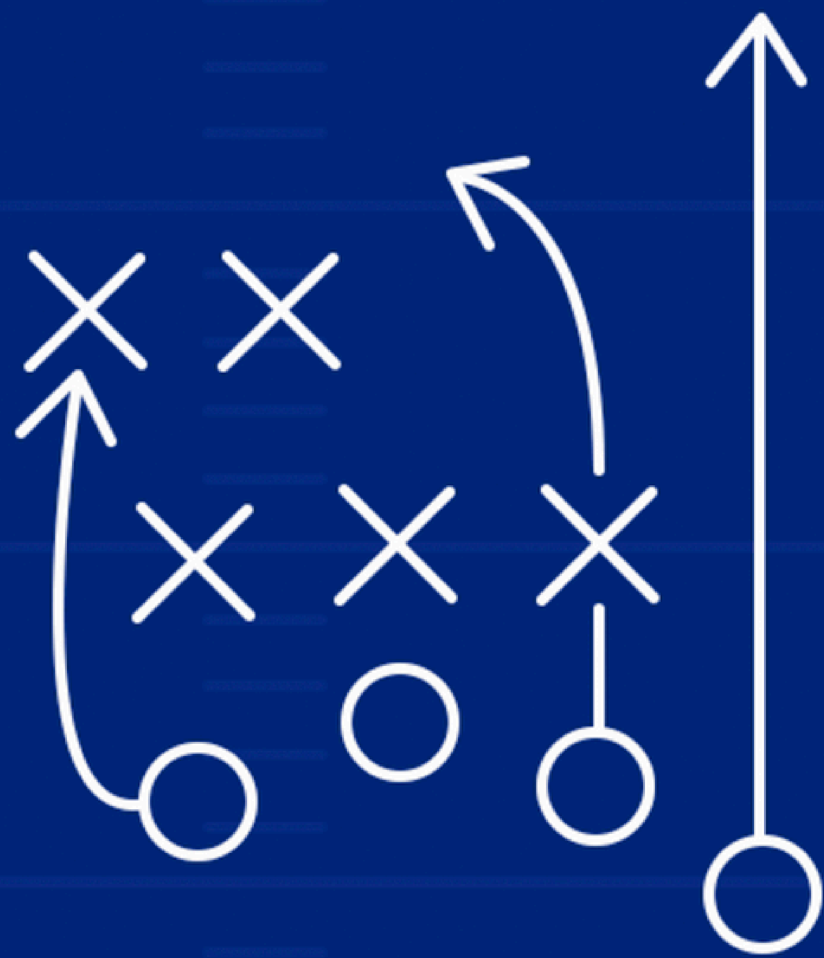
Architects' Growth Playbook:
Strategic Insights for Design



thinc.

Table of Contents

DESIGNING THE FUTURE OF YOUR FIRM

Whether through organic expansion or mergers and acquisitions (M&A), architectural firms must evolve to stay relevant and competitive.

