Deltek CLARITY

47TH ANNUAL

Architecture & Engineering

Comprehensive Industry Study

TRENDS AND BENCHMARKS IN NORTH AMERICA

IN COLLABORATION WITH:

ACEC American Council of Engineering Companies

AIA

smps Society for Marketing Professional Services

TABLE OF CONTENTS

Foreword

The firms pulling ahead are those that have built the internal discipline to convert strategy into results, consistently and at scale.

Megan Miller
Sr. Director, A&E Industry Insights Lead, Deltek

The A&E industry has always operated in conditions that require firms to adapt quickly to shifting client demands, changing market dynamics and an evolving project landscape. What this year's Deltek Clarity Study makes clear is that adaptability alone is no longer enough. The firms pulling ahead are those that have built the internal discipline to convert strategy into results, consistently and at scale.

For decades, we have surveyed industry leaders to understand how firms are performing, how they are navigating change and where they see their greatest opportunities. This year's findings reflect an industry in transition: still financially strong but facing a more demanding environment shaped by margin pressure, AI adoption, workforce complexity, cybersecurity risk and ongoing political and economic uncertainty.

After two years of historic profitability, A&E firms are entering a period of normalization. Firms remain financially resilient overall, but the environment is placing a premium on how growth is achieved. There is more margin pressure, requiring pricing discipline rather than higher throughput. As a result, leadership is becoming more deliberate in cost control, project pursuit, delivery efficiency and emphasis on technology that delivers better outcomes: all areas where execution quality directly influences results.

The challenge facing leaders today is not simply finding and delivering projects. It is the ability to consistently convert strategy, investment, and activity into results. Projects are becoming more complex, which is the result of multiple forces converging at once: rising cost pressures, more selective clients, tighter labor markets, accelerating technology adoption and heightened expectations around delivery discipline. Individually, these challenges can feel manageable. Collectively, they signal a shift in how performance is managed and sustained across the industry.

The findings in this year's Deltek A&E Clarity Study highlight continued strong financials but point to softening in the market.

As utilization softened, labor costs rose and backlogs declined, operating profit on net revenue pulled back from its 2024 10-year high to 16.7%. Firms are also slightly less optimistic with their revenue growth forecasts with a projected 9.5% increase, reflecting a more measured outlook.

As firms look for ways to fill the pipeline, competition is creeping in. While firms delivered more proposals, conversion metrics declined, pointing to a need for a more deliberate, structured pursuit strategy. The data suggests that clarity, not volume, is becoming a competitive advantage.

Technology is playing a key role in this as firms are not only looking to deliver better data faster, but the data also points to a surge in AI adoption across the industry. However, adoption has not yet consistently translated into measurable business impact. Firms seeing the greatest returns are not those experimenting broadly, but those operating with intent, pairing AI with integration across existing systems, clearly defined use cases and measurable objectives. Disconnected tools and unstructured experimentation, by contrast, often add complexity without improving execution.

Firms are continuing to look for ways to drive more value in project delivery by investing in the fundamentals: formalizing KPI tracking, building more consistent internal project evaluations and expanding training across a broader share of project leaders.

This reflects a growing recognition that forecasting accuracy, schedule maturity and financial accountability are baseline expectations rather than differentiators. Firms lacking consistency in these areas are finding it harder to protect margins, sustain productivity, and scale effectively.

Delivering great projects requires great people and this year's results highlight that the talent struggles of the A&E industry aren't going anywhere. Employee turnover remained high, but relatively unchanged, and competition for skilled professionals now extends beyond compensation alone. Career visibility and early talent development are just a few of the decisive factors in retention. While hiring has stabilized, firms strengthening internal staff development and modernizing how they manage people are better positioned to retain their key players.

Within this environment, a clear differentiation is emerging. High performing firms are not simply executing better within the same traditional operating model, they are evolving. Their advantage comes from alignment. They convert activity into outcomes more efficiently. They align talent to execution priorities rather than growth for growth's sake. They translate technology investment into integrated workflows, not disconnected tools. And they use data not just to understand what is happening, but to decide what to do next.

This year's Deltek Clarity Study is designed to help leaders understand the signals and identify opportunities for their firm to excel. It provides a data driven view of where the A&E industry stands, how peers are responding to growing constraints, and where execution gaps are most likely to surface. More importantly, it highlights where leadership focus can make the greatest difference and close the gap between strategy and results.

As project and business complexity continue to rise, success will be defined by how well firms align strategy, investment and action to move the business forward with control and flexibility. The Deltek Clarity Study exists to bring focus, perspective, and practical insight to an industry operating where uncertainty is a permanent fixture and mounting pressures and complexities are the new norm, helping leaders turn signal into clarity, and clarity into sustained performance.

About this Study

For the past 47 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 2026, with financial metrics reflecting firms' 2025 fiscal year performance. The 47th Annual Deltek Clarity Architecture & Engineering Study includes data from 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, **38% 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, **54% 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

The size of participating firms was diverse when measured by the number of employees. Deltek Clarity defines firms by size as follows:

- Small: 0–50 employees (42% of participants)
- Medium: 51–250 employees (42% of participants)
- Large: 251–750 employees (16%% 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 12%** of all Study participants.

This year's Study involved 896 firms, representing a broad cross-section of businesses within the A&E industry in North America.

Executive Summary

Firms remain profitable and operationally capable, but softening metrics, rising costs and growing economic uncertainty are increasing pressure on how firms manage execution, decision-making and their approach to people, processes and technology.

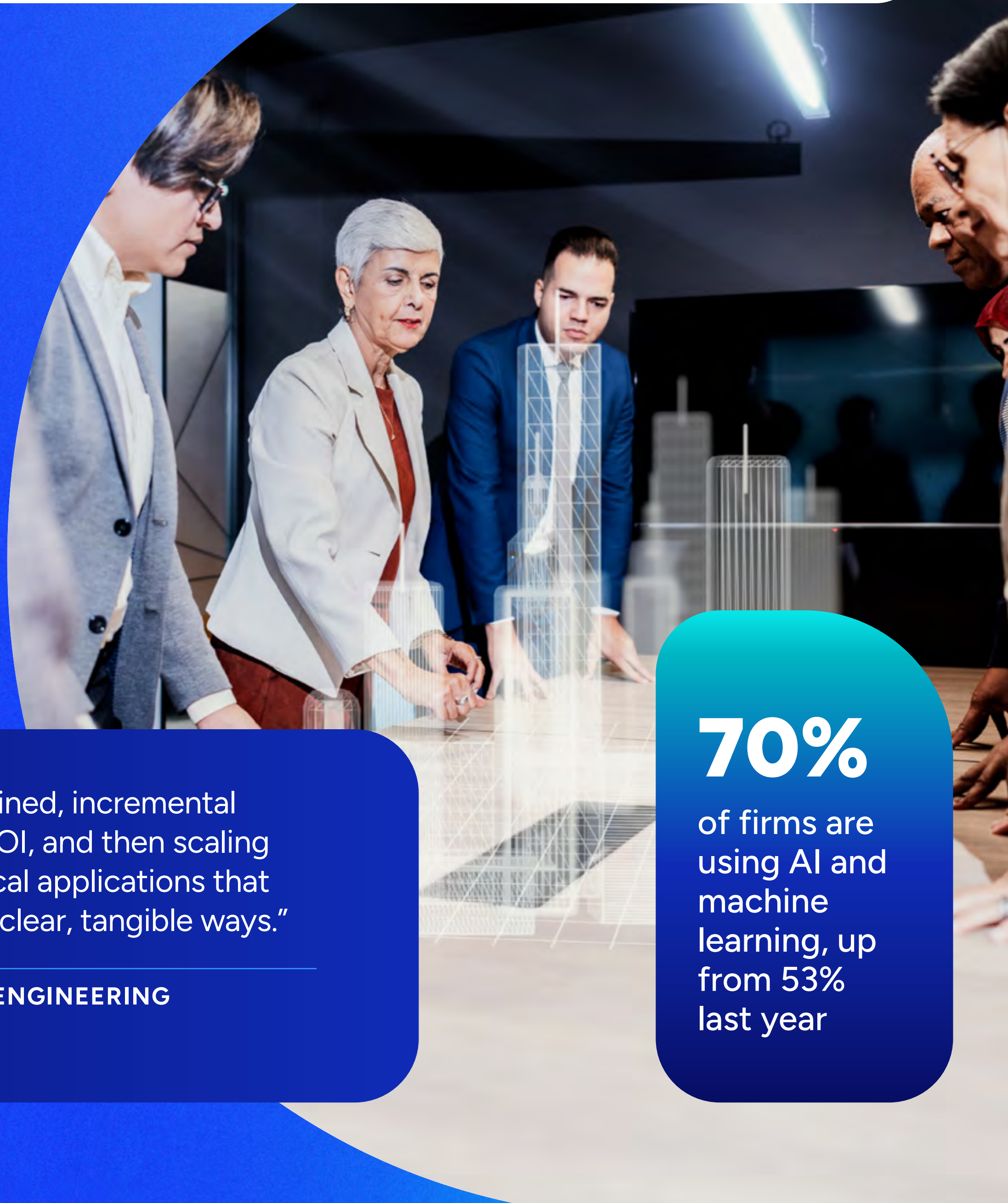
The 2025 fiscal year marked a shift in operating conditions. Financial performance remained solid by historical standards, but operating profit, utilization and backlogs all declined from recent highs, and net revenue per employee reached a new 10-year high even as efficiency metrics softened. Firms are generating more revenue, but underlying efficiency pressures are increasing and placing greater strain on margins. Firms maintaining performance are those continuing to invest in the internal disciplines that support efficient execution.

Investment and activity both surged this year, but returns did not consistently follow. Proposal volumes climbed sharply while win and capture rates declined. AI and machine learning have been adopted by a majority of firms, yet measurable impact has not emerged for most. Translating AI investment into measurable results across business development, technology and project management remains a central operating challenge.

Employee turnover remained high, but relatively unchanged, and firms are competing for people on dimensions that compensation alone cannot address. Career development, management quality and early-talent investment are becoming increasingly important factors in attracting and retaining talent. As firms balance growth expectations with delivery constraints, workforce strategy remains closely tied to execution capacity and overall performance.

01

Technology Trends



A&E firms are accelerating their investment in AI and digital tools, driven by the recognition that building a strong digital foundation is a prerequisite for competitive advantage.

A&E firms are approaching technology with a sense of urgency. AI adoption has surged across the industry, with firms expanding their use of machine learning, generative AI and automation across business functions. Those seeing the greatest returns are maturing digitally: setting clear objectives, integrating their IT systems and investing in their people.

> "Overall, firms that are seeing early AI value are taking a disciplined, incremental approach, starting with targeted efficiency gains, validating ROI, and then scaling selectively. The most effective approach is to focus on practical applications that solve immediate business challenges and can be measured in clear, tangible ways."

DAPHNE BRYANT, EXECUTIVE DIRECTOR, AMERICAN COUNCIL OF ENGINEERING COMPANIES (ACEC) RESEARCH INSTITUTE

70%

of firms are using AI and machine learning, up from 53% last year

Addressing Top Technology Challenges

1 Prioritizing Applicable Technology Trends

With AI tools multiplying rapidly, deciding where to focus remains the industry's top technology challenge. Not every new solution delivers equal value, and the cost of chasing the wrong ones, in time, budget and organizational focus, is real. Firms that evaluate new technologies through the lens of their business goals and client expectations and operational priorities will be better positioned to invest where it matters most and build a technology strategy that holds up over time.

2 Lack of Time to Invest in Learning

Day-to-day demands continue to crowd out time for training and experimentation, and that pressure is intensifying as the pace of technology change accelerates. Firms that carve out dedicated time for learning tied to specific tools and business objectives will be better equipped to convert investment into efficiency and build the organizational capability that sustained AI value requires.

3 Cost of Technology

Technology investment is a real and persistent concern, and it doesn't get easier as the AI landscape expands. The key is moving from reactive spending to strategic allocation: identifying the specific business outcomes technology is expected to support, prioritizing solutions that integrate with existing systems and measuring returns against clear objectives. Firms that approach technology spending this way reduce the risk of costly missteps and are better positioned to get meaningful, measurable value from every dollar invested.

> "It's inevitable that AI will transform professional services of all types. Early adopters have already incorporated AI technology into internal operations, marketing and RFP responses. The challenge will be how to capture the benefits and avoid downward pressure on fees."

IAN RUSK, MANAGING PRINCIPAL, RUSK O'BRIEN GIDO + PARTNERS

Technology Trends Overview

AI adoption has surged across the A&E industry. Now, firms are beginning to build the foundation to make that investment pay off.

A&E firms are approaching technology with more urgency, and the data tells an encouraging story. AI and machine learning usage jumped 17 percentage points in a single year, reaching 70%. Generative AI usage climbed to 78%, with application across every use case growing. The industry is adopting AI broadly, but the next step is embedding it into everyday business processes.

This year's Study also shows that meaningful AI returns require more than adoption. The data points to where the work is happening: 67% of firms name creating a strategic plan for implementing technology as their top initiative, 58% are prioritizing educating staff on technology trends and 50% say reengineering business processes is the leading IT operations strategy. Firms making progress on these fronts, with aligned strategy, trained teams and integrated systems, are the ones reporting measurable returns.

Across industries, translating AI adoption into measurable returns has become the defining technology challenge of 2025-2026. McKinsey's 2025 State of AI research found that only 39% of organizations across all sectors and industries report measurable firm-level impact from their AI investments, remarkably consistent with this Study's findings.[1] The A&E industry is not navigating this transition alone. The challenges are universal, the lessons from across industries point in the same direction.

Digital maturity is the path forward. Realizing the returns from AI investment depends on a foundation that meets specific requirements: a connected, cloud-based tech stack; clean, accessible data; workflows redesigned for digital processes; a well-trained, aligned workforce; and governance structures that define accountability. As the threat landscape grows more sophisticated, that governance layer increasingly includes cybersecurity: nearly all A&E firms have experienced attempted cyber attacks, and the policies and training that defend against them are part of the same organizational foundation that makes AI adoption sustainable. Firms do not need to have all of this in place before getting started, but they do need a plan to build it.

The urgency is real. The percentage of firms that believe they risk losing market share without meaningful digital progress within two years rose to 42%, up nine percentage points. Across all firm sizes, the message is consistent: the firms that align AI adoption with clear objectives, invest in their people and build on a strong digital foundation will be the ones that emerge as leaders.

