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LESSONS FROM A PRIVATE PRACTICE

Introduction

I have been in private practice as a consulting structural engineer since 1976. During the past forty-five years, I have had some lessons which, at times, were very painful resulting in occasional embarrassment, frustration, distress, economic hardship, and sleepless nights. This is the list of the more significant lessons learned that I wish I had had when I started my practice. The first three of these “lessons” set the background for the remainder.

Vision: why am I starting this business in the first place?

The first time I went into business for myself, I was focused on economic survival. It was 1976, and the U.S. economy was in a mess. Interest rates had risen to an historic high—over 20 percent. Many businesses were forced to shut down.

I had been working in the pre-stressed concrete industry as a sales engineer. My boss at the time called me into his office and said, “David, it saddens me to tell you, but we’re shutting down the company. There are no prospects out there for us right now. Call our clients to let them know, and get everything wrapped up by Friday. You’ll receive two weeks of severance pay. Good luck!”

I wasn’t too surprised. The signs had been building up for weeks. Fortunately, I had gotten registered as a Professional Engineer. At age thirty-six, felt I had enough experience to do something on my own. The path of least resistance was clear; my vision was simple: “Become self-employed as a structural engineer in private practice.” That was it!

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Don't get bogged down in sophisticated thinking or having to do everything just right before you get started. I had a good education, field experience, practical know-how, and a passion to succeed. Those are powerful tools.

Lesson: Know your strengths, trust the vision you have and go for it!

Mission: what services am I providing and to whom?

With that simple vision in mind, my next thought was, *you've got to find an engineering design project!* Interestingly, I had *never* done a structural engineering design project as the responsible principal. I had always worked for others in a support role of some type. As a sales engineer, I had been calling on structural engineers and architects who might be doing projects that could utilize prestressed concrete components made by my firm. Thankfully, I already had lots of architects as prospects. The first architect I called, Hanson, told me: "Well, I have this small office building to design. It's not much but I do need a structural engineer. Would you be interested?"

You bet I would! I thought. "Yes sir," I said, without a moment's hesitation. "I'll drive over in the morning to look at the plans." Hanson's office was a hundred miles away. I hardly gave it a thought.

The time passed quickly as I fantasized about my future. I pulled into Hanson's driveway. Full of optimism and scared to death at the same time; I took a deep breath, hopped out of the car, and headed for the door. Hanson was an easy-going guy and a real gentleman. But he also had a keen eye for an opportunity himself. He showed me the plans, and then came the sixty-four-dollar question: "How much will you charge me?"

Oh gosh, what do I do now?

I had no idea how to price the job. It was a two-story masonry structure with an open-web steel joist second floor and roof system. A simple foundation would be supported by dense, sandy soil. No big deal. I just didn't know quite how or where to start the design process, much less figure out how much to charge. I don't remember how I arrived at \$400 but that was the figure. I gathered up the plans and headed for home. I was in the "building structural design services to architects" business!

My office would have to be set up in the front living room of a small one-bedroom apartment. I had a job but no place to work. I needed a drafting table, stool, calculator, and a good light. I charged the cost of my first pocket calculator at a local department store, purchased the drafting table from the surplus sales department at a local college and paid \$5 for an unfinished stool at the big-box building supply store.

I'm all set to go, I thought, as I dragged the floor lamp over by the drafting table, pushed the living room furniture out of the way, and looked over the table of contents in my structural engineering text book. Fortunately, that first project was a great success and led to a long-standing relationship with Hansen.

Lesson: It doesn't take much to get started. Have a clear, simple vision, trust your instincts, and take advantage of the resources at hand.

What is your primary business?

I'll never forget the first meeting I had with "Mel," one of the owners of the new construction company we were starting. I had just been hired as the general manager. We had some nice commercial projects scheduled to start over the next few months. I was really anxious to get started. Mel stopped by for a visit as we were getting our new office set up.

"David," Mel asked, "what business do you think we're in?"

I sensed a trick question but figured I'd play it straight.

I said, "Why Mel, we're in the commercial contracting business, of course!"

I naively expected him to smile and say something, like "Good", pat me on the head, and send me on my way. But he caught me by surprise.

"Not on your life!" Mel said.

"What do you mean?" I replied, startled.

Then he shared with me one of the most important things I've ever learned.

"You just think you're in the 'construction business,' but nothing could be farther from the truth," said Mel. "If our clients hesitate or are unwilling to return to us for their next project, no matter how much money we've earned, you haven't done your job. You will be evaluated on their willingness to come back to us again and again, without hesitation. We are not in the 'construction business', we are in 'the relationship building business' and don't you ever forget it!"