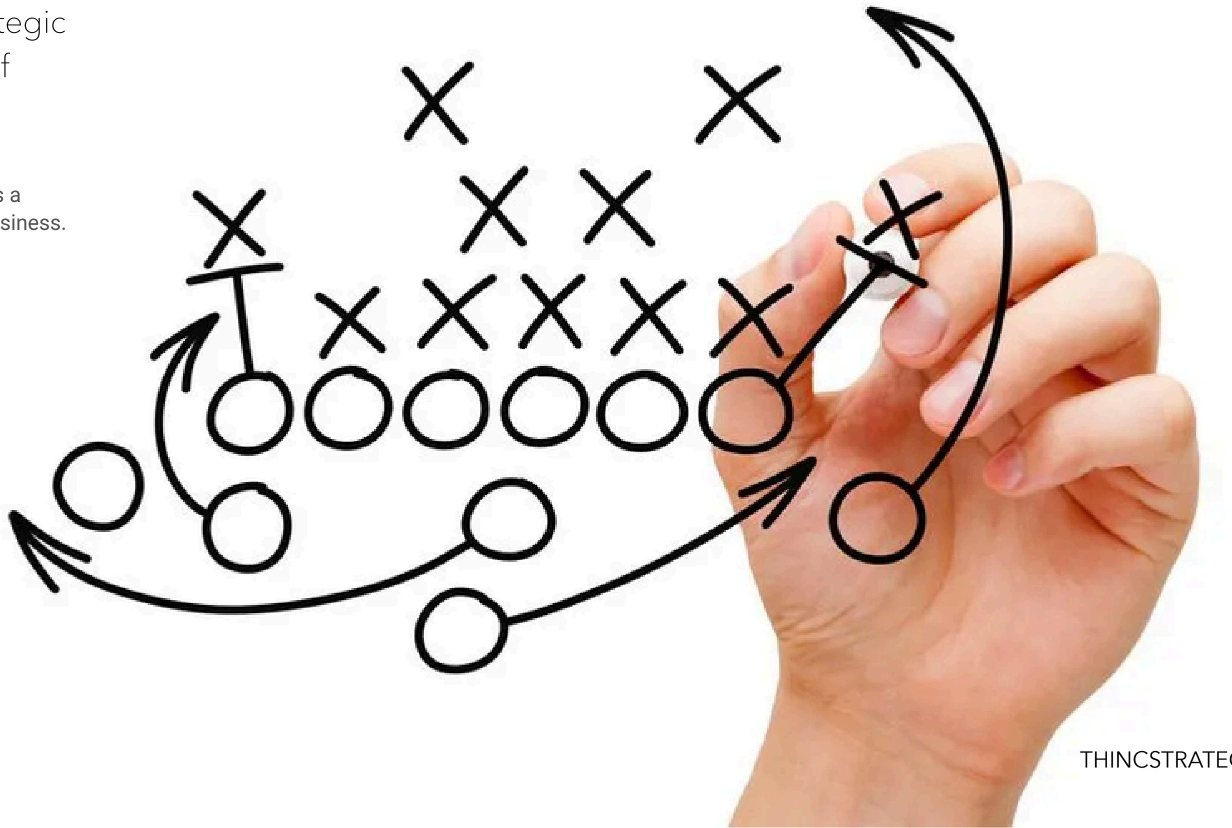
This playbook is your guide to navigating that journey with clarity, confidence, and strategic foresight.

The State of M&A in the AEC Industry

If you've thought about transitioning your business strategy, you might be wondering, "What's next?" You want to be as prepared as possible for strategic moves.

Mergers and acquisitions are becoming more common across the architecture and design industry. Behind this trend are several strategic and structural factors shaping the future of architectural practice.

The following pages will offer simple tips and insights to act as a playbook when it comes to transitioning from or acquiring a business.



TRENDING M&A ACTIVITY

Succession Planning Needs

Many architecture firms are led by founding partners or principals nearing retirement and typically don't have a clear internal successor.

- **Lack of Next-Gen Leadership:** Younger architects may not be prepared to assume the financial and operational responsibilities of firm ownership.
- **Preserving Legacy & Culture:** Senior partners are seeking like-minded acquirers to continue their design philosophy and firm culture.
- **Orderly transition:** M&A offers a structured exit plan that ensures continuity for clients, staff, and ongoing projects.

Talent Shortages

Facing a shortage of licensed professionals and skilled design staff, especially with experience in BIM, sustainability, and complex project delivery.

- **Access to Licensure Pipeline:** Firms with strong internship and mentorship programs are especially attractive as they provide access to future licensed talent.
- **Retention Challenges:** Firms use M&A to gain talent, create broader career pathways and retain key staff through expanded resources and project variety.

Geographic Expansion

Firms are looking to enter new markets to diversify client bases and participate in more RFPs, particularly as public sector and institutional work requires a local presence and licensure.

- **Winning local work:** Partnering with firms in a new city or state can unlock access to government and institutional projects that favor local teams.
- **Responding to client demand:** National or global clients often prefer consolidated firms with a presence in their space.
- **Disaster Recovery & Resilience:** In climate-sensitive areas, expanding geographically also means accessing new resilience-focused work.

Digital Transformation

From BIM and generative design to project management and visualization is reshaping how architecture is practiced and delivered.

