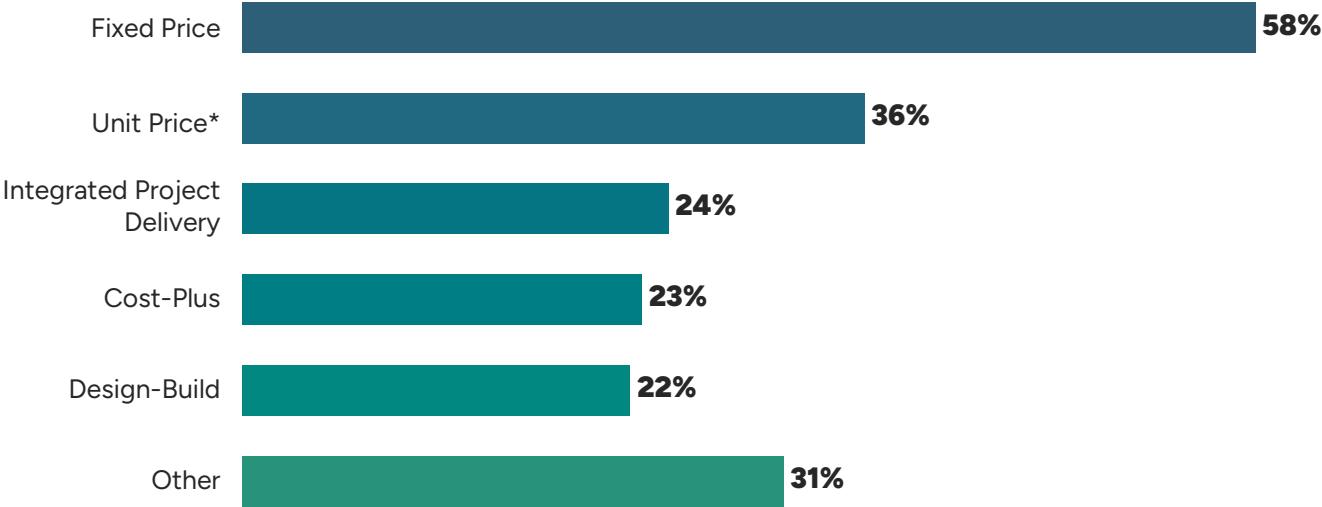


Percentage of Revenue by Contract Type

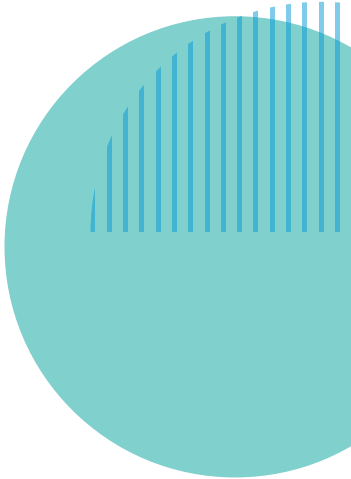
In 2024, fixed price contracts continued to represent the largest share of reported revenue, accounting for 58% of income, though down two percentage points from the previous year. These contracts remain the most common pricing structure, providing predictability for both firms and clients.

Unit price contracts made up more than a third of total revenue, reflecting their continued use in projects where flexibility or variable scopes are required. The remainder of reported revenue was fairly evenly split among integrated project delivery (IPD), cost-plus and design-build contracts, each contributing roughly a quarter of the firms' income.

This distribution reflects the wide range of contracting strategies used across the A&E industry. While fixed price remains dominant, the presence of more flexible or collaborative models suggests that firms are adapting to client needs and project complexity through more diversified contract approaches.