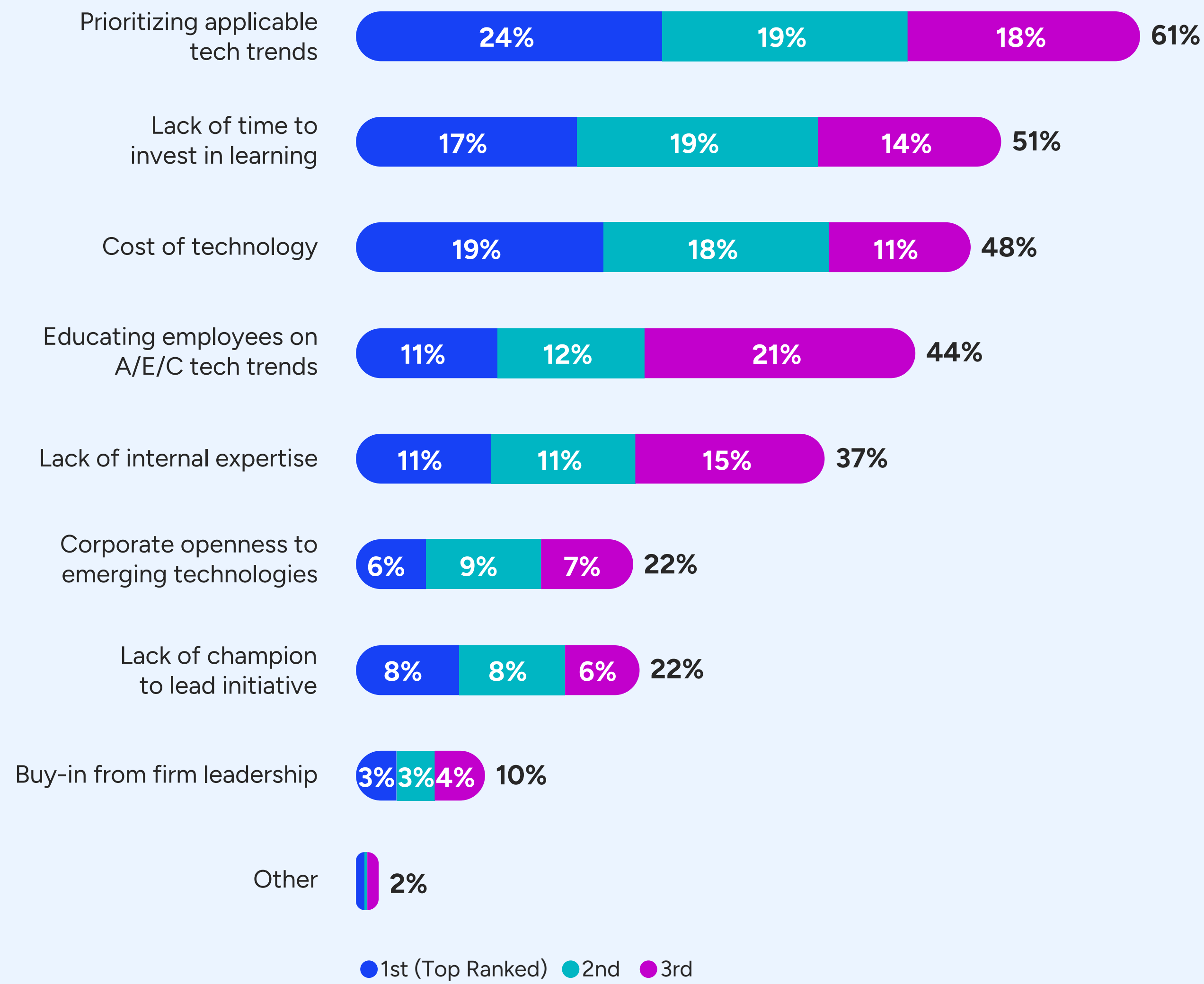
Firms that align AI with clear business objectives and build the digital foundation it requires are best positioned to achieve ROI. The path forward is not about adopting more tools. It is about using the right ones well.

[1] "The State of AI: 2025," McKinsey & Company, November 2025.

Top Technology Trend Challenges

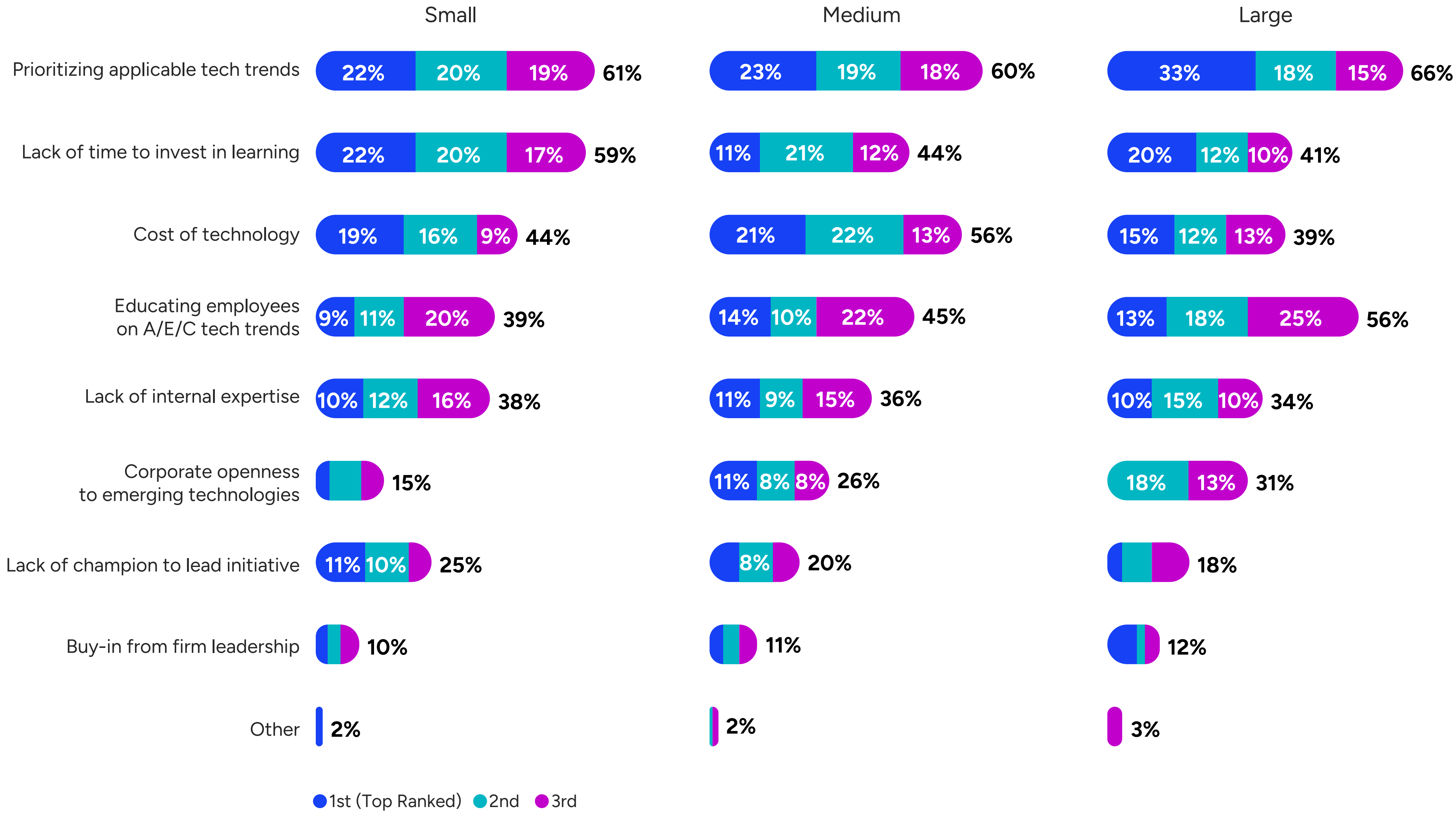
Survey respondents were asked to identify their top three technology trend challenges over the next three years. Once again, prioritizing applicable technology trends tops the list of A&E technology challenges, cited by 61% of firms. The broader picture shows that keeping pace with technology is growing harder. Lack of time to invest in learning climbed to 51% (up from 43%), moving into the second spot and displacing cost of technology, which came in third at 48%. Educating employees on technology trends also rose to 44% (up 11 percentage points). The movement across these challenges tells a consistent story: as AI tools multiply and evolve, firms are not just contending with a complex technology landscape, they are also contending with the internal capacity needed to navigate it. Firms that carve out dedicated time for learning and match that investment to specific tools and business objectives will be better equipped to turn adoption into results.

More large firms reported prioritizing applicable technology trends is their top challenge, with 33% ranking it their single top challenge, roughly 10 percentage points higher than small and medium firms. Beyond that, secondary pressures diverge. Small firms feel the time crunch most acutely at 59%, medium firms are more constrained by cost at 56%, and large firms cite educating employees as their second-highest challenge at 56%.



Note: Respondents selected and ranked their top three options.

Top Technology Trend Challenges by Firm Size

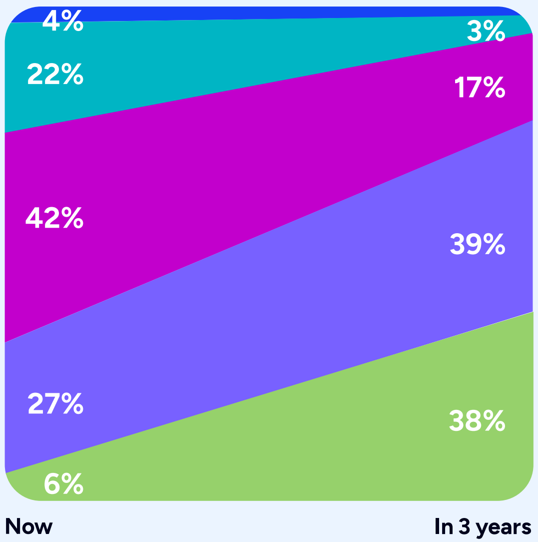


Note: Respondents selected and ranked their top three options.

Digital Transformation Maturity

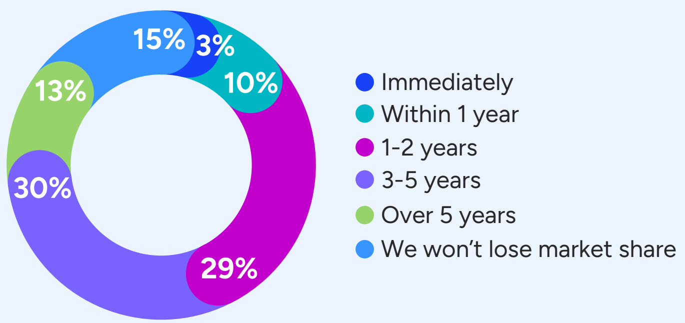
Digital maturity is not simply about having the latest technology. It reflects how well a firm's business strategy and IT management work together, and whether that alignment has created a culture of innovation. For firms looking to realize the full value of AI, that alignment is the starting point. Translating it into results means also building the specific infrastructure AI depends upon: a connected, cloud-based tech stack where systems communicate across functions; clean, accessible data that is not trapped in spreadsheets or siloed by department; workflows redesigned for digital processes rather than adapted from analog legacies; governance structures that define accountability and keep humans in the loop; and a workforce that is trained and aligned to work alongside intelligent tools. Firms that have established strategic and IT alignment are well positioned to take on that next layer.

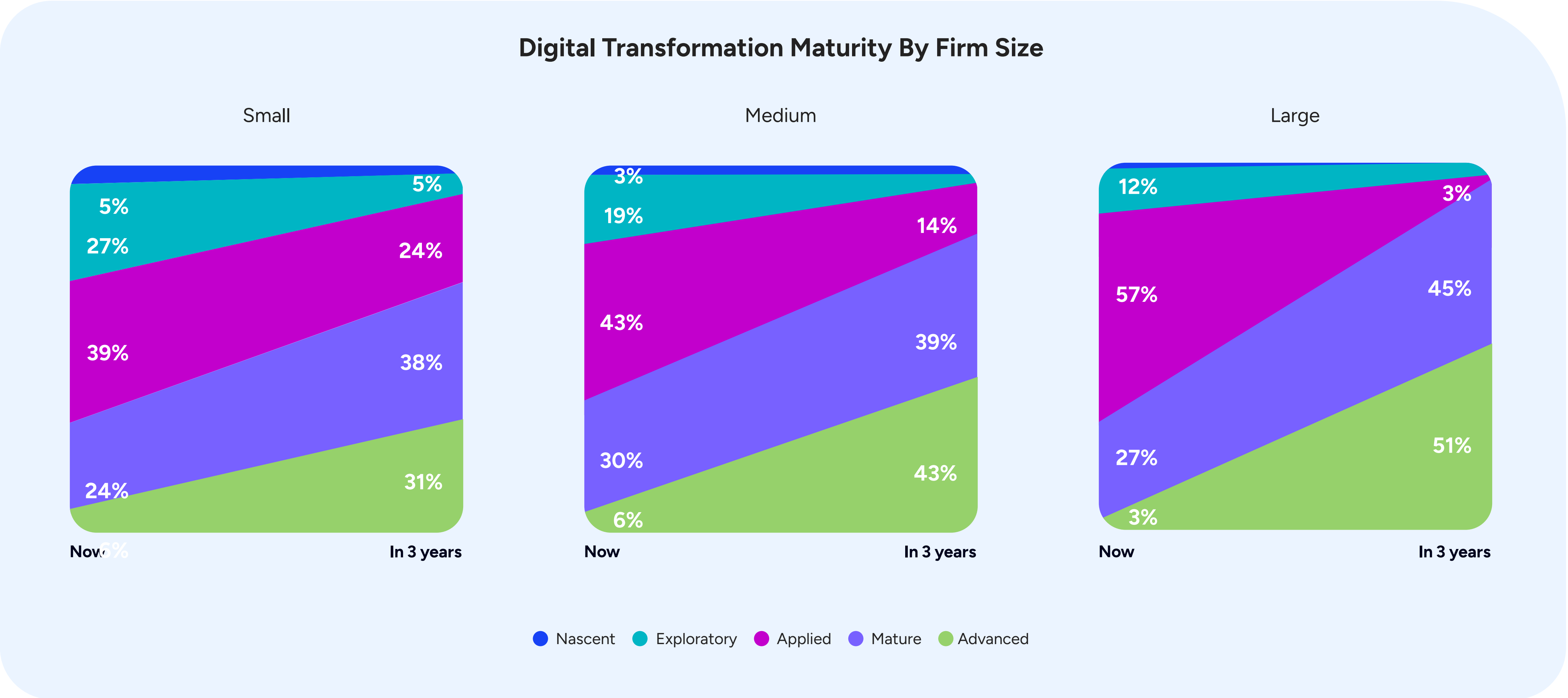
This year, 33% of firms classify themselves as mature or advanced, roughly steady with last year and nearly double the share from four years ago. The largest segment, 42%, sits in the applied stage, where business and IT goals are aligned but digital initiatives have not yet reached their full potential. Firms at the applied stage have the alignment between business and IT goals that makes meaningful progress possible. The work then is using that alignment to drive measurable business impact, moving from structured initiatives to outcomes that show up in operations, project delivery and financial performance.