- **Accelerating tech:** Firms are acquiring digital-native studios or tech-forward teams to leapfrog into more advanced workflows.
- **Data-driven design:** Firms are seeking expertise in tools like Revit, Grasshopper, and digital twin technologies to meet client expectations and improve project delivery.
- **Remote collaboration:** Post-pandemic, the ability to deliver projects digitally and collaborate across distances is a necessity.

WHAT’S POWERING M&A IN AEC

Technology Levels the Playing Field

Building Information Modeling (BIM) has become the industry standard for projects of all sizes because it facilitates the communication of design and construction plans across all project participants.

Environmental, Social, and Governance (ESG) Mandates

The government has helped by providing a variety of incentives for firms and contractors who build with energy efficiency and use renewable energy.

Client demand for full-service firms

Institutional and corporate clients increasingly prefer to work with firms that offer integrated services across architecture, interiors, planning, engineering, and project management.

Item	Revenue	Market Share
College and University school projects	$9.9bn	16%
Office building projects	$9.6bn	15.5%
Hospitals and clinical buildings	$8.2bn	13.2%
Architectural services for residential building projects	$6.2bn	10%
Retail and restaurant projects	$6.1bn	9.9%
Primary and secondary school projects	$5.9bn	9.5%
All other nonresidential building projects	$7.4bn	12%

*IBISWorld

5 Signs It's Time to Explore an Acquisition or Exit

1 **Plateaued revenue or market share**
When a business has maximized its current market potential and growth begins to stagnate, it may signal the need for a new growth strategy, indicating that you've optimized all your existing levers.

M&A offers a powerful solution. Whether by acquiring a competitor, gaining access to new customers, or diversifying your product lines, acquisition can be a way to quickly scale revenue and expand influence in your market, without starting from scratch.

2 **Leadership nearing retirement**
If key executives or founders are approaching retirement without a clear succession plan, M&A presents an opportunity to secure the company's legacy while ensuring continuity and future growth.

Bringing in new leadership, providing financial liquidity, and safeguarding employee jobs. It can also be the ideal transition strategy for owners who want to exit while maximizing the value of their life's work.

3 Operational inefficiencies that scaling could solve

Smaller companies often face high per-unit costs, limited bargaining power with vendors, and underutilized resources.

If operational inefficiencies are impacting margins, scaling through M&A can offer immediate relief.

Larger combined operations typically bring greater economies of scale, shared technology platforms, streamlined processes, and reduced overhead. A merger or acquisition can transform operational weakness into a competitive advantage.

HERE'S YOUR CHECKLIST FOR PREPARING YOUR ARCHITECTURE FIRM FOR STRATEGIC GROWTH.

- ○ Do we have a 3–5 year strategic plan?
- ○ Are we prepared for leadership transition?
- ○ Is our firm attractive to potential buyers or partners, or sellers?

4 Difficulty attracting or retaining top talent

Persistent challenges in hiring or keeping high-performing employees may indicate deeper structural or brand-related issues.

Joining forces with a larger, more established, or better-known company can improve recruiting power, enhance company culture; offering employees a broader career path. This provides opportunity to access better HR infrastructure, stronger employer branding, and more robust benefits packages.

5 Desire to expand service offerings or geography

You may see untapped opportunity in new markets, service lines, or regions, but lack the infrastructure, relationships, or bandwidth to grow there organically.

By acquiring a company that already operates in your target geography or offers the services you aspire to provide, you sidestep years of development and open the door to rapid market penetration. This is especially effective in industries where speed to market can be the difference between leading and lagging.

STRATEGIC GROWTH BENCHMARKS

Metric	High-Performing Firms	Industry Average
EBITDA Margin	15% - 20%	8% -12%
Utilization Rate	65% - 75%	60% - 65%
Revenue per Employee	$150K - $200K	$120K - $140K
Backlog Coverage	6 -12 months	3 - 6 months

EBITDA: Earnings before interest, taxes, depreciation, and amortization; shows core profitability and cash flow.

Utilization Rate: Measures how much employee time is spent on billable work.

Backlog Coverage: Value of contracted project work not yet billed; indicates future revenue.

This chart outlines key financial and operational performance benchmarks, comparing high-performing firms with the industry average.