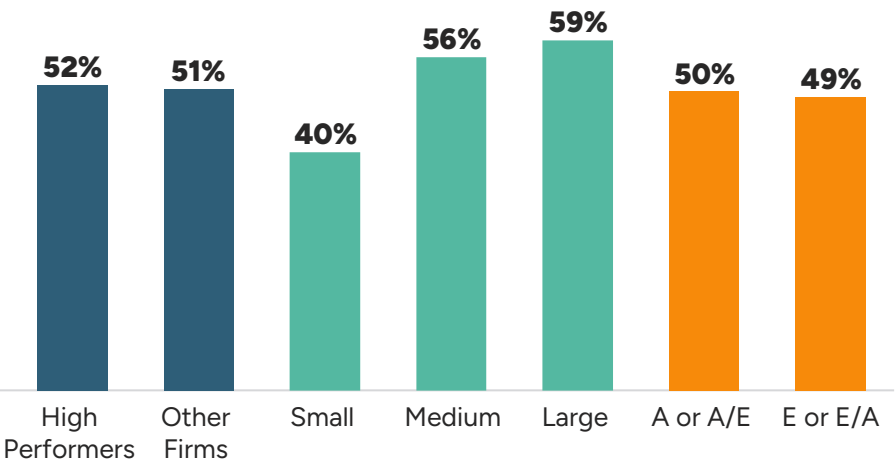
**time and materials, hourly rates, per diem, salary times multiplier*



Firms with a Completed Firm Valuation

When asked if firms have completed a firm valuation in the last 24 months, 50.5% of firms reported that they have, down 1.6 percentage points from 2023. While most segments remained relatively flat year-over-year, large firms saw a notable decline of 11 percentage points, indicating a potential shift in how frequently valuations are being conducted at the upper end of the market.

Valuations serve a range of purposes, from strategic planning and internal benchmarking to succession planning and ownership transitions. A relatively stable valuation rate suggests that many firms continue to view firm valuations as useful tools for long-term planning rather than solely a transactional step.



50.5%
-1.6

50.0%

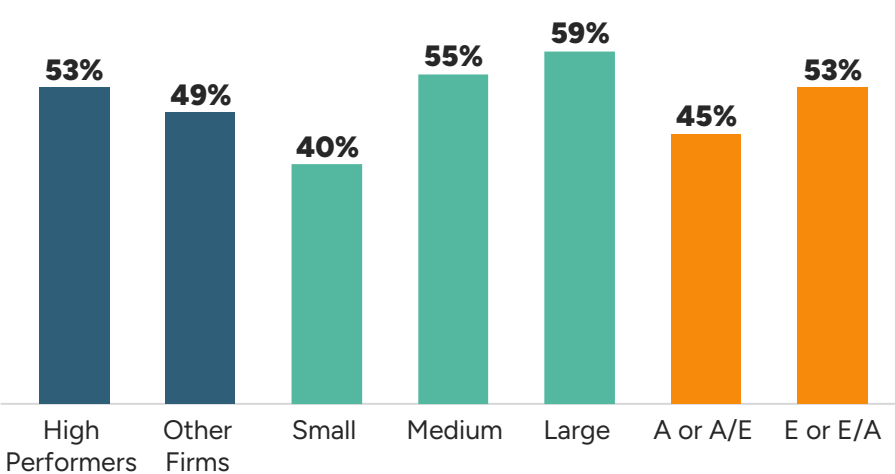
«« -2.6

Firms that Plan to Complete a Valuation

Fifty percent of firms indicated plans to complete a valuation within the next 12 months, down 2.6 percentage points from 2023. Nearly all firm segments reported decreased intent compared to the prior year, with the exception of engineering firms, which rose slightly to 53%.

This modest decline suggests a tapering in short-term valuation activity, potentially reflecting shifting priorities, resource constraints or a more measured approach to formal planning processes. It may also indicate that some firms recently completed a valuation and do not require another in the near term, or that others have exited the planning process due to acquisition or ownership transition.

While valuations remain a strategic tool for many firms, especially in succession planning and M&A readiness, the slight decline in intent suggests fewer firms see an immediate need rather than a broader retreat from the practice.