- **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 basis, which is neither predictable nor 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





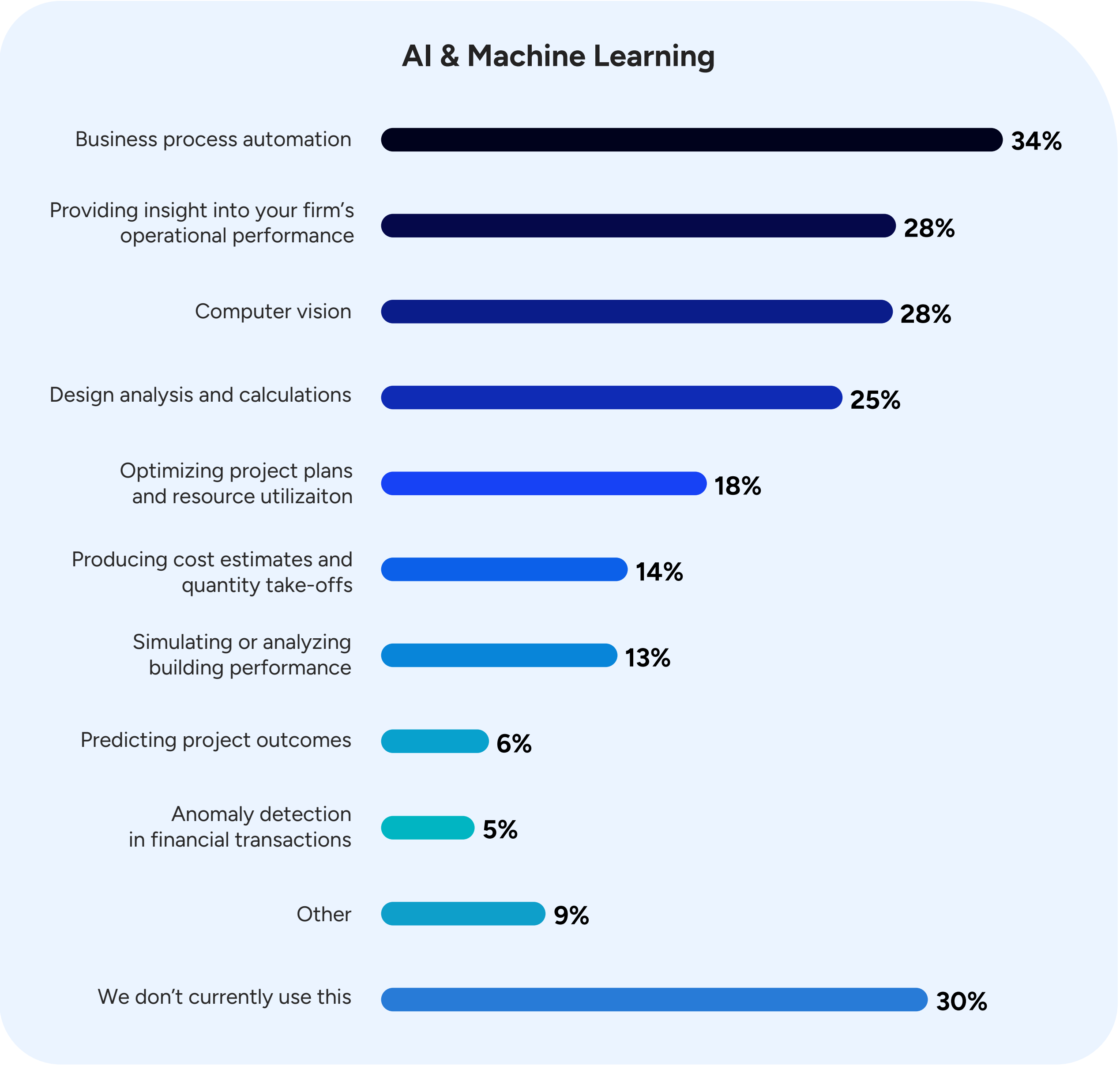
Ambitions are high. Looking three years ahead, 77% of firms expect to reach the mature or advanced stage, with large firms the most bullish: 51% project advanced status compared to just 3% today. The urgency behind those projections is real. The share of firms that believe they risk losing market share without meaningful digital progress within two years rose to 42%, up nine percentage points year over year. For firms at every stage, the question is no longer whether to build that foundation. It is where to start.

The Use of Artificial Intelligence

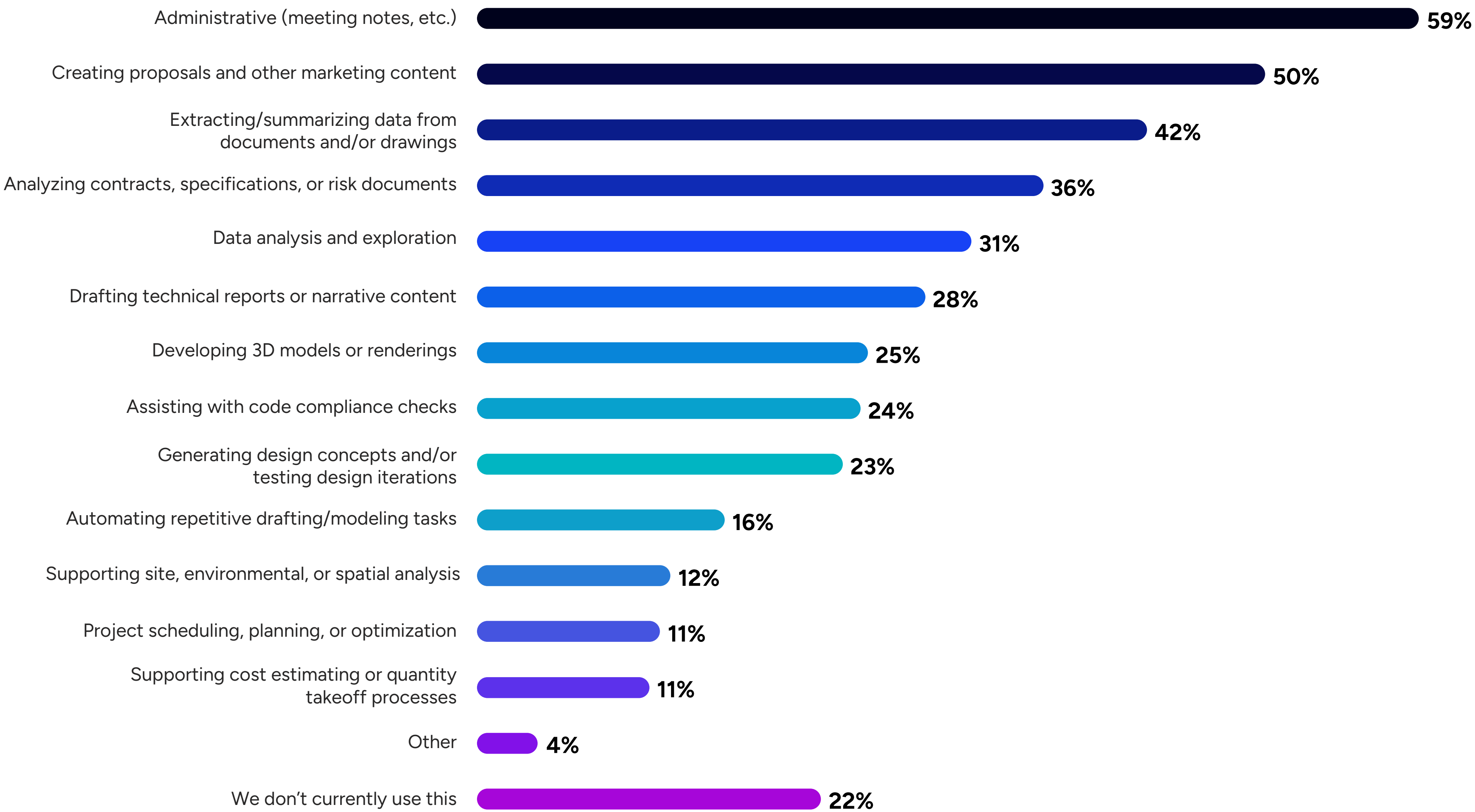
When asked how they are currently applying AI and machine learning across their business, firms reported accelerating adoption across every functional capability measured in this Study. Usage jumped from 53% to 70% in a single year. Business process automation led at 34% (up 10 percentage points from 24%), followed by providing insight into operational performance at 28% (up 17 percentage points from 11%) and computer vision at 28% (up six percentage points). Optimizing project plans and resource utilization, new this year, premiered at 18%.

A separate question asked firms specifically about their day-to-day use of generative AI tools across individual tasks and workflows, revealing even faster growth. Overall use climbed from 64% to 78%. Firms use it most for administrative tasks such as meeting notes (59%) and creating proposals and other marketing content (50%, up from 39%). Extracting and summarizing data from documents and drawings came in at 42%, and analyzing contracts, specifications or risk documents debuted at 36%. Use for project-specific tasks is increasing but remains more limited: project scheduling and cost estimating each premiered at 11%. That pattern reflects where firms are in their generative AI journey. Administrative and BD use cases require less workflow redesign and integrate naturally into existing processes, making them a logical starting point. Project-delivery applications, where the potential for operational impact is greatest, are the next frontier as firms build the underlying data and process foundations those use cases require.

The increase in generative AI adoption is largely driven by small firms, which showed the sharpest gains and are catching up with medium firms across many use cases. Nearly all large firms (90%) now use generative AI. The speed of adoption is notable, and it signals that the path from early use to deeper integration is shortening.



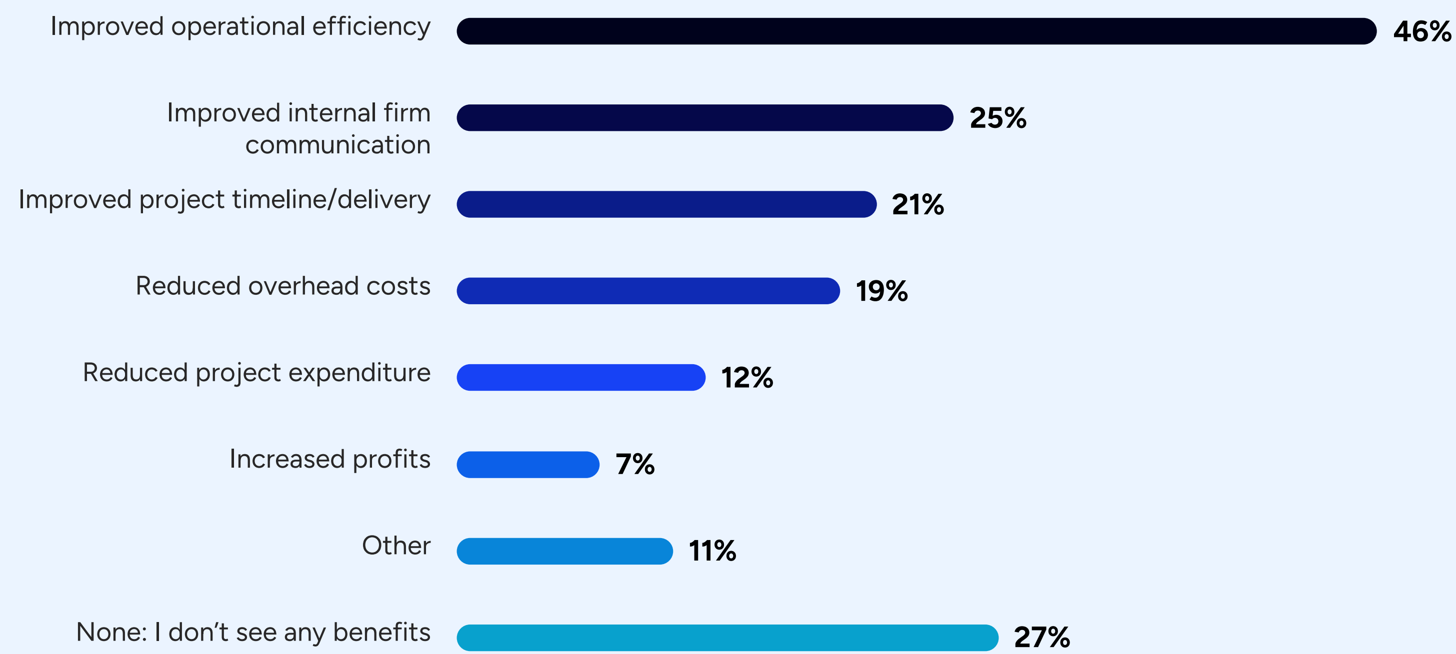
Use of Generative AI



Primary Benefits of AI

Measurable positive benefits from AI are being reported by 38% of firms. Among them, improved operational efficiency tops the list at 46%, followed by improved internal firm communication at 25% and improved project timeline and delivery at 21%. These results reflect where AI is delivering the most value today and point to where the greatest opportunity lies. Project timeline and delivery, which demand deeper data integration and workflow redesign, represents the area of greatest untapped potential as firms continue building their digital maturity foundations.

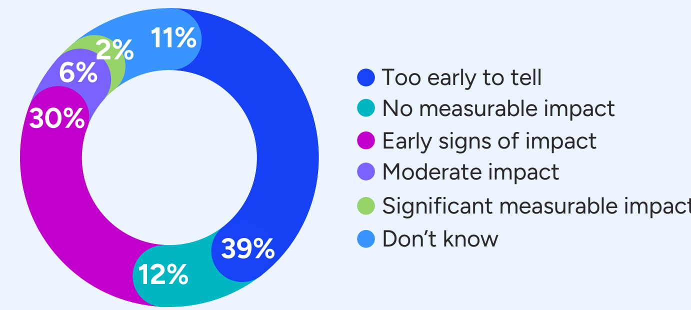
As AI adoption has expanded rapidly, more firms are in the early stages of deployment, and the benefit picture reflects that. The benefits registering most strongly correspond directly to the AI use cases with the highest adoption, as described in the previous section: business process automation and providing insight into operational performance are translating into improved operational efficiency (46%), while generative AI use in meeting notes, proposals and document drafting is driving gains in internal firm communication (25%).



These use cases offer accessible entry points that deliver tangible returns quickly and build organizational confidence for broader AI integration. By contrast, the benefits that have lower rankings, including improved project timeline and delivery (21%), reduced overhead costs (19%) and increased profits (7%), require firms to more fully embrace the AI capabilities already available to them across project and financial systems. The data is not telling a story of AI falling short. It is telling a story of firms at different stages of the journey toward realizing its full potential.