Since then, I've experienced many occasions when I wanted to say something reactive, or abrupt, or behave impulsively. I catch myself (usually) as I hear Mel's words ringing in my ears: "We are in the relationship building business and don't you ever forget it."

Remember the old salesman's adage: "One negative word from a client or friend to another can kill ten sales." Believe it. You worked hard to get the work. Don't let up. Keep working hard to maintain those relationships.

Lesson: Always remember, you are in "the relationship building business."

Integrity: there is no right way to do the wrong thing

My wife, Anne, and I try to live our lives in such a way that we have no regrets or feel the least bit guilty. If a client pays me in cash, the money goes in the business account and the taxes get paid. We are diligent about keeping track of retainage deposits and refunding money when due. If I have made a mistake on a project, I am quick to admit it and pitch in to help solve the problem. Once in a while, it costs money out of pocket that I had not planned to spend, but to paraphrase a line from the Rotary motto, "It builds good will and better friendships."

Lesson: Do the right thing and sleep well at night.

Watch what you say: loose lips sink ships!

One of the first mistakes I made was veiled in a casual remark to an engineer I had just met. He stopped by my office looking for work. He said something about talking to my engineer friend about employment prospects. I said, "I understand they're not hiring right now but you should probably talk to them anyway."

A week later the principal of that firm called to ask me to stop by his office. He had taken me under his wing and introduced me to influential people in the community. I thought the world of him and held him in the highest regard.

I had barely taken my seat when he said, "David, the business of our firm is no one else's business. Discussing our hiring status with a total stranger was unprofessional and highly unethical. You should know better."

I turned beet-red with embarrassment, apologized profusely, and asked for his forgiveness. Sadly, our relationship was never the same afterward.

Lesson: Do not gossip and avoid those who do; it is unethical and unprofessional and can kill relationships.

Competitors: your best source of advice and possible subcontract work

The structural engineers on my list were about to become “friendly” competitors. However, that did not preclude them from being possible sources of work. I knew several competitors that had larger firms and thought they might also be a source of smaller, incidental projects.

I had been in business about six months when my relationship with the owner of a large civil engineering firm led to more business for me. This involved doing the structural engineering on a large water treatment plant for our city.

One of his staff members was an accomplished concrete engineer who helped me a great deal and became a sounding board for my ideas and theories of design. I quickly learned that no one else understands your business and the challenges you face the way your peers do. Don't be afraid to ask for help or ask them to review your design. Senior engineers love to help junior engineers get started.

Lesson: Maintain good relationships with your peers.

Get the word out: networking and professional societies

You will never have too many business and professional relationships. Get involved in your community. Join a civic club and, by all means, join your professional societies. Take some responsibility, participate in the projects, and when the opportunity presents itself, serve your turn and take on a leadership role.

You never know who will be talking to someone else about you. Do your best to do no harm so that all will think well of you. The best salesman you will ever have is the satisfied client or friend who trusts you.

Lesson: Invest in your personal and professional community.

Hourly rates: what is your time and talent worth?

I met another engineer in private practice who lived outside my marketing area. We started talking about hourly rates. When he told me what he was charging, I nearly fell out of my seat. It was so low, I remember saying something like, “You can't get a good massage for that price!”

He looked startled. “What do you mean?”

“Have you considered the value of the great investment in education, engineer-in-training time, exams, requiring over nine years of sweat and toil to be able to hang out your own shingle?” I said. “And, how about the added expense and time of satisfying continuing education requirements?”

“Wow, I had not thought of all those things,” he responded. “I appreciate your advice and will adjust my rates accordingly.”

So, for those of you who may be in a similar situation or have been in business for a few years and are finding yourself a bit overwhelmed, what value do you place on your experience and what is your ability to address your clients’ designs with skill, expertise and efficiency?

Take the time to find out what those of comparable education and experience are charging and then consider your own circumstances by comparison. Be fair but do not under-value yourself. It is not good for the industry and low-balling prices will not serve you well in the long run. Your clients will not think of your value as more than that which you place upon yourself. Consider using your method of charging for services to differentiate yourself from your competitors.

Lesson: Set a realistic value on your time and services.

Time: log it or lose it

You are a limited resource and you must discipline yourself to keep track of your time and activities on behalf of your clients. Soon after I started my private practice, I stopped by Allen’s office. Allen was an attorney who hired me to provide forensic engineering services for one of his clients. I noticed he had a large clip-board looking device with unusual looking forms attached to it. “Allen, what’s that?” I asked, as I pointed at the clip-board.