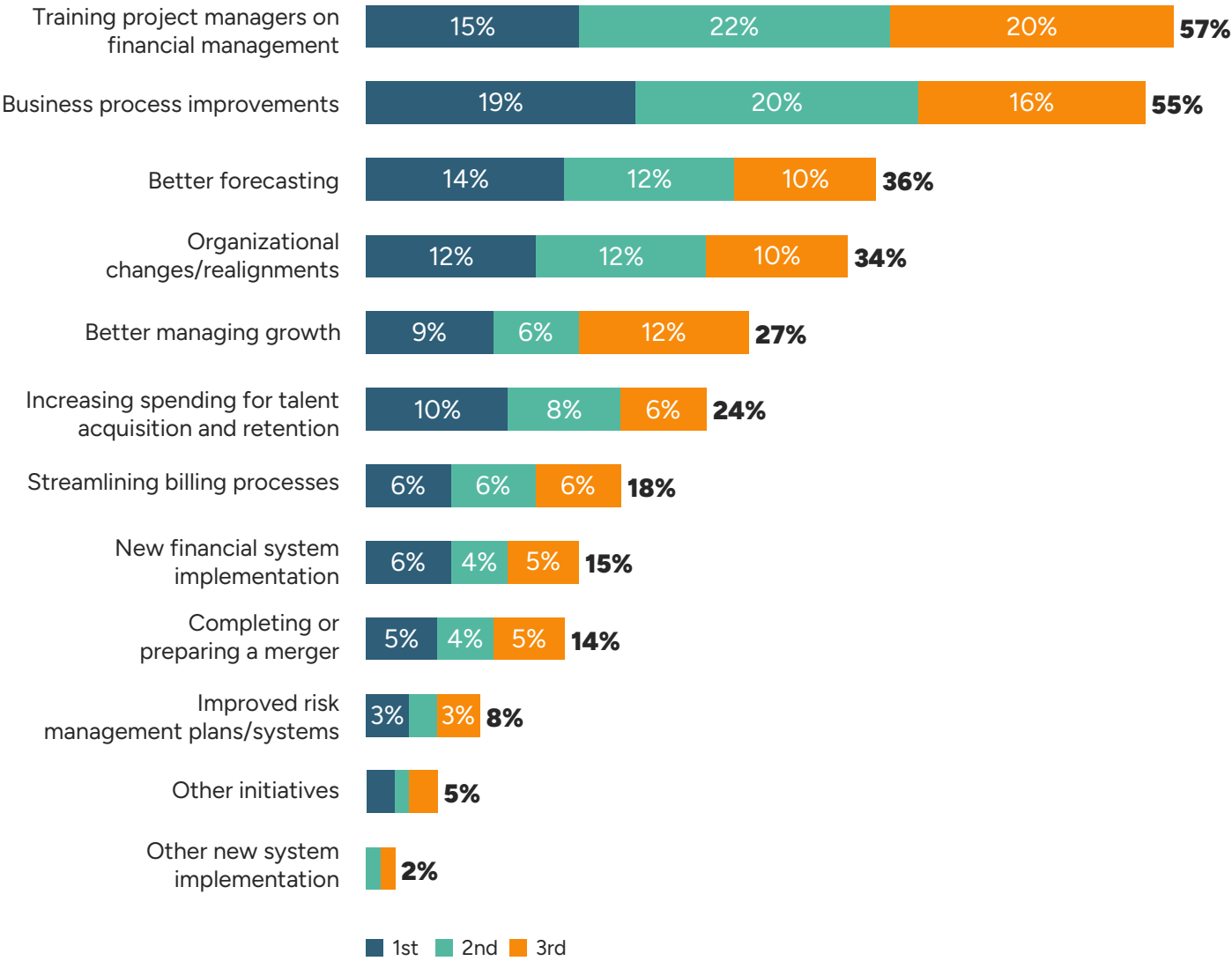
Top Financial Initiatives

Firms' top financial priorities remain consistent, reflecting a continued emphasis on operational discipline and equipping teams to drive stronger project-level performance. For the second year in a row, training project managers on financial management ranked first, selected by 57% of firms. While its continued prominence underscores the recognized value of financially literate PMs, it also raises questions about how effectively firms have moved forward with formal PM training programs.

Business process improvements held steady in second place (55%), reinforcing firms' intent to streamline workflows, improve visibility into project performance and increase efficiency with automation and AI.

Better forecasting remained in third place with 36% of firms identifying it as a top challenge, down three percentage points from the previous year.