For firms still in the pilot phase, the most useful question is not whether AI will deliver value, but whether the conditions for value are in place: clean data, integrated systems and a use case tied to a measurable business outcome. The 38% of firms already seeing benefits are showing the way: they are beginning to see early signs of impact or efficiency gains, moderate improvements in productivity and cost savings or significant measurable benefits from their AI adoption. Firms that are further along in their AI journey are integrating it into everyday operations and workflows rather than treating it as a standalone tool.

AI Impact Level



"AI is helping teams move more efficiently on foundational work such as first drafts, content development, and ongoing communication. The benefit is creating more time for strategy and relationships."

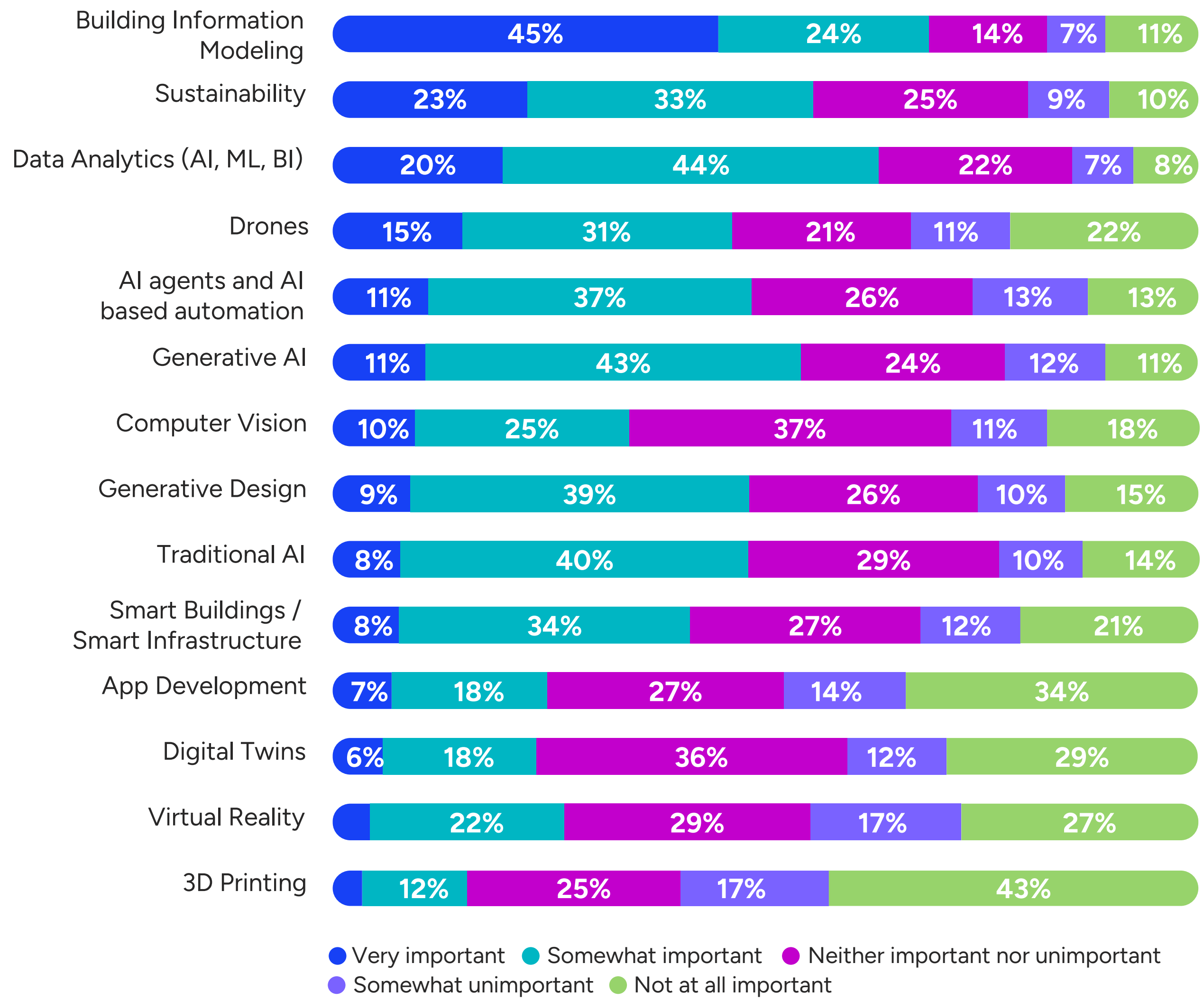
MARCI D. THOMPSON, CHIEF EXECUTIVE OFFICER, SOCIETY FOR MARKETING PROFESSIONAL SERVICES (SMPS)

Importance of Technology in Project Delivery

Respondents were asked to rate how important specific technologies are to their firm's project delivery. Building information modeling (BIM) remains the most important technology for project delivery, with 45% of firms rating it very important, up slightly from 43% last year. Its continued dominance reflects how thoroughly BIM has become embedded in core project workflows, and it sets a useful benchmark: technologies that become essential to delivery do so because they are integrated into daily practice, not simply adopted in principle. Sustainability (23%) and data analytics (20%) follow at a distance, and both dipped modestly year over year.

The most significant movement is with AI agents and AI-based automation, which nearly doubled in perceived importance, from 6% to 11% of firms rating it very important. When combined very and somewhat important ratings are considered, the share rose from 36% to 48%, a 12-percentage-point gain that signals a meaningful shift in how firms are thinking about AI in the context of project work. The conversation is moving beyond generative AI, which held steady at 11%, toward more autonomous, task-oriented applications that could reshape how project teams plan, execute and deliver. Computer vision, new to the survey this year, premiered at 10%.

Firms that are already exploring agentic AI in the context of projects are building a capability that is likely to become as foundational to delivery as BIM is today. The gap between where BIM stands and where AI agents stand now is not a measure of shortfall. It is a picture of the opportunity ahead.

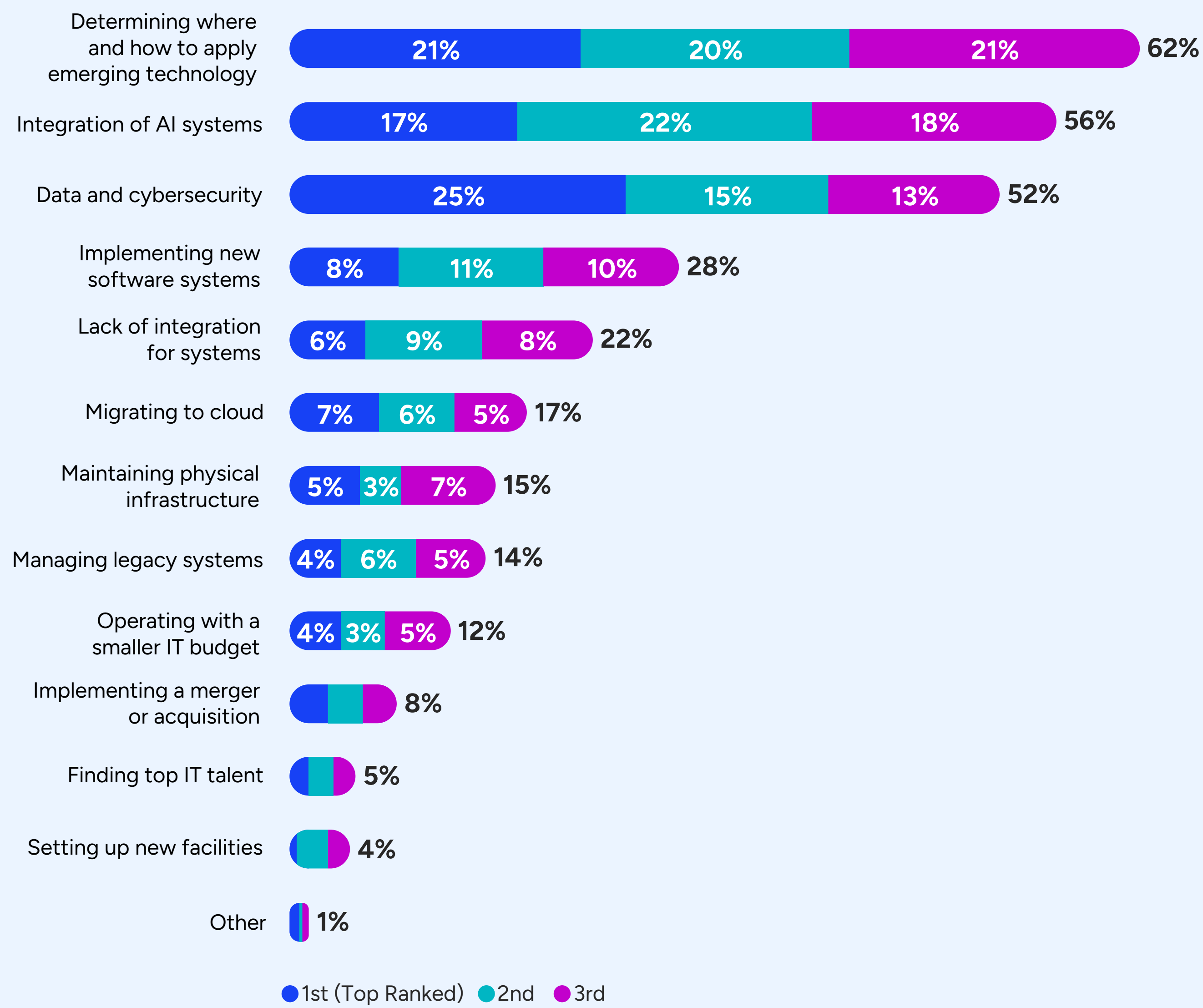


IT Operations Challenges

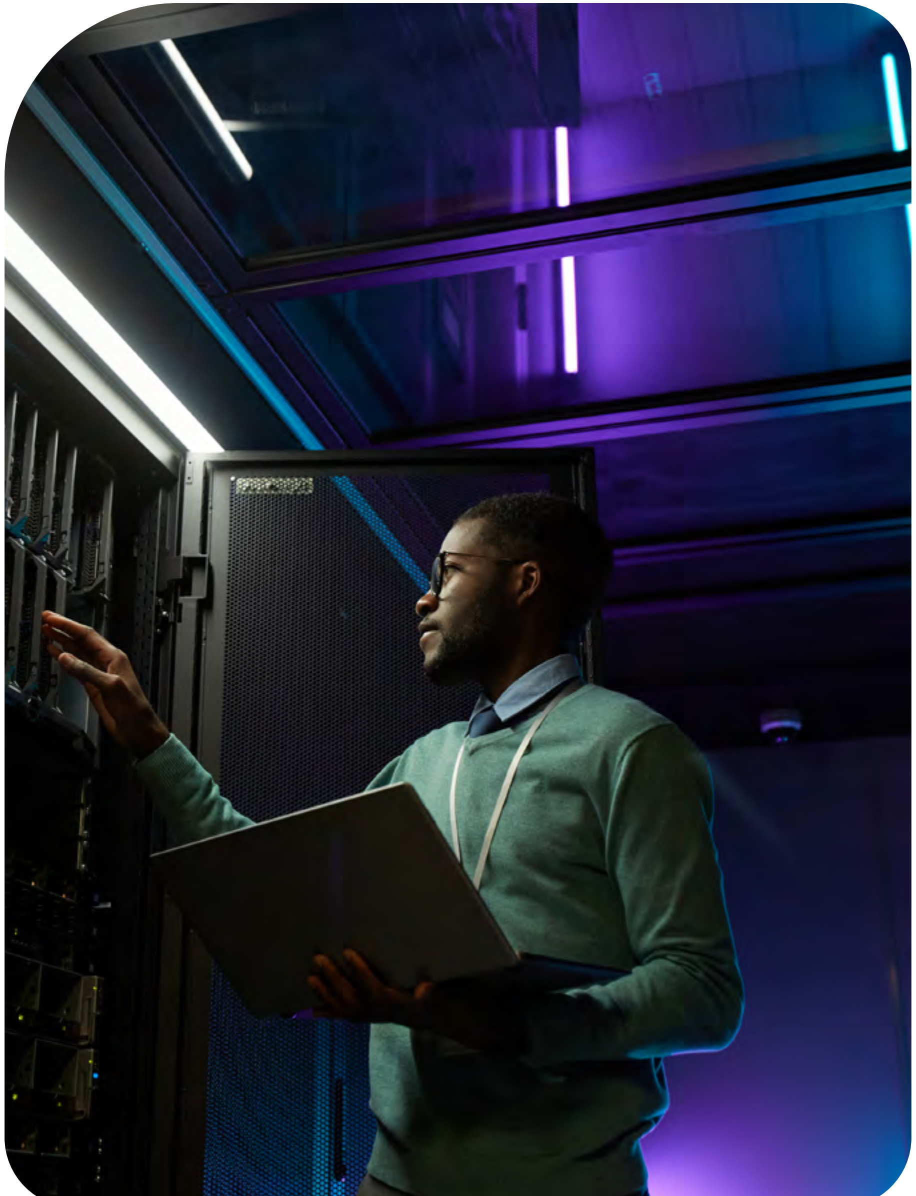
Respondents were asked to identify their top IT operations challenges and how their firm is addressing them, as investment in AI and related tools continues to accelerate. Determining where and how to apply emerging technology remains the top challenge at 62%. Integration of AI systems, new to the survey this year, debuted as the second most pressing challenge for 56% of firms. The question is no longer simply whether to adopt AI, but how to make it work within existing systems, workflows and data environments. Data and cybersecurity rounds out the top three challenges at 52%.

Together, these three challenges form an interconnected set that leaders across industries are grappling with: applying AI effectively requires integrating it into a well-governed, secure environment. Firms that address all three together, rather than in isolation, are best positioned to mature from their AI experimentation to experiencing operational impact.