“That’s my time-keeping system,” he said. “Every time I do something for one of my clients, I log my time along with a few notes that explain what I’ve done on their behalf. I’ve learned that the primary questions they have are about the progress we are making on their case. I send out a detailed summary every month. Seldom, if ever, does anyone question the amount of the invoice.”

Since then, I have kept a detailed log for each project. I enter the date, hours spent, and a few notes about tasks accomplished. I am very diligent about this process. As soon as I finish a task, I log the time. This discipline forces you to examine the hours actually spent on a project compared to the hours budgeted in your proposal, and may point you towards increasing your fees, improving your efficiency, or both.

This process in the past was maintained by hand, and the typing of the invoices each month took several hours to complete. Now, we are fortunate to have software that facilitates this process.

Another advantage has been the diary-keeping aspect of all of the work performed. You never know when you might need this information. It is easy to maintain indefinitely and takes up very little data space in the computer.

Lesson: You are a limited resource. Keep track of your time.

Keeping track: the Prospect Status Report

The *Prospect Status Report* is the best organizational tool I have found to keep track of my sales and marketing efforts. Here are the headings I use:

Name of Client

Initial Contact Date

Name of Project

Scope of Work

Contact

Phone Number

Email address

Date of Latest Status

Status

I found this more valuable when I was a sales engineer than an engineer in private practice. When things get really busy, it's a good way to keep opportunities in front of you. Consider grouping the projects by: current (within the past thirty days); thirty to sixty days; and more than sixty days. If it has been two months since you talked to your prospect, it's time to "pick up the phone." Keep a folder or digital file by client name on each job for detailed notes. I have found that the reminders and frequent contacts are

appreciated. I don't know how many times I've heard the response, "I was just getting ready to call you!", and, "I'm so glad to hear from you!" And always follow up with an email.

Lesson: Keep asking for the order. Maintain regular contact with your client base regardless of whether or not you're actually doing work for them at the present time.

Clients: this is supposed to be fun and profitable

"Why are you chasing that client?" my boss asked as I was making calls updating my Prospect Status Report. "You know he is 'bad news' and projects with him always wind up costing us money and aggravation. And, we never have a good time doing them," he said with some frustration.

"We need the work Ed. What would you have me do?" I asked. Then he said something I'll never forget.

"No business is better than bad business. If you don't have any business you can use all your valuable time to go find some 'good' business. Otherwise, you're bogged down trying to deal with all of the issues of working with a client on a job where you're not making any money. That's a complete waste of your valuable time and our resources."

Lesson: Choose your clients carefully: "No business is better than bad business."

Accounts receivable: "It's a poor man who doesn't get out his invoices."

Several years ago, I had a month that was very busy. Toward the end of the month when I would usually take a Saturday morning to go into the office and get out the invoices, I got side-tracked and thought, *heck, I'll just wait until next month. I just don't feel like dealing with this now.*

Two weeks later, I couldn't meet payroll and had to ask my friendly banker for a loan equivalent to one month's worth of receivables. It took me over a year to pay back that loan.

Keep a close watch on the age of your accounts receivable. If you're expecting "payment upon receipt", or "net 15 days", do not delay following up with a reminder and a request for when you can expect payment. Often you will hear, "I'm sorry, I don't remember getting the invoice." Then you can follow up with another copy and ask them to let you know when they received the reminder and when you can expect payment. Your money

is important to you and more—it is essential for your survival. Give the collection of your money the attention it deserves.

Lesson: If you want your business to succeed (and who doesn't?) you must get out your invoices on time and, if you haven't been paid promptly, follow up with another request (by phone or email) for a committed date for payment.

Professional liability insurance: do you need it?

When I first started my practice, I was advised to get professional liability insurance. That was good advice since it was required for the work I was doing at the time for the state, local municipality and the school board. During the first five years I was in business, I had two lawsuits filed against me. My deductible was \$10,000 at the time and that is exactly what it cost on both occasions to work with my attorney to find the actual guilty party and have the suits against me dismissed.

After that painful \$20,000 lesson, I decided I was not going to play that game anymore even though it cost me the engineering opportunities on public works type projects. I have not had any regrets letting go of all of the paperwork and non-engineering documentation that those types of projects required. I became self-insured.

I set two criteria for future work and problems that might arise: first, take no work that would stretch my experience and skill limits too far beyond my present level; and second, when a problem arises, step up to the plate, organize the players, and fix it immediately even if you have to write a check to do it.