The consistency across the top three initiatives, combined with the rise of structural priorities elsewhere in the rankings, suggests firms are focused not only on financial efficiency, but also on laying the foundation for long-term readiness. Taken together, these efforts point to a more strategic, team-centered approach to financial performance.



FINANCIAL
MANAGEMENT

In 2024, A&E firms achieved record-high profitability through strategic labor management, financial discipline and market diversification. As firms look ahead, they’re prioritizing financial fluency, adaptable operational models and smarter investment strategies to sustain momentum and build long-term resilience.

A&E firms closed 2024, with decade-high operating profit margins driven by labor utilization, more disciplined project management and tighter control of overhead. While economic pressures persisted, firms made progress in aligning delivery teams with project demands and maintaining margin discipline.

Talent remains a critical financial priority as firms continue to navigate persistent recruitment challenges. Firms are placing greater emphasis on retention, workload balance, and professional development to strengthen long-term delivery capacity.

Firms also appear to be taking a more selective, risk-aware approach to growth, diversifying their client and project portfolios while shifting investments away from fixed assets toward scalable, tech-enabled operations.

In the year ahead, increasing financial knowledge among project managers stands out as a strategic priority. Equipping PMs with timely details about their project budgets, forecasts and margins will be essential for preserving profitability amid evolving market dynamics.

SUMMARY

Despite strong financial results, firms continue to face rising costs and talent gaps. Leaders are prioritizing operational efficiency, training and automation to boost productivity, improve margins and equip teams to meet evolving project demands and business expectations.



While A&E firms continue to post strong financial results, the softening of backlogs, forecasts and staffing levels suggests the need for firms to focus on the things they can control and strengthen. Firms are becoming more disciplined and selective in their pursuits, more deliberate in hiring and more focused on execution. With costs still rising and high-value talent in short supply, internal training and efficiency gains remain key strategies.

AI adoption surged in 2024, and more firms are moving from exploration to application, especially in proposal development, project planning and business development. Smarter workflows, better data and defined roles are equipping project managers and seller/doers to operate more efficiently and win more work.

Firms that embed technology into operations and pair it with strong process maturity will be better positioned to convert selectivity into results, and to lead in an increasingly complex, competitive market.



STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
KPIS/BALANCE SHEET DETAILS								
KEY PERFORMANCE INDICATORS								
Net Revenue Per Employee	\$180,852	\$206,275	\$163,250	\$174,741	\$185,067	\$179,946	\$182,030	\$181,398
Total Revenue Per Employee	\$223,313	\$270,399	\$202,278	\$221,946	\$224,883	\$225,526	\$270,469	\$205,767
Operating Profit on Net Revenue	21.4%	30.6%	12.4%	18.8%	19.9%	33.2%	18.7%	22.1%
Operating Profit on Total Revenue	16.0%	23.7%	9.6%	14.1%	14.5%	26.7%	11.5%	17.5%
Utilization Rate	61.1%	61.1%	60.9%	63.3%	58.8%	61.9%	59.4%	61.7%
Net Labor Multiplier	3.15	3.62	2.87	3.03	3.23	3.15	3.19	3.13
Total Payroll Multiplier	1.86	2.25	1.69	1.83	1.90	1.86	1.86	1.86
Overhead Rate	160.0%	159.4%	161.8%	160.6%	168.0%	129.0%	176.7%	154.9%
Staff Growth/Decline	2.9%	5.8%	1.5%	0.0%	4.1%	5.2%	1.8%	3.2%
Employee Turnover	13.2%	10.6%	13.2%	11.8%	13.8%	13.3%	12.4%	13.3%
Total Labor Cost Per Employee	\$115,412	\$113,830	\$117,458	\$117,005	\$116,191	\$105,798	\$115,018	\$116,593
Net Fixed Assets Per Employee	\$6,193	\$7,193	\$6,335	\$4,333	\$6,789	\$7,395	\$4,841	\$7,222
Average Collection Period in Days (Median)	73.47	71.55	73.55	70.43	73.89	78.75	73.20	75.89
Win Rate	50.0%	60.0%	50.0%	50.0%	52.6%	43.3%	40.0%	53.2%
BALANCE SHEET RATIOS								
Work-in-Process per Employee	\$2,503	\$4,956	\$2,123	\$1,174	\$3,125	\$2,992	\$1,928	\$3,026
Total Assets per Employee	\$102,407	\$129,478	\$89,939	\$112,320	\$103,578	\$83,136	\$114,782	\$97,085
Total Liabilities per Employee	\$33,465	\$37,594	\$32,778	\$22,815	\$42,415	\$31,895	\$49,195	\$30,575