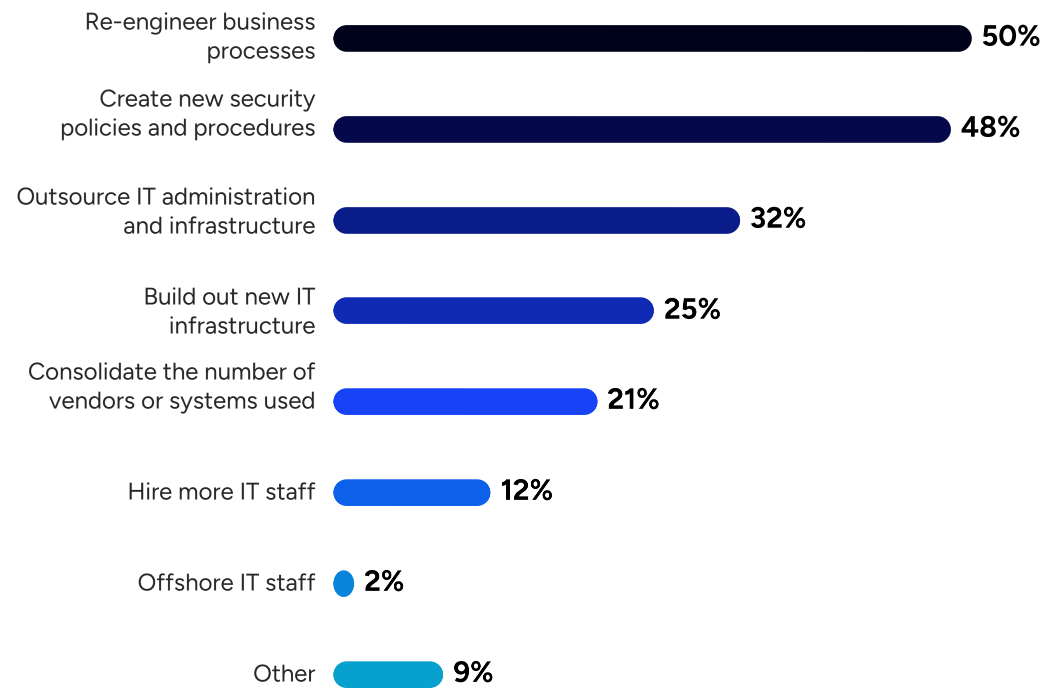
Firms are responding by reengineering business processes, now the top strategy for 50% of firms, up from 45% last year. Creating new security policies and procedures follows closely at 48%. Building out new IT infrastructure, by contrast, fell six percentage points to 25%, reflecting a broader shift toward optimizing existing environments and accelerating the move to cloud-based solutions rather than expanding on-premises infrastructure.



Note: Respondents selected and ranked their top three options.



Addressing IT Operations Challenges

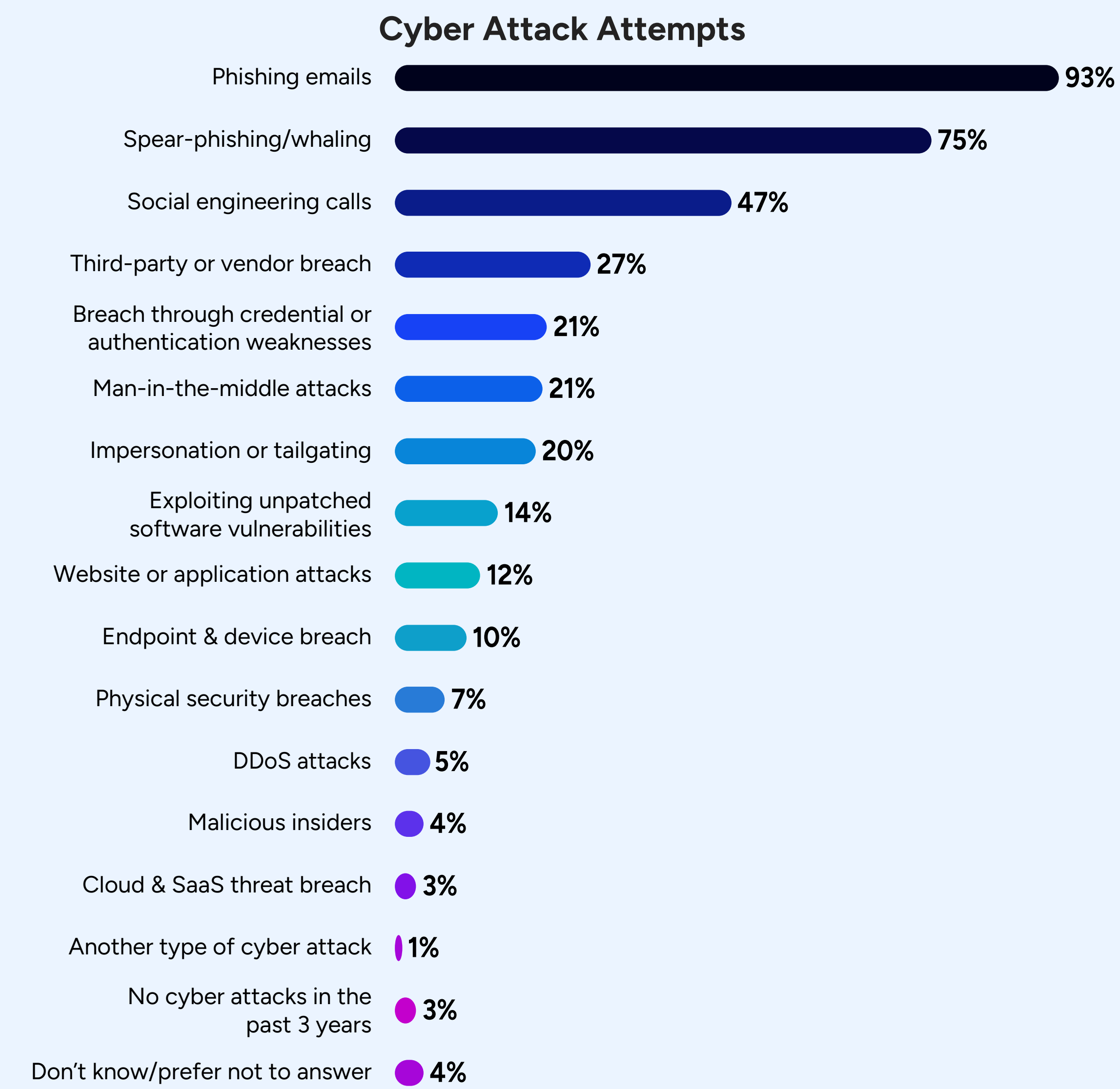


Cybersecurity Challenges and Impacts

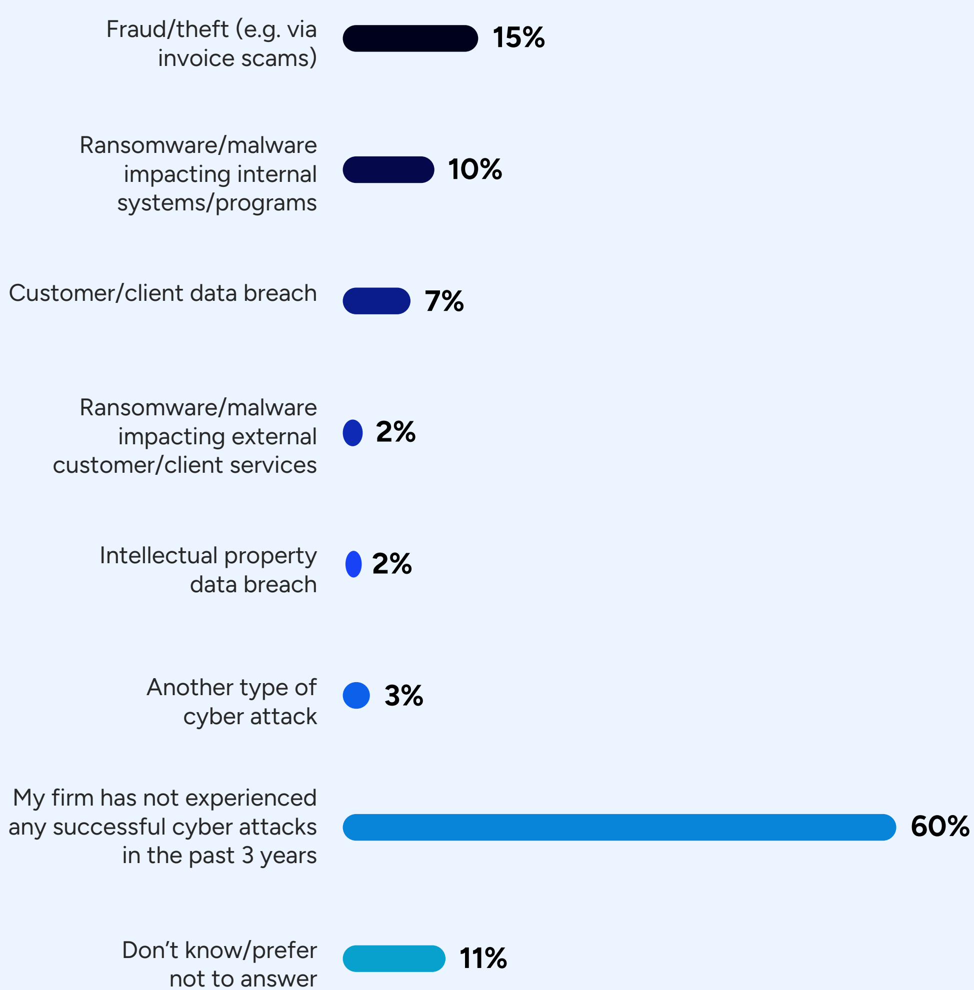
Respondents were asked about their firm's experience with cyber attacks over the past three years. Nearly all firms (93%) report experiencing an attempted cyber attack, with phishing emails cited by 93% of affected firms, spear-phishing or whaling by 75% and social engineering calls by 47%. The pattern is consistent: the most common attack vectors are human-facing, targeting employees through deception rather than exploiting technology directly. Only 3% of firms report no attempted attacks.

While the volume of attempts is striking, the majority of firms are successfully holding the line. When asked about actual breaches, 60% report no successful cyber attack in the past three years. Among those that did experience a breach, fraud and theft such as invoice scams led at 15%, followed by ransomware or malware impacting internal systems at 10% and client data breach at 7%. For the subset of firms that experienced a successful attack, financial loss was the most frequently cited impact at 15%, followed by reputational damage among clients at 6% and severe disruption to firm operations at 5%. The encouraging counterpoint: 58% of firms that experienced a successful attack report no measurable negative impacts.

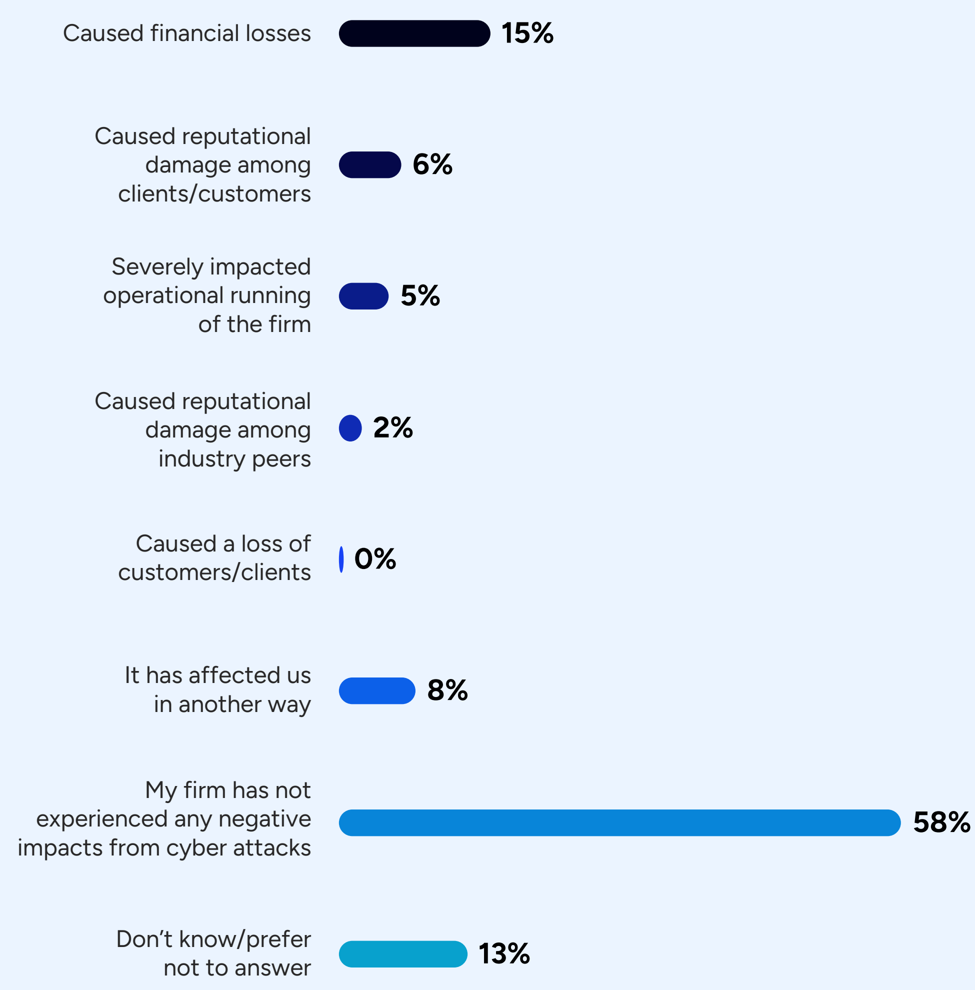
Looking ahead, the threat landscape is expected to intensify. Ransomware and malware impacting internal systems tops the list of future concerns at 68%, a sharp contrast to its relatively limited presence in actual breach experience to date. Fraud and theft (48%), client data breach (47%) and ransomware impacting external client services (42%) round out the top concerns. With AI-powered attack methods emerging as a growing threat, the industry's resilience will depend on treating cybersecurity as an organizational priority rather than a technology problem: investing in employee training, enforcing security policies and building governance structures that reduce the human vulnerabilities these attacks are designed to exploit.