EBITDA Margin: High-performing firms report an EBITDA margin between 15 – 20%, significantly exceeding the industry average of 8 – 12%, indicating stronger profitability and operational efficiency.

Utilization Rate: Top firms maintain a utilization rate of 65 – 75%, compared to the average 60 – 65%, reflecting better alignment of billable hours with overall capacity.

Revenue per Employee: High-performing firms generate $150K – $200K in revenue per employee, surpassing the industry norm of $120K – $140K, suggesting better workforce productivity and fee structures.

Backlog Coverage: These firms also sustain a more stable pipeline, with 6 – 12 months of backlog coverage versus the 3 –6 months typical across the industry.

Together, these metrics serve as strategic benchmarks for evaluating firm performance and identifying opportunities for improvement in profitability, resource management, and long-term planning.

The M&A Journey: A Roadmap

How to Evaluate, Structure, and Execute a Strategic Merger or Acquisition

Feasibility Study– Is M&A the Right Strategic Move for Your Firm?

Before diving into the complexities of mergers or acquisitions, what are we trying to solve or achieve? Whether you're planning succession, trying to expand geographically, or addressing a capability gap, the path must align with your long-term vision. You know your firm's culture, staff, and market position better than anyone.

The question is: Does a transaction strengthen what you've built, or distract from it?

Assess Readiness, Risks, and Value Drivers

Know what you bring to the table. M&A isn't just about numbers; it's about fit, timing, and vision. Be honest about what your firm brings to the table and where you're vulnerable.

Analyze strength of leadership, talent pipeline and retention issues, client concentration risks, brand equity and market differentiation. You're assessing readiness to do a deal and defining what kind of partner or structure makes sense strategically.

Valuation & Modeling
Understand your worth and how the deal is built. Most of your value lies in your people, client relationships, pipeline, and your leadership. You'll need to evaluate clean and clear financials up to 3 – 5 years, assess leadership roles and responsibilities, compensation structures, backlog, and future project pipeline.

Many traditional valuation models miss the intangible value drivers in architecture. Working with advisors who understand creative services is important when considering these critical aspects.

Search & Matchmaking
Find the right partner. Don't just search for any buyer or seller. This is where strategy meets people, and it's about finding the right fit.

Ask yourself: Will our people thrive here? Will our clients feel continuity?

Consider looking for a firm that respects your legacy, culture, and design ethos.

Due Diligence & Negotiation
Due Diligence is where intent meets reality. It's your chance to check under the hood to confirm that what looks good on paper holds up in practice.

Integration Planning
Success happens after the signature. Too many firms underestimate the integration phase. This is where firm culture, operations, and client experience either come together or clash.

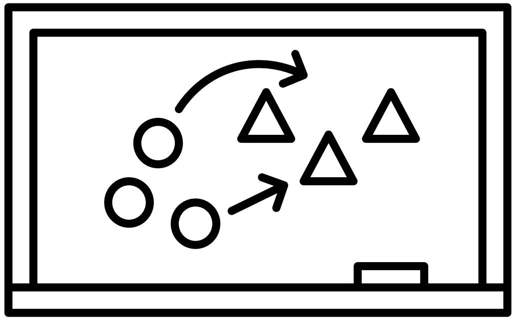
Plan Early For:

- Leadership structure and decision-making
- Brand identity (Do you merge names? Rebrand?)
- Project delivery systems and QA/QC processes
- HR policies, benefits, and payroll systems
- Internal communications and culture alignment

Remember: you're blending not just businesses, but identities. Be intentional about what stays, what changes, and how to bring your teams along for the ride.

Client Success Stories

Here are three anonymized case studies that illustrate successful M&A strategies in the architecture and design industry.



Growing Value through Partnerships and Acquisitions

A mid-sized architectural engineering firm with over 200 professionals partnered with Thinc Strategy to accelerate growth and maintain its competitive edge. With a goal to double in size within three years, the firm recognized that organic growth alone wouldn't suffice.

Founded in the early 2000s and known for its sustainable building expertise, the firm lacked a clear acquisition strategy and needed an equity partner aligned with its values. Thinc Strategy conducted an assessment, interviewing stakeholders, analyzing competitors, and building financial models to define realistic growth goals and strategic priorities.