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
BALANCE SHEET RATIOS (CONTINUED)								
Total Equity per Employee	\$58,729	\$73,724	\$51,656	\$65,610	\$59,156	\$38,864	\$59,905	\$57,732
Return on Assets	18.5%	33.9%	9.2%	15.9%	17.7%	38.0%	13.8%	20.5%
Return on Equity	28.3%	46.2%	18.3%	23.7%	28.4%	59.7%	23.0%	30.2%
Backlog - End of Year per Employee	\$135,793	\$172,316	\$90,373	\$75,015	\$160,305	\$165,330	\$134,901	\$137,643
Backlog in Months	9.00	9.12	8.87	7.59	9.40	9.88	7.82	9.43
Current Ratio	3.30	3.32	3.32	4.65	2.99	2.93	2.31	3.73
Debt to Equity Ratio	0.63	0.59	0.65	0.42	0.74	0.82	0.86	0.57
INCOME STATEMENT DETAIL (PER EMPLOYEE)								
TOTAL REVENUE								
Total Revenue per Employee	\$223,313	\$270,399	\$202,278	\$221,946	\$224,883	\$225,526	\$270,469	\$205,767
DIRECT EXPENSES								
Consultants per Employee	\$28,604	\$39,839	\$23,295	\$33,407	\$33,140	\$20,701	\$80,883	\$16,780
Bad Debt per Employee	\$673	\$571	\$743	\$1,000	\$647	\$572	\$1,000	\$652
All Other Direct Expenses per Employee	\$4,024	\$4,230	\$3,893	\$3,596	\$4,252	\$4,044	\$4,252	\$3,791
Total Direct Expenses per Employee	\$38,698	\$47,098	\$32,366	\$48,204	\$43,744	\$21,210	\$86,636	\$24,371
NET REVENUE								
Net Revenue per Employee	\$180,852	\$206,275	\$163,250	\$174,741	\$185,067	\$179,946	\$182,030	\$181,398
DIRECT LABOR								
Direct Labor per Employee	\$57,026	\$57,185	\$58,187	\$58,157	\$55,138	\$59,935	\$55,697	\$58,417

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
GROSS PROFIT								
Gross Profit per Employee	\$120,339	\$144,219	\$106,710	\$114,451	\$122,441	\$127,989	\$123,337	\$119,705
INDIRECT LABOR								
Vacation, Holiday, Sick & Personal per Employee	\$9,661	\$9,441	\$10,273	\$9,700	\$9,611	\$10,148	\$9,738	\$9,953
Marketing per Employee	\$3,526	\$3,733	\$4,091	\$2,341	\$4,516	\$4,293	\$5,696	\$2,994
All Other Indirect Labor per Employee	\$23,507	\$23,530	\$24,149	\$23,507	\$23,873	\$23,036	\$22,821	\$23,837
Total Indirect Labor per Employee	\$39,462	\$38,893	\$40,907	\$39,860	\$39,470	\$39,310	\$40,721	\$38,435
LABOR-RELATED EXPENSES								
Statutory Taxes per Employee	\$7,268	\$7,606	\$7,183	\$7,090	\$7,339	\$7,557	\$7,409	\$7,312
Workers' Comp. per Employee	\$197	\$228	\$183	\$195	\$184	\$219	\$160	\$223
Group Health, Life, Etc. per Employee	\$7,329	\$7,380	\$7,877	\$7,141	\$7,532	\$6,605	\$6,693	\$8,083
401(k) Match, Pension Plan, Etc. per Employee	\$2,954	\$3,183	\$2,892	\$2,893	\$2,991	\$2,913	\$2,893	\$3,072
All Other Labor-Related Expenses per Employee	\$264	\$352	\$359	\$369	\$201	\$271	\$355	\$204
Total Other Labor-Related Expenses per Employee	\$19,976	\$20,475	\$19,796	\$20,023	\$20,702	\$14,745	\$19,671	\$20,205
OTHER STAFF EXPENSES								
Professional Licenses, Registrations, Dues per Employee	\$843	\$1,006	\$806	\$843	\$832	\$938	\$840	\$959
MARKETING EXPENSES (NON-LABOR)								
Marketing Expenses per employee (marketing and business development expenses including materials, conference expenses, travel, etc.)	\$1,564	\$1,664	\$1,429	\$1,909	\$1,426	\$1,450	\$2,471	\$1,225