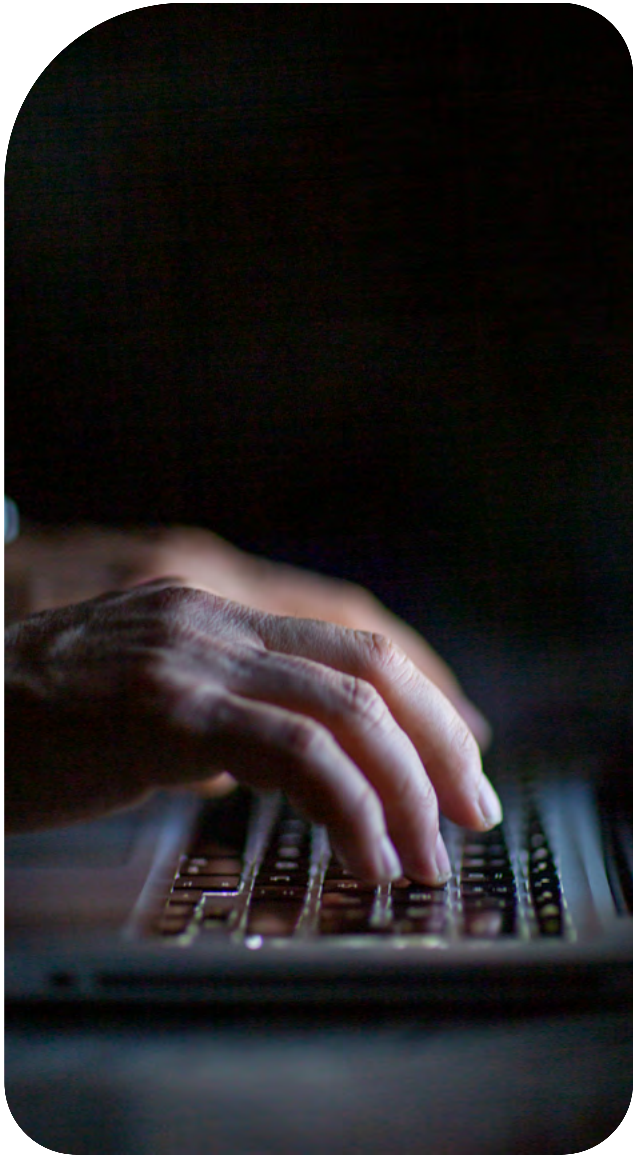


Experiences Due to Cyber Attacks

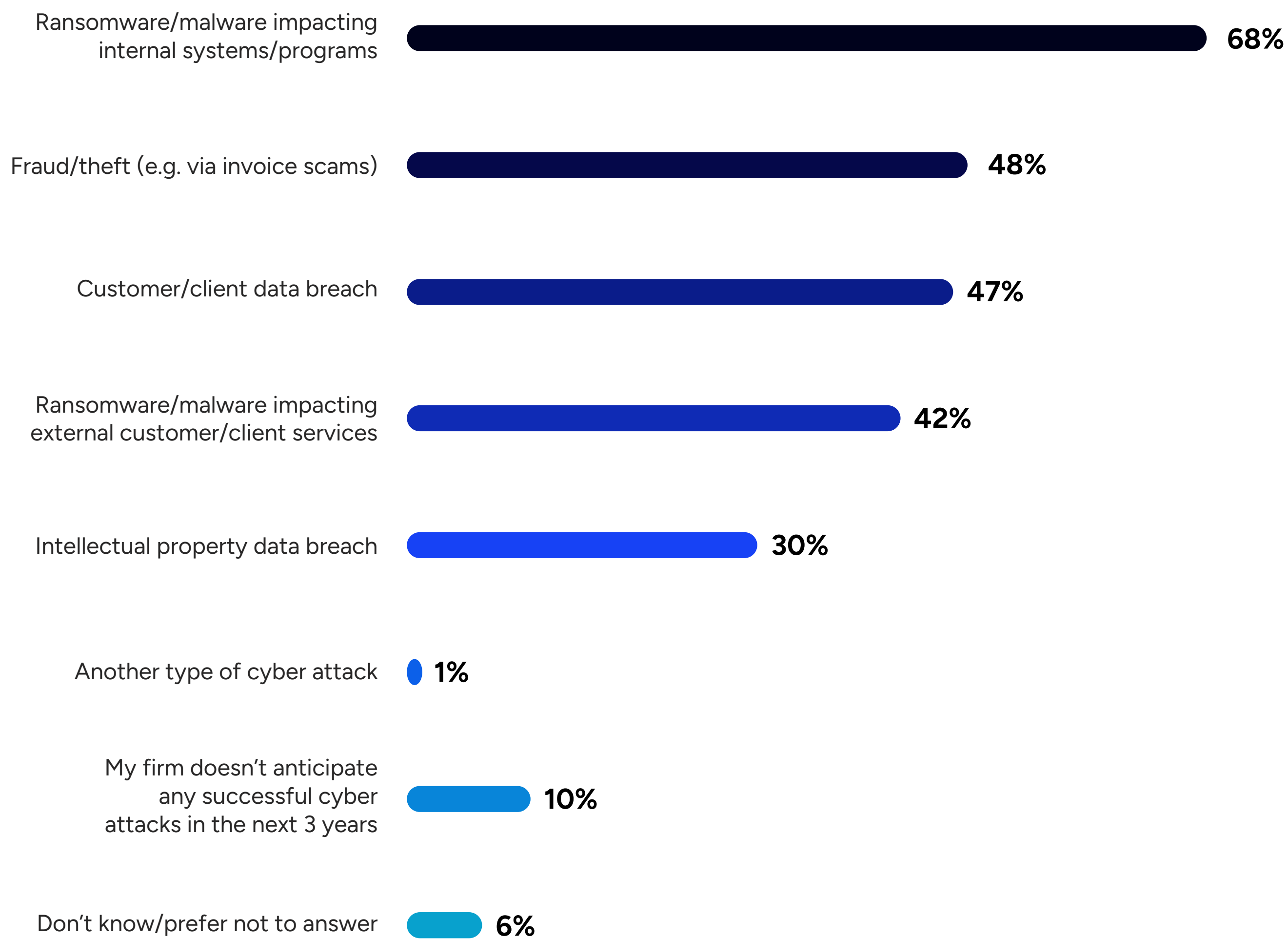


Cyber Attack Impacts





Types of Cyber Attack Firms are Concerned About



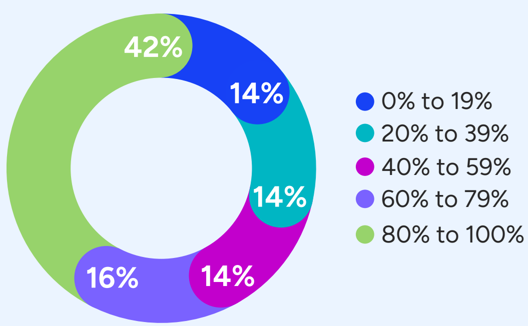
Cloud Adoption

Respondents were asked what percentage of their firm's overall infrastructure, systems and tools are cloud or SaaS-based, reflecting the firm's technology strategy rather than individual employee usage. Across the A&E industry, the answer reflects steady and meaningful progress. More than half of firms (58%) now report that at least 60% of their firm's infrastructure and systems leverage cloud or SaaS, up from 52% last year. At the top end, 42% of firms report that 80% or more of their systems are cloud-based, up from 37% last year. This jump reflects a growing reliance on cloud environments to support daily operations, long-term scalability and AI readiness.

At the other end of the spectrum, only 14% of firms remain in the earliest stages of cloud adoption with fewer than 20% of their systems in the cloud, down from 20% last year. That six-percentage-point drop signals that even the most cautious firms are now making the transition.

Cloud infrastructure has moved from competitive differentiator to baseline requirement. Firms operating at higher levels of cloud adoption are better positioned to take advantage of AI tools and data analytics capabilities, because the integration, security and scalability those tools depend on are already in place. For firms still building out their cloud environment, the transition is not a prerequisite to getting started with AI, but it is the foundation that makes AI scale.

Cloud/SaaS Infrastructure Adoption

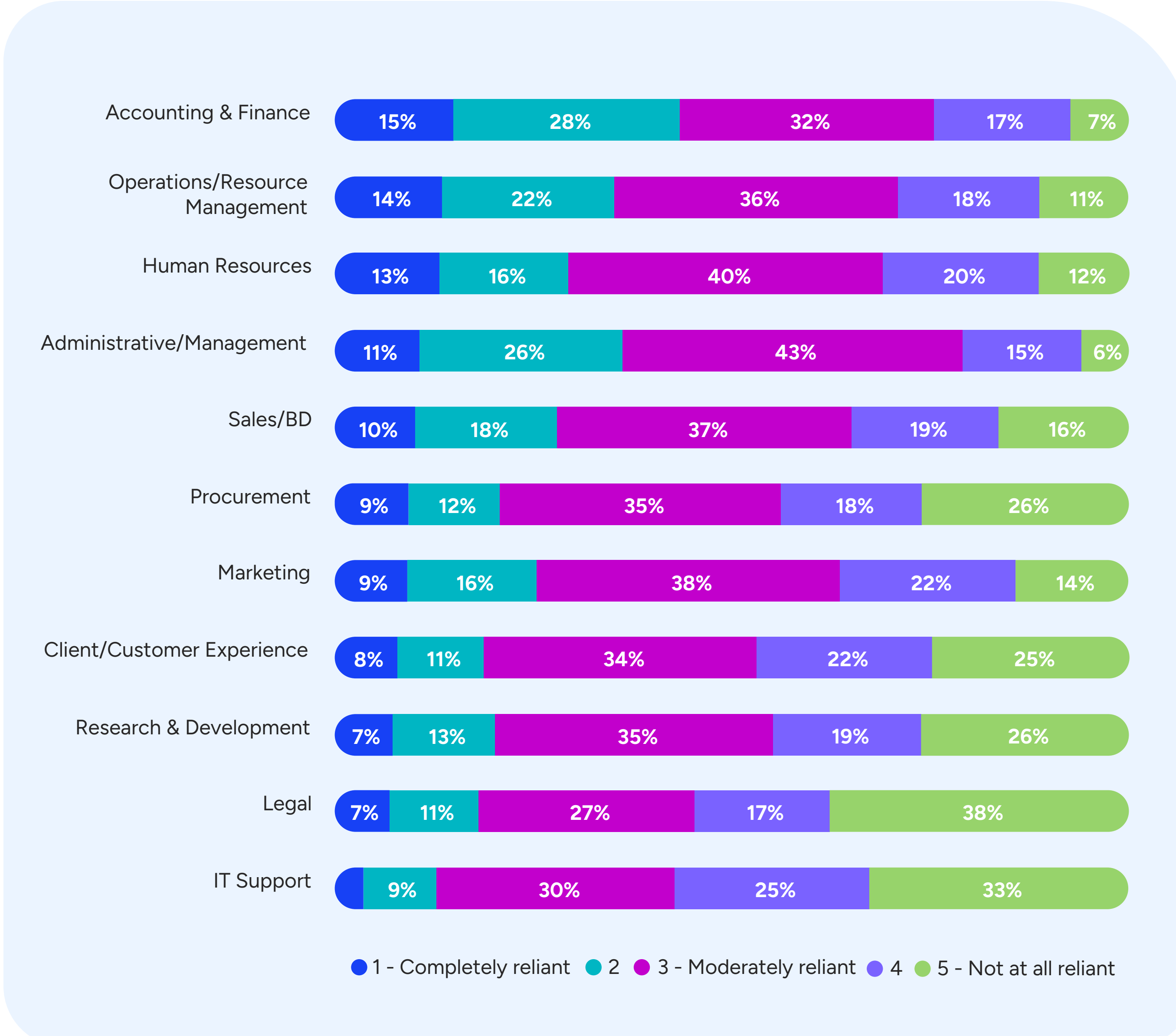


Reliance on Manual Data Entry

Manual data entry remains a fixture across A&E business functions, but the multi-year trend points toward greater digital maturity. Complete reliance on manual processes continued to decrease in nearly every area of business. The persistence of manual entry is most visible in the functions that sit closest to core operations: approximately 80% of firms report complete to moderate reliance on manual processes in administrative and management functions, 75% in accounting and finance and 72% in operations and resource management. These are also the functions where clean, integrated data matters most for project performance, financial visibility and resource decisions.

At the lower end of the spectrum, legal, IT support and research and development continue to lead in automation, with the highest shares of firms reporting little to no reliance on manual data entry. The gap between these functions and core operational areas points to where the next wave of workflow redesign effort is most needed.

Reducing manual data entry is not simply an efficiency initiative. It is one of the most concrete steps a firm can take toward digital maturity. The firms making the most progress here are building the connected, clean data foundation that sits at the heart of the applied and mature stages on the digital transformation spectrum. This foundation is what makes AI-powered insights and automation possible in the first place. Firms that address manual processes now are not just solving a near-term operational problem. They are laying the groundwork for meaningful AI returns.



01

CLARITY OUTLOOK

Technology Trends

Firms have a more mature expectation of AI now than one year ago. In the year ahead, firms that take a disciplined approach to integration, invest in their people and align AI with clear business objectives will turn adoption into advantage.

The next phase of AI in A&E will not be defined by whether firms are using it. Most firms already are. It will be defined by who has built the foundation to make it work.

Firms that see the strongest returns start with a specific, measurable business objective, such as reducing project schedule overruns by a defined percentage or improving proposal win rates. From there, they define the strategies and workflows needed to achieve that objective, then select the technology tools that directly enable those workflows, prioritizing solutions that integrate with existing systems, a secure, cloud-based infrastructure and the governance structures and security policies that protect both. Importantly, they invest in training not as a one-time event but as an ongoing commitment embedded in how the firm operates, recognizing that a well-trained workforce is the first line of defense against an increasingly sophisticated cyber threat landscape as well as the foundation for effective AI adoption. Lastly, they measure results against the original objective, building from what works.

This approach does not require perfection before getting started. Firms do not need to have fully automated data pipelines or complete cloud migration before leveraging AI. What they need is a clear problem to solve, a focused scope and the organizational discipline to see it through. Waiting for the ideal foundation to be in place before adopting AI is itself a risk.

The firms that will lead are those that treat AI not as a technology project but as a business capability that is built deliberately, expanded systematically and measured against outcomes that matter. The data in this year's Study shows that firms are investing, experimenting and increasingly ready to move from pilot to production. Firms that make that move strategically will define what the industry looks like in three years.

02

Business Development

Growth remains solid, but economic uncertainty is reshaping how firms pursue, prioritize and convert new work.

Firms are navigating a more complex business development environment, where rising activity is not always translating into better results. As efficiency metrics soften and win and capture rates decline, firms with disciplined business development processes, particularly around go/no go decisions and data-driven pursuit strategies, are better positioned to convert pipeline into revenue.

> "Firms are seeing more opportunities, but not all are the right ones. The shift is toward being more intentional, focusing on where there is clear alignment, strong relationships, and a genuine ability to deliver well."
>
> **MARCI D. THOMPSON, CEO, SOCIETY FOR MARKETING PROFESSIONAL SERVICES (SMPS)**

32%

increase proposal of submissions, yet capture rate fell to its lowest level since 2019

Addressing Top Business Development Challenges

1 Finding Time to Nurture Client Relationships

As business development responsibilities continue to spread across principals, dedicated staff and project managers, carving out time for meaningful client engagement remained the top challenge. High utilization targets and growing delivery demands leave little room for the relationship-building activities that generate future work. Firms that design structured touchpoints into their pursuit workflows are better positioned to stay ahead of opportunities before an RFP is released. Investing in tools that reduce administrative burden, including proposal automation, CRM systems and pipeline tracking, can free up capacity for the strategic conversations that matter most.