I have been indirectly involved over the years in several situations where, had I been more diligent, the problem might never have arisen. I also have never been involved in a problem that did not involve multiple parties. Forming a coalition to address the problem and share the cost equally for the fix, whatever it is, can be far less costly for a small project practice than liability insurance premiums.

What about those projects that you think you might enjoy but are a bit more complex and perhaps beyond your comfort level? This type of project may require liability insurance. The answer: team up with a more experienced, insured partner, be generous with fee sharing, and have fun!

You will have to decide what works best for you. This is how I have handled the option and, so far, it has worked well for me. On the other hand, you may find better options when it comes to professional liability insurance. It may be worth the additional

premium to obtain ‘dollar one defense coverage’ where the insurance company takes on the cost of retaining an attorney for your defense.

Lesson: Stick to what you know and address and help resolve problems immediately.

Time is of the essence: urgency plus reflection yields the best results

You are probably not well suited for private practice consulting if you don’t have some sense of urgency about getting work done. Deadlines and commitments are always important and you will often be pressed to get the project completed. However, you owe it to yourself and your client to take your time, be methodical and reflective, and do your best to make sure you’ve addressed all the significant aspects of the design. “Hurry but don’t rush.” (John Wooden)

Rushing through the work can result in a trail of careless mistakes. I have tried to make it a practice to never release work the same day I do the calculations or think I have finalized the design. I like to set it aside and reflect on it overnight. If an idea occurs to me about that design or any other subject during the night, I write it down on the spot, and let it go immediately so I can go back to sleep.

Often when I am showering in the morning, some new insight or aspect of the design will occur to me. Gathering up the notes and the ”shower power”, I can return to work, finalize the design, and send it to the client.

Lesson: Have a sense of urgency but take time to reflect and consider all the implications of the design.

Overwhelmed and overworked: too much business for your own good

I stopped by my accountant’s office to pick up the annual tax filing. Exhausted, I plopped down in the chair in front of his desk and let out a big sigh.

“What’s with you?” Frank said.

“I’m just beat,” I said. “I can’t seem to find enough time to get everything done. I’m rushing from task to task, working late, and coming in on Saturdays to make up for it all. My wife is feeling short-changed, and I don’t blame her. I don’t know what to do!”

Frank chuckled and said, “You’re not charging enough!”

“Say what?”

“Yep, that’s your main problem. Increase your rates and you’ll lose a few clients. Those that remain will appreciate you more because you will be more responsive and the quality of your work will improve. And, best of all, you won’t have to work quite so hard and you will make just as much money.”

Wow! What a concept! I thought. Guess what? I did exactly as he suggested, and the results were as he predicted. I became a much happier engineer; my home life improved, and so did my work.

As I have aged, I have found that my energy level is not quite what it used to be. I have succeeded in reducing my hours and availability on a regular schedule that I find easy to declare and maintain. My clients all understand and the change gives me dedicated time for other interests.

Lesson: Be selective in the projects you undertake and charge appropriately for your time.

Stress: handle IT or IT will handle you

It is no secret that one of the most destructive things for one’s health is unmanaged stress. While stress can come from familial relationships, we have more control over job related stress.

I never thought stress would catch up with me until I had a very complex project to oversee and worried incessantly about how the work was being done. I allowed myself to get very agitated at the contractor on this job, who seemed unconcerned about everything. This was annoying to me, and I realized I was projecting my own fears and expectations on him.

As the stress built, my heart responded by going into atrial fibrillation. This depleted my energy and left me nearly immobile. It is no fun to go through electro-cardio-reversion in the hospital. In addition, taking medications long term can affect your energy level. Once sensitized, stress, caffeine, sugar, and alcohol can easily trigger an episode.

There are several things you can do to keep stress at bay in addition to exercise, rest, good eating habits and the like. I have maintained a philosophy of keeping in mind that “most fires are self-extinguishing”. That does not imply that I avoid getting involved or taking responsibility. The point is that many things are not quite as urgent as I or others make them out to be.

Giving things a chance to settle down without taking any action will allow those directly responsible to maintain their own sense of self confidence and self-worth by giving them plenty of opportunity to deal with the issue at hand. I do not have to be the great rescuer or problem solver.

Another simple thing I do to reduce worry and not agonize over something, especially when it interrupts a good night's sleep, is to get up and write it down. Then let it go. I don't have to keep remembering to do it. That alone brings peace and tranquility.