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
CORPORATE EXPENSES								
Professional Liability Insurance per Employee	\$2,065	\$2,148	\$2,117	\$2,493	\$1,863	\$1,629	\$2,353	\$1,897
Other Business Taxes per Employee	\$209	\$272	\$201	\$201	\$237	\$75	\$244	\$192
All Other Corporate Expenses per Employee	\$1,614	\$1,979	\$1,848	\$1,143	\$1,647	\$1,853	\$1,640	\$1,935
Total Corporate Expenses per Employee	\$5,904	\$6,218	\$5,789	\$6,889	\$5,773	\$3,685	\$6,578	\$5,660
TOTAL OVERHEAD								
Total Overhead Expenses per Employee	\$88,266	\$90,807	\$89,086	\$91,481	\$89,634	\$71,957	\$92,876	\$85,772
OPERATING PROFIT								
Operating Profit (Loss) per Employee	\$31,446	\$60,116	\$17,358	\$26,541	\$32,529	\$41,749	\$26,541	\$31,594
INTEREST, BONUS, OTHER								
Interest-Net per Employee	\$41	\$118	\$32	\$0	\$47	\$185	\$0	\$192
Bonuses per Employee	\$6,216	\$11,645	\$4,139	\$3,692	\$7,902	\$6,170	\$5,892	\$6,359
Other (Income) or Expense	\$108	\$107	\$111	\$63	\$171	\$122	\$19	\$200
PRE-TAX INCOME (LOSS)								
Pre-Tax Income (Loss) per Employee	\$16,923	\$40,636	\$7,913	\$19,300	\$15,333	\$28,355	\$13,309	\$19,600
TAXES								
Taxes per Employee	\$354	\$498	\$283	\$369	\$404	\$345	\$414	\$269
NET PROFIT								
Net Profit (Loss) per Employee	\$9,836	\$21,646	\$6,054	\$10,072	\$10,563	\$7,173	\$7,068	\$10,588

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
BALANCE SHEET DETAIL (PER EMPLOYEE)								
CURRENT ASSETS								
Cash per Employee	\$12,223	\$19,014	\$10,198	\$17,223	\$11,972	\$7,218	\$15,854	\$10,282
Accounts Receivable per Employee	\$44,843	\$51,841	\$43,924	\$45,594	\$45,118	\$42,047	\$52,566	\$43,517
Work-In-Process per Employee	\$2,503	\$4,956	\$2,123	\$1,174	\$3,125	\$2,992	\$1,928	\$3,026
Prepaid Expenses per Employee	\$2,106	\$2,797	\$1,956	\$706	\$2,848	\$3,445	\$1,598	\$2,496
Other Current Assets per Employee	\$810	\$866	\$687	\$195	\$1,005	\$574	\$537	\$713
Total Current Assets per Employee	\$76,846	\$92,818	\$68,037	\$89,856	\$78,838	\$56,963	\$93,380	\$70,781
FIXED ASSETS								
Fixed Assets (except Goodwill) per Employee	\$23,312	\$28,796	\$23,148	\$21,680	\$26,130	\$24,290	\$23,312	\$25,872
Depreciation per Employee	-\$12,336	-\$15,672	-\$12,284	-\$8,926	-\$15,581	-\$10,385	-\$12,387	-\$13,230
Goodwill (net of amortization) per Employee	\$3,081	\$3,948	\$2,508	\$2,499	\$3,060	\$4,080	\$2,063	\$3,799
Total Fixed Assets per Employee	\$11,376	\$12,418	\$9,397	\$11,562	\$11,376	\$11,382	\$9,088	\$12,748
OTHER LONG-TERM ASSETS								
Long-Term Notes/Loans Receivable per Employee	\$4,373	\$6,458	\$3,074	\$3,948	\$4,731	\$3,483	\$6,322	\$4,147
Other Long-Term Assets per Employee	\$11,158	\$14,336	\$5,691	\$5,495	\$15,423	\$5,396	\$8,726	\$11,348
Total Other Long Term Assets per Employee	\$10,716	\$14,907	\$5,888	\$7,440	\$11,513	\$6,927	\$9,527	\$10,716
TOTAL ASSETS								
Total Assets per Employee	\$102,407	\$129,478	\$89,939	\$112,320	\$103,578	\$83,136	\$114,782	\$97,085