2 Increased Competition

Firms continue to face pressure in an increasingly crowded marketplace, where standing out requires more than a strong track record. Early positioning, pre-RFP marketing and brand visibility have become essential tools for standing out, particularly as new sectors like data centers and energy/power attract more firms with less established track records in those markets. Thought leadership, strategic teaming and consistent digital presence are becoming baseline expectations, not differentiators, for firms that want to compete effectively across a broader range of opportunities.

3 Economic Uncertainty

New to the survey this year, economic uncertainty immediately ranked as the top BD challenge. Unpredictable funding environments, shifting client priorities and hesitation around large project commitments are making pipeline planning more difficult. Firms can build resilience by diversifying their pursuit mix across sectors, maintaining a deeper pipeline than typical market conditions might require and strengthening relationships with clients who have stable, recurring funding sources. The firms best positioned to navigate uncertainty are those that invest in intelligence and positioning now, rather than reacting when conditions shift.

> "There is optimism in the profession, although billings have been stagnating for the majority of firms. Firms have, for the most part, weathered the tepid market conditions with robust backlogs, but there are certainly inefficiencies."
>
> **MICHELE RUSSO, VICE PRESIDENT, RESEARCH, THE AMERICAN INSTITUTE OF ARCHITECTS (AIA)**

Business Development Overview

BD activity is rising, but converting pursuits to projects is becoming harder and more complex.

Firms enter 2026 forecasting 9.5% net revenue growth, holding nearly flat from the prior year, but the environment underlying that stability continues to shift. Economic uncertainty has emerged as the leading first-choice BD challenge, a signal that macro conditions are now influencing pursuit decisions in ways that go beyond typical competitive pressures.

Proposal volume is up, but efficiency metrics have softened. Win rates and capture rates both declined year-over-year, indicating that firms are working harder to convert opportunities into revenue. At the same time, the market opportunity itself is evolving, with data centers, energy/power and water/wastewater driving the most growth optimism while firms are less optimistic about some historically strong sectors.

Business development models and marketing strategies are adapting in response. Principals have stepped forward as the leading owners of BD responsibility, thought leadership has surged as a marketing technique, firms are increasingly turning to AI and more are considering a formal go/no go process to bring greater discipline to how they allocate limited pursuit resources.

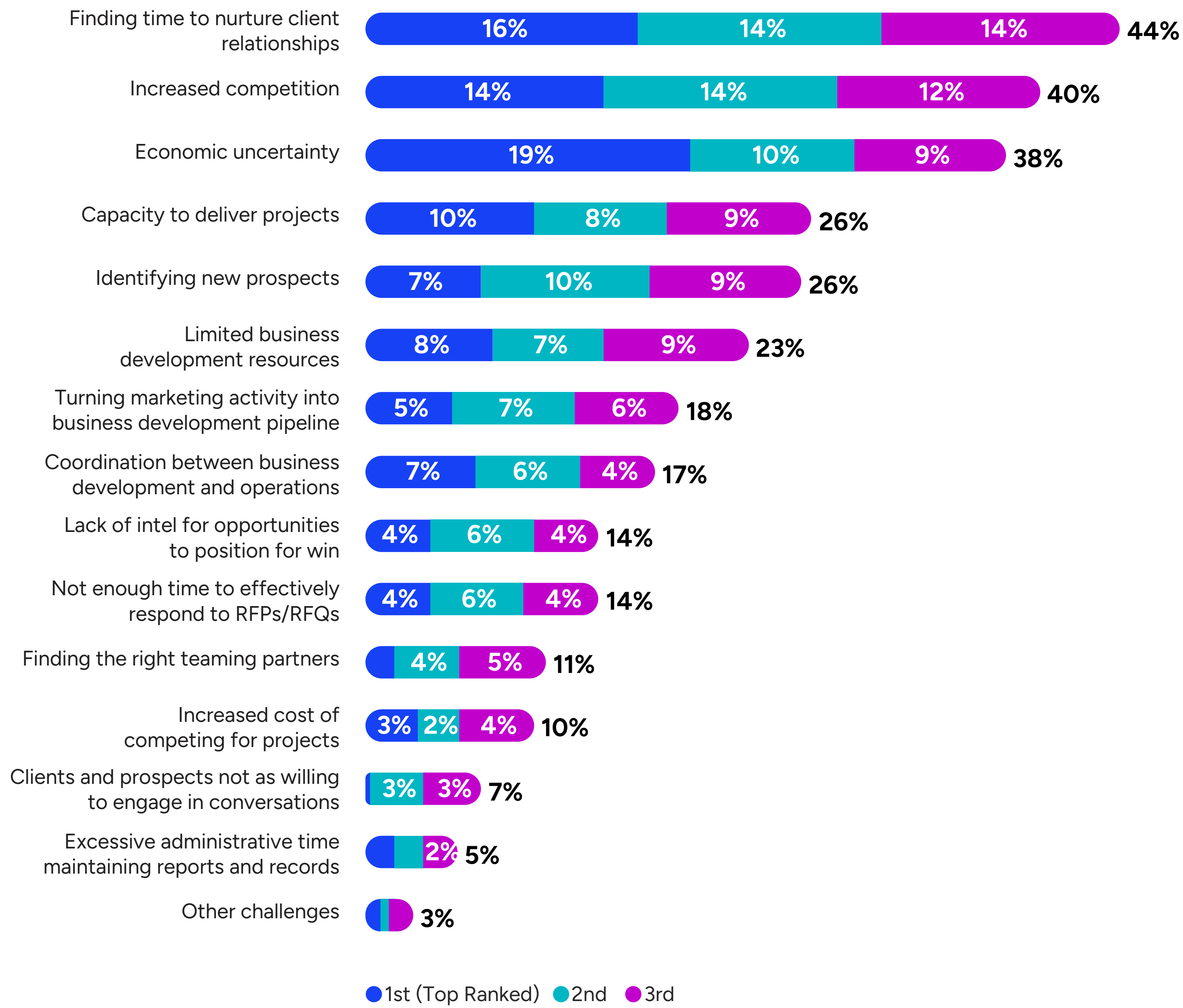
Business development remains a team effort, now operating in a more selective, execution-driven environment than in years past.

Top Business Development Challenges

When firms were asked to identify their top three business development challenges and rank them in order of importance, finding time to nurture client relationships was cited by 44% of firms, though its share fell 13 percentage points from the prior year. Increased competition held second at 40%, down nine percentage points. Both declines are partly attributable to a pair of new entries that immediately commanded attention: economic uncertainty debuted in the survey and ranked third overall at 38%, while also claiming the top first-choice spot at 19%. Capacity to deliver projects, also new this year, ranked fourth at 26%, underscoring that growth is increasingly constrained by execution capacity as much as by market opportunity.

Among returning challenges, identifying new prospects fell to 26%, down 10 percentage points, and limited BD resources declined four percentage points to 23%. Lack of intel to position for a win dropped 15 percentage points, the steepest decline on the chart, likely reflecting greater use of AI-assisted tools to surface and qualify opportunities earlier in the pursuit process.

As economic uncertainty rises to the top of first-choice concerns, firms are scrutinizing pipeline decisions more carefully. The ability to align BD activity with realistic delivery capacity is becoming as important as the volume of opportunities pursued.



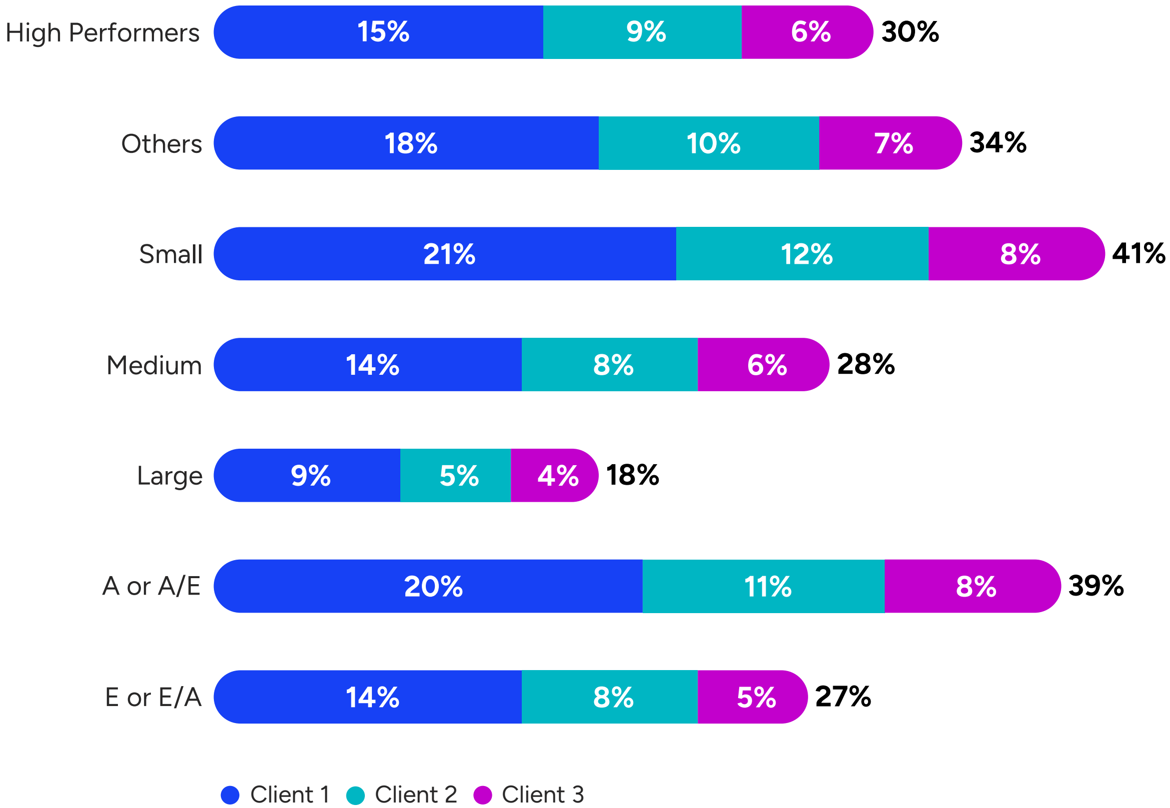
Note: Respondents selected and ranked their top three options.

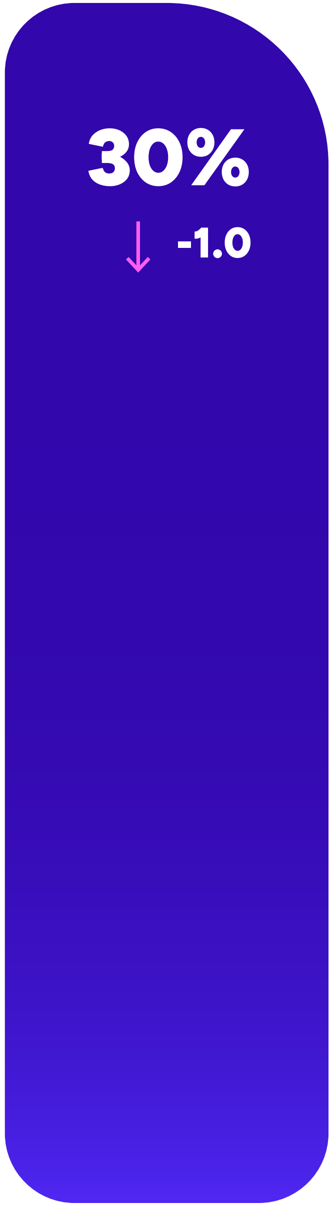
Revenue from Top Three Clients

Overall, firms reported that 30% of their revenue came from their top three clients, down one percentage point from the prior year. The modest decline continued a gradual trend away from revenue concentration, though the shift varied considerably by firm size and type. Small firms remained the most concentrated, with 41% of revenue coming from their top three clients, up one percentage point year-over-year. Large firms, by contrast, reported just 18%, the lowest among all segments, holding flat from the prior year. Medium-sized firms also held steady at 28%.

High performers maintained the same concentration as the overall median at 30%, while all other firms edged up one percentage point to 34%, suggesting that top performers may be more deliberate about diversifying their client base.

As firms continue expanding their reach into new sectors and markets, this data reinforces the importance of balancing depth in legacy client relationships with proactive pursuit of new opportunities. A more distributed revenue base may require greater effort to maintain but offers stronger long-term resilience.





46%

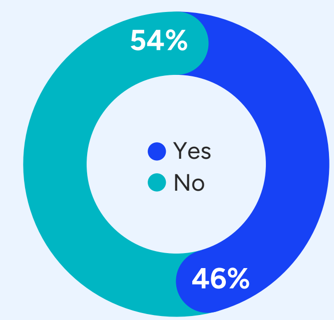
↓ **-3.0**

Firms with a Formal Business Development Process

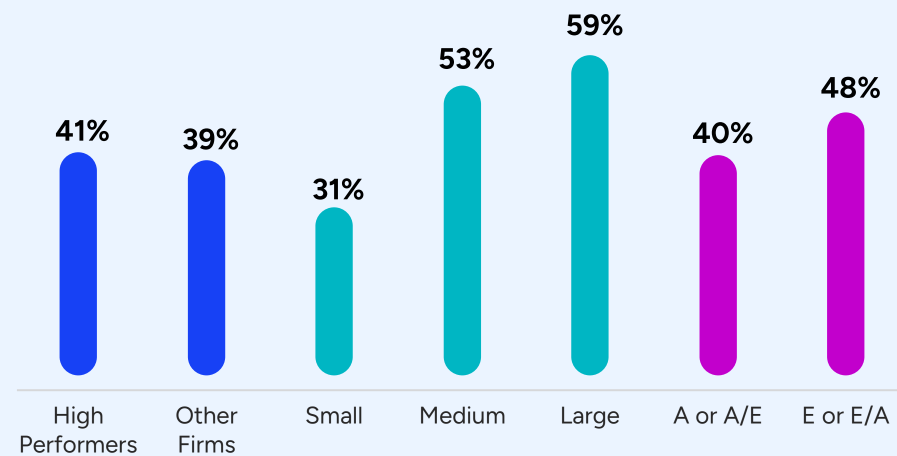
The share of firms using a formal business development process slipped three percentage points to 46%, reversing the gains of recent years. The decline was driven primarily by large firms, which fell 11 percentage points to 59%, and engineering firms, which declined four percentage points to 48%. Small firms held flat at 31%, while medium-sized firms edged down one percentage point to 53%.

The dip raises an important question: are firms abandoning structure, or rethinking it? With AI tools increasingly handling tasks that once required formalized workflows, including opportunity identification, proposal generation and pipeline tracking, some firms may be moving toward more dynamic, technology-driven approaches rather than traditional step-by-step processes. For firms expanding their seller/doer model or bringing project managers more fully into BD, the challenge may be less about process formality and more about providing practical frameworks that can flex with how the work actually gets done.