Another simple technique is to stop whatever you're doing, take several deep breaths, then breath inward deeply and slowly thinking the word "calm" and exhale slowly thinking the word "relaxed". This technique has been very helpful in keeping me centered and focused.

You are a limited resource. When you have a long list of things to do, the first and most important is to decide what you are *not* going to work on today and then focus on the one or two things you need to accomplish that will reduce the stress and pressure of your strivings.

Lesson: Learn how to manage your stress level.

Website: the indispensable presence

Many years ago, I was fortunate to meet a person who had great skill in setting up a simple website. I invested exactly \$1,000 for his time and within two weeks he had organized and set up a website that has returned my initial investment many times over. I'm not suggesting you can accomplish the same thing for the same price. What I am suggesting is that you make the investment and guide its organization and structure. Here are some topics I think are important

- Overall structure: keep it simple and direct.
- States of Registration: list them along with your registration numbers.
- Philosophy: explain in a short paragraph your general approach to your practice and problem-solving philosophy.
- Gallery: fill it with as many good pictures as you can find. In my case, I also used screen shots of the graphic models. The main idea is to post things that you can show to a client to illustrate a point you are making. "A picture is worth a thousand words" is absolutely true. Keep the status of your gallery current. The more you "stir" your website, the higher the search ranking will become. Make

sure your gallery is organized by row and number so that when you are talking to your client over the phone you can easily lead a client to the photo you want him to see. Better yet, do a screen share and then point out the features that are important.

- Contact Info: self-explanatory. Make it prominent and post it on each page of the website.
- Keywords, Keywords, Keywords. It is essential that you put yourself in the mind of your potential client and use your imagination to create as many keywords and phrases for the services you provide as you can possibly develop. Keep this topic in the back of your mind and when you get a new idea or thought, contact your web master and add it to the list.
- Weblog. This is a great idea if you feel creative enough to add to it on a regular basis. Done well, you will have a growing list of subscribers. I was never able to follow through on the idea and finally cancelled that feature but I am convinced that it will help grow your business.

Lesson: Maintain an active web site and internet presence.

Advertising: what works?

I am not sure that I ever paid for any advertising that I could prove produced a definitive result, but there are things you can do—I call it “indirect advertising” that can make a big difference and send clients your way.

Charity: it may make you feel good to support certain organizations and no doubt that in itself may create a growing sense of goodwill within the business community.

Writing professional papers and making presentations at conferences to peers and potential clients is hugely beneficial. The side benefit of this effort is credits for continuing education.

Social Media: investment in your website, LinkedIn and the like will be beneficial. I have not taken advantage of regular postings to my LinkedIn page to keep potential clients informed on the accomplishments of the organization but I do know that it would add to my visibility.

Always ask a new client how they learned about you and keep investing in whatever it was that caused that contact. All things considered, the very best advertising you can get is to keep satisfying your clients so they spread the word on your behalf and become your “free” advertising department!

Lesson: Keep investing in your marketing effort.

The little things: big benefits

Here are some tips that take minimal effort and can deliver a big payback:

- Invest in yourself with an attitude of life-long learning. Stay inquisitive and make learning your favorite hobby.
- Purchase your own office building and rent it to your company. Why pay someone else rent all those years and not have anything to show for it?
- Explore and experiment with hobbies. They will give you a fresh perspective, expand your knowledge base, and help you meet new and interesting people.
- Get involved in your community and focus on doing something for others. We each have God-given, wonderfully unique talents and abilities that can be shared for the benefit of those around us.
- Dress for the part you are playing. There is no excuse for not being clean, appropriately dressed and well groomed. You never know who you are about to meet. Be ready! And don't be afraid to literally 'jump in the trench' with your dress shoes on if that's what it takes to get the job done!
- Answer the phone! You never know who it will be. Have pen and paper handy to take notes. Don't waste another person's time looking for stuff. Tell them you will call back, and then do it promptly.
- Return your calls and respond to your emails and text messages promptly. Acknowledge every call, email or text. Don't leave them wondering whether or not you received their message. You will distinguish yourself among your peers with these habits.
- Prolonging an argument is a waste of time. Defuse the situation by saying: “You may be right. I'll look into it!” That costs you nothing and keeps the stress at bay and the tongue in check.

Lesson: Pay attention to ‘the little details’ and reap the benefits.

Conclusion

While this wraps up my list of major lessons learned, it is by no means exhaustive. I hope you have found them helpful. Of course, you have learned many lessons yourself and I would be delighted if you wish to share them. Please feel free to write to me at drh@dremy.com.