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
LIABILITIES & STOCKHOLDER'S EQUITY								
ACCOUNTS PAYABLE								
Accounts Payable - Consultants per Employee	\$2,925	\$3,906	\$2,896	\$1,938	\$4,134	\$3,508	\$11,862	\$1,036
Accounts Payable - Vendors per Employee	\$744	\$768	\$769	\$536	\$774	\$580	\$511	\$872
Total Accounts Payable per Employee	\$7,223	\$8,752	\$6,738	\$7,480	\$8,775	\$4,858	\$18,418	\$4,283
ACCRUED EMPLOYEE EXPENSE								
Accrued Employee Salaries per Employee	\$1,059	\$1,565	\$1,033	\$0	\$1,933	\$1,827	\$0	\$1,941
Accrued Employee Vacation, Sick, Etc. per Employee	\$212	\$1,362	\$97	\$0	\$1,408	\$2,639	\$0	\$1,113
Other Accrued Employee Expense per Employee	\$1,500	\$2,057	\$689	\$1,252	\$1,563	\$2,112	\$2,061	\$1,438
Total Accrued Employee Expenses per Employee	\$5,057	\$5,513	\$4,628	\$4,083	\$5,768	\$5,475	\$4,724	\$5,270
OTHER CURRENT LIABILITIES								
Line-of-Credit & Short-Term Notes Outstanding per Employee	\$3,704	\$3,058	\$5,250	\$4,477	\$3,682	\$3,803	\$3,028	\$3,960
Current Taxes per Employee	\$354	\$498	\$283	\$369	\$404	\$345	\$414	\$269
Other Current Liabilities per Employee	\$1,321	\$4,767	\$447	\$0	\$2,986	\$7,223	\$361	\$1,723
Total Other Current Liabilities per Employee	\$7,642	\$7,813	\$7,000	\$5,437	\$8,293	\$7,525	\$7,793	\$7,692
TOTAL CURRENT LIABILITIES								
Total Current Liabilities per Employee	\$21,400	\$23,375	\$19,124	\$18,772	\$23,812	\$20,630	\$36,590	\$18,727
LONG-TERM LIABILITIES								
Long-Term Debt per Employee	\$528	\$221	\$1,777	\$0	\$2,842	\$1,754	\$0	\$1,724
Deferred Taxes per Employee	\$4,485	\$4,364	\$4,773	\$10,870	\$3,232	\$1,384	\$4,959	\$2,428
Other Long-Term Liabilities per Employee	\$13,356	\$16,254	\$10,300	\$14,891	\$16,968	\$9,174	\$28,344	\$10,085