Together, they targeted geographic expansion, service diversification, and tech enhancement. Thinc leveraged its private equity network to identify potential investors with industry experience and conducted due diligence to ensure alignment. As the deal progressed, Thinc advised on structure, terms, and post-acquisition integration planning.

Within three years, the firm acquired three companies, doubling its workforce and increasing revenue by 190%. These acquisitions expanded its geographic presence, deepened its service offerings, and introduced advanced engineering and green building capabilities.

By partnering with Thinc Strategy, the firm transformed its growth trajectory through a focused acquisition strategy, emerging as a national leader in sustainable architectural engineering.

Succession Planning via Strategic Merger

A legacy design firm with over 40 years of experience faced a pivotal moment as its founding partners approached retirement. Despite a strong market presence and loyal client base, the firm lacked a clear internal successor to take over ownership, putting long-standing relationships and brand equity at risk.

The firm chose to merge with a younger, tech-savvy design company. While the acquiring firm lacked the same level of brand recognition, it brought forward-thinking leadership, digital innovation, and strong operational capabilities, particularly in Building Information Modeling (BIM) and sustainable design.

This strategic merger presented an opportunity to move forward, preserving the legacy firm’s reputation and client base while modernizing its service delivery and leadership structure.

Results

- Executed a smooth and successful leadership transition
- Retained over 90% of existing legacy clients
- Rolled out BIM and sustainability services firm-wide
- Increased overall firm valuation by 2.5x within two years

M&A can be a powerful tool for succession planning, protecting legacy, maintaining client continuity, and introducing next-generation innovation and leadership.

Regional Expansion through Acquisition

A mid-sized architecture firm, known for its healthcare and education design portfolio, sought to broaden its geographic reach. Leadership recognized that regional concentration left the firm vulnerable to localized economic shifts and limited its long-term growth potential.

To ensure continued growth and stability, the firm aimed to expand into the Midwest. However, entering a new market organically posed significant risks and a lengthy timeline. The challenge was to find an acquisition target that would align culturally and complement the firm's core capabilities.

The firm acquired a smaller Midwest firm with a strong foothold in civic and municipal architecture. This brought regional credibility, local client relationships, and complementary project experience, enabling a smooth entry into a new market without diluting brand value.

Results

- Achieved a 30% increase in annual revenue within 18 months
- Expanded overall client base by 40%
- Retained 95% of acquired firm’s staff
- Fully integrated project management systems within 6 months

Geographic expansion through acquisition can deliver rapid, strategic growth—especially when cultural fit and service synergy are prioritized during the M&A process.

YOUR STRATEGIC GROWTH CHECKLIST: PREPARE YOUR ARCHITECTURE FIRM FOR GROWTH TODAY

- ○ Define your firm's long-term vision
- ○ Conduct a feasibility study
- ○ Benchmark financial and operational performance
- ○ Identify internal gaps and succession risks
- ○ Explore M&A as a growth lever
- ○ Engage a trusted advisor

"We are privileged to work with smart, innovative business leaders and owners."

– Cindy Anderson, CEO
Thinc Strategy, Inc.

"Working alongside passionate leaders to help great businesses is more than strategy; it's shared vision, trust, and impact."

– Kelli Snider, President
Thinc Strategy, Inc.

WHY THINC STRATEGY

With deep expertise in the AEC sector, Thinc Strategy is your strategic partner through every phase of growth. From feasibility studies to post-merger integration, we help you make informed decisions that align with your goals and values.

Get started today!

READY TO TAKE YOUR BUSINESS TO THE NEXT LEVEL WITH STRATEGIC BUSINESS TRANSITIONS?

Thinc Strategy is a nationally recognized firm in providing strategic services to businesses in the Architecture, Engineering, Construction (AEC), Environmental, and Life Sciences sectors. Whether you are looking to grow, perform, or transition, Thinc Strategy is known for combining the expertise of seasoned industry veterans with a focus on technology and process-driven solutions to deliver strategic growth and operational excellence. Positioning it's clients for success in their current landscape.

VISIT THINCSTRATEGY.COM OR EMAIL ADMIN@THINCSTRATEGY.COM TO LEARN MORE