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
TOTAL LIABILITIES								
Total Liabilities per Employee	\$33,465	\$37,594	\$32,778	\$22,815	\$42,415	\$31,895	\$49,195	\$30,575
STOCKHOLDERS' EQUITY								
Stock & Additional Paid-In Capital per Employee	\$200	\$1,396	\$29	\$45	\$114	\$4,876	\$6	\$658
Distribution/Dividends - Current Year Only per Employee	-\$10,870	-\$20,136	-\$7,638	-\$18,182	-\$8,526	-\$5,828	-\$18,325	-\$7,831
Principal's Equity - Long-Term Notes per Employee	-\$1,631	-\$1,923	-\$1,631	\$1,764	-\$2,300	-\$1,253	-\$494	-\$3,140
Previous Years Retained Earnings per Employee	\$38,222	\$46,790	\$36,776	\$45,034	\$39,586	\$22,950	\$38,320	\$37,875
Current Net Profit (Loss) per Employee	\$9,836	\$21,646	\$6,054	\$10,072	\$10,563	\$7,173	\$7,068	\$10,588
Other per Employee	-\$4,378	-\$4,378	-\$2,560	-\$3,861	-\$5,000	-\$4,378	-\$121	-\$4,217
Total Stockholders' Equity per Employee	\$58,729	\$73,724	\$51,656	\$65,610	\$59,156	\$38,864	\$59,905	\$57,732
Total Liabilities & Stockholders' Equity per Employee	\$95,329	\$119,722	\$86,716	\$91,952	\$103,053	\$67,786	\$104,504	\$89,808
SECTION METRICS								
BUSINESS DEVELOPMENT METRICS								
Net Revenue Growth Forecast	9.6%	6.8%	11.5%	11.6%	9.4%	6.8%	11.0%	9.1%
Win Rate	50.0%	60.0%	50.0%	50.0%	52.6%	43.3%	40.0%	53.2%
Capture Rate	48.2%	49.3%	50.0%	47.3%	51.6%	39.6%	40.0%	49.5%

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
BUSINESS DEVELOPMENT METRICS								
Percentage of Firm's Net Revenue Contributed by Top Client	15%	15%	16%	20%	14%	9%	20%	14%
Percentage of Firm's Net Revenue Contributed by Second Client	9%	9%	10%	12%	8%	5%	11%	8%
Percentage of Firm's Net Revenue Contributed by Third Client	6%	6%	7%	8%	6%	4%	8%	6%
Percentage of Firm's Net Revenue Contributed by Top Three Clients	31%	32%	35%	43%	29%	19%	42%	28%
PROJECT MANAGEMENT METRICS								
Percentage of Firm's Projects are On or Under Budget (Mean)	75.0%	72.0%	75.0%	70.0%	75.0%	80.0%	70.0%	75.0%
Percentage of Firm's Projects are On or Ahead of Schedule (Mean)	59.5%	54.7%	62.8%	60.3%	57.9%	61.9%	56.1%	64.0%
Firms Completing Internal Project Performance Evaluations (Mean)	61.1%	59.7%	59.8%	51.9%	61.2%	85.4%	63.5%	59.6%
Firms Measuring Client Satisfaction (Mean)	39.1%	37.3%	28.1%	31.2%	35.7%	66.7%	33.7%	41.4%
HUMAN CAPITAL MANAGEMENT METRICS								
Staff Growth/Decline	2.9%	5.8%	1.5%	0.0%	4.1%	5.2%	1.8%	3.2%
Employee Turnover	13.2%	10.6%	13.2%	11.8%	13.8%	13.3%	12.4%	13.3%
Voluntary Turnover	8.0%	7.0%	5.5%	3.0%	12.0%	48.0%	4.5%	11.5%
Involuntary Turnover	3.0%	2.0%	2.0%	2.0%	3.0%	13.0%	3.0%	3.0%
Average Time to Fill Position	61–90 days	61–90 days	31–60 days	61–90 days	31–60 days	31–60 days	31–60 days	61–90 days

STATISTICS AT A GLANCE

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1–50 EMP)	MEDIUM (51–250 EMP)	LARGE (250+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
FTE BREAKDOWN BY CATEGORY								
Technical and Professional	50	63	43	20	78	302	34	60
Marketing and Business Development	2	2	2	1	4	11	2	3
Financial/Accounting	3	3	2	1	4	11	2	3
Technology/IT	1	2	1	0	2	7	1	2
Human Resources	1	1	1	1	1	6	1	1
Administrative or Clerical	3	3	2	1	4	14	2	3
Other Executives	3	3	3	2	4	7	3	3
Other Employees	3	1	4	0	4	8	6	1

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