Despite the decline, nearly half of all firms still report using a formal process, and adoption remains highest among large firms. As competitive pressures intensify and pursuit decisions require more discipline, maintaining some degree of structured decision-making will remain a differentiator.



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



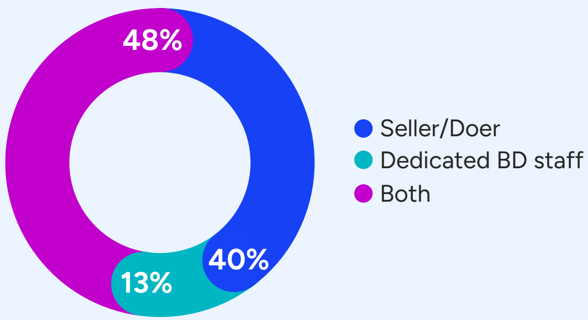
Business Development Model

Overall BD models remained largely stable year-over-year, with nearly half of firms continuing to rely on a blended approach combining seller/doers and dedicated BD staff (48%, down one percentage point). The seller/doer-only model held the second spot at 40%, up one percentage point, while dedicated BD staff edged up one percentage point to 13%.

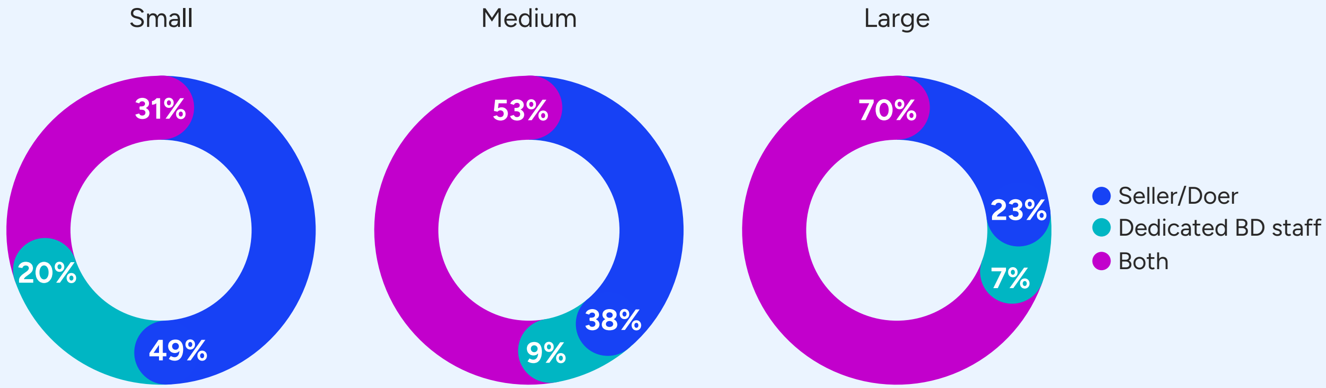
The more telling story emerges by firm size and performance. Small firms increased their use of dedicated BD staff by eight percentage points to 20%, a notable investment given the resource constraints typically facing smaller organizations. Large firms moved in the opposite direction, shifting toward seller/doer models, up 8 percentage points to 23%, while reducing dedicated BD staff by six percentage points. This may reflect cost pressures or more technical client requirements, particularly as firms pursue growth in complex sectors like data centers and energy.

High performers stood out most sharply, with seller/doer adoption rising nine percentage points to 55% and dedicated BD staff declining eight percentage points. The pattern suggests that top-performing firms are increasingly integrating BD responsibility into other roles rather than relying on separate pursuit functions.

Business Development Model



Business Development Model by Firm Size

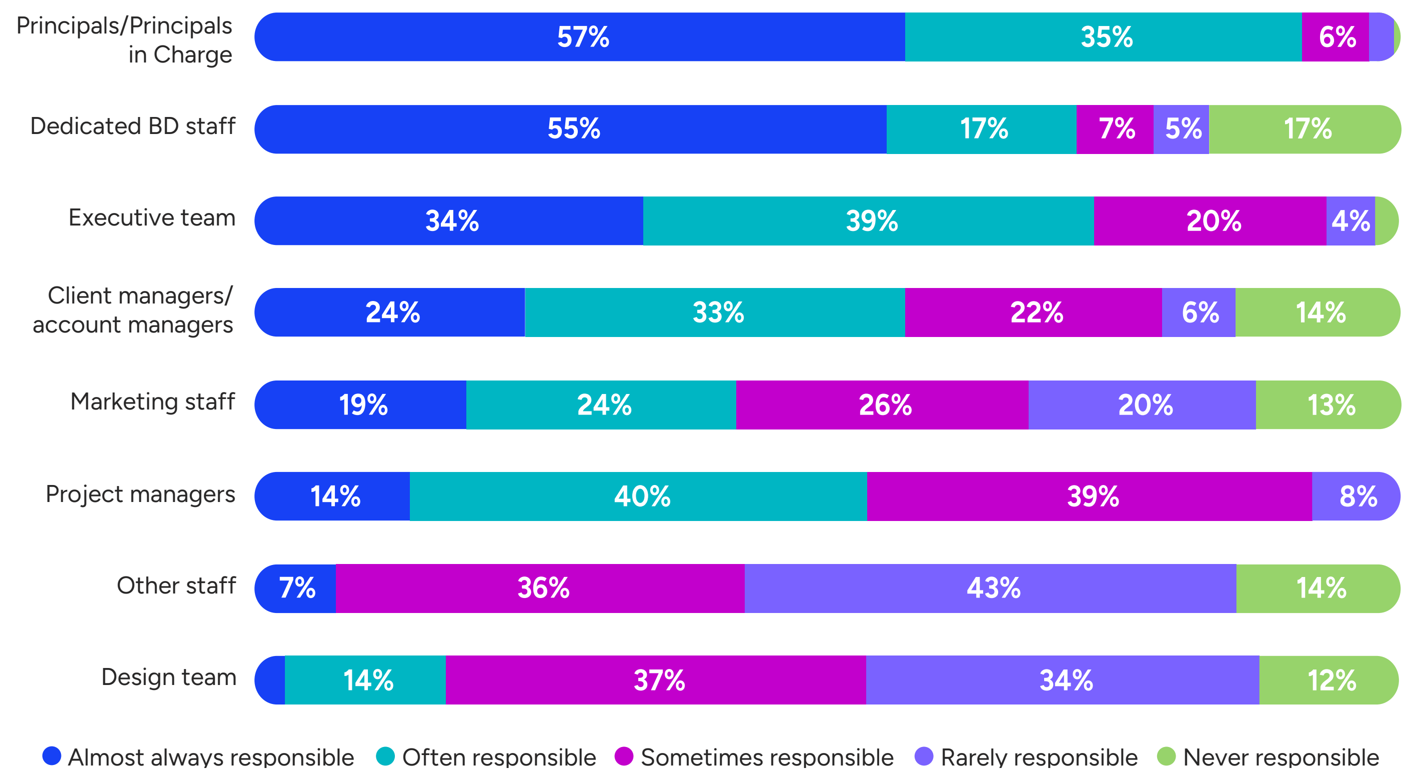


Responsibility for Business Development

A new survey response option reshaped the responsibility landscape in 2025. Principals/Principals in Charge, added to the survey this year, immediately claimed the top spot, with 57% of firms citing them as almost always responsible for business development. Dedicated BD staff followed closely at 55%, up two percentage points from the prior year.

The addition of principals also helps explain a notable shift in the executive team category, where the almost always responsible share fell 13 percentage points to 34%. The two categories likely capture the same population more precisely: it is client-facing principals and vice presidents driving BD activity, not back-office or operational executives, and the new selection gives firms a more accurate way to reflect that reality.

Client managers and account managers, also new this year, registered at 24% almost always responsible, reinforcing the value of dedicated relationship ownership rather than dispersing client management across individual projects. Project managers edged down five percentage points to 14% almost always responsible, a slight pullback that may reflect the growing recognition that PMs face competing demands on their billable time and need dedicated capacity and training before they can be effective contributors to the pursuit process.

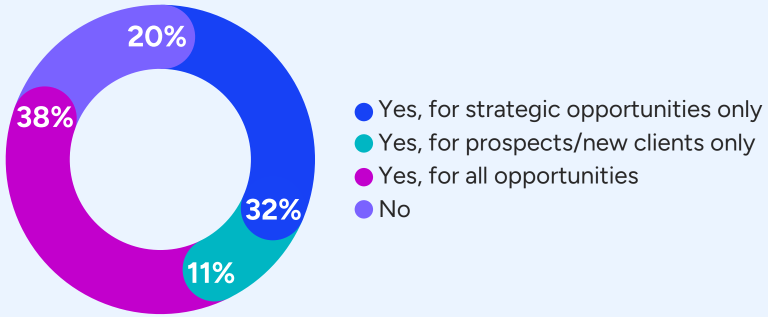


Employing Go/No Go Processes

The share of firms employing a go/no go process held steady at 80%, consistent with the prior year. While overall adoption remained flat, how firms are applying the process shifted slightly. Use for strategic opportunities only grew two percentage points to 32%, while application to all opportunities edged up one percentage point to 38%. Use for prospects and new clients dipped two percentage points to 11%, suggesting firms are becoming more deliberate about reserving formal evaluation for their highest-priority pursuits.

Among firms not yet using a go/no go process, interest surged. The share considering adoption jumped 20 percentage points to 49%, nearly half of non-users, up from 29% the prior year. The gain was concentrated among small and medium-sized firms, which rose 17 and 41 percentage points, respectively. Large firms considering adoption declined 10 percentage points to 40%, possibly reflecting the impact of their shift toward seller/doer models and less formalized BD structures.

Taken together, the data points to a maturing pursuit culture. Firms already using go/no go are refining their approach, while those on the sidelines are increasingly recognizing its value as competitive pressure builds.



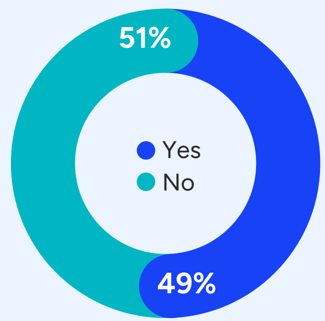
80%

0.0

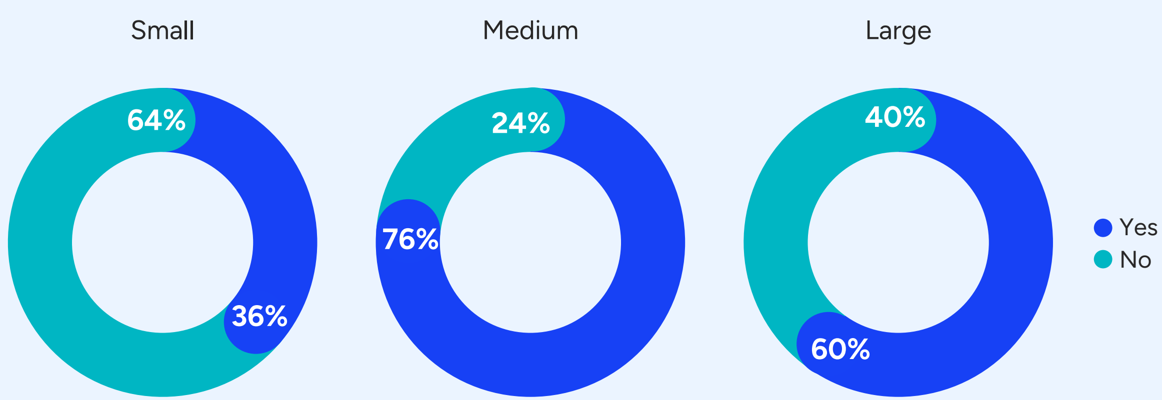
"A well thought out and disciplined, strategic go/no-go process is essential. It does more than filter opportunities, it aligns the firm's resources, expertise, and relationships with the pursuits that are truly winnable and worth winning."

DAPHNE BRYANT, EXECUTIVE DIRECTOR, AMERICAN COUNCIL OF ENGINEERING COMPANIES (ACEC)

Considering Go/No Go Processes



Considering Go/No Go Processes by Firm Size



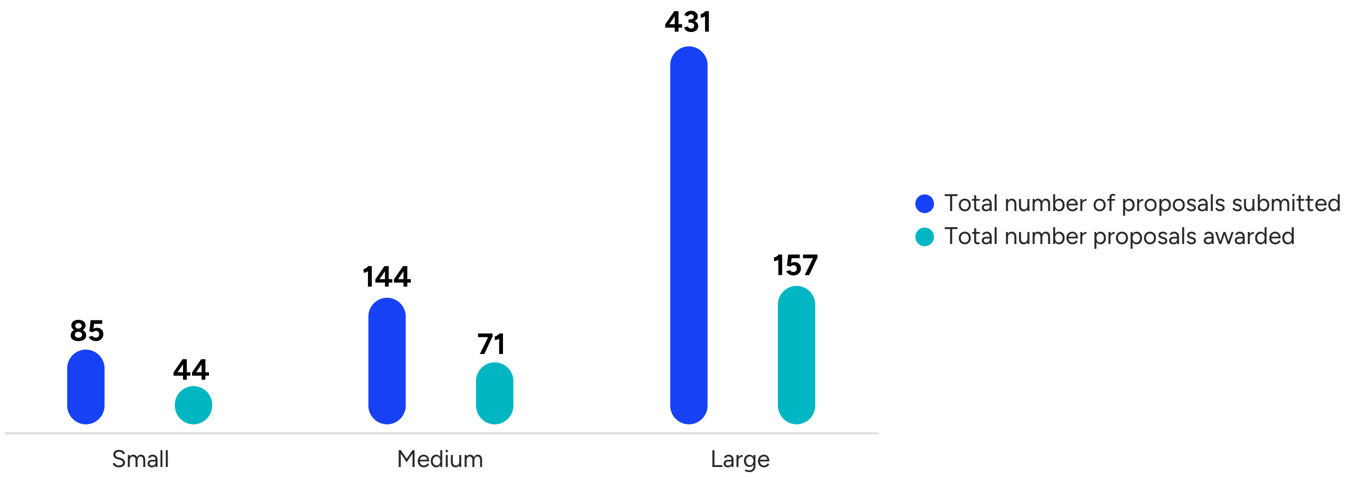
Proposals Volume and Value

Proposal activity rebounded strongly in 2025, with the number of proposals submitted rising 32% year-over-year and the number awarded growing 24%. Small firms drove much of the volume increase, with submissions up 47% and awards up 26%. Large firms also posted strong gains, with submissions up 40% and awards up 41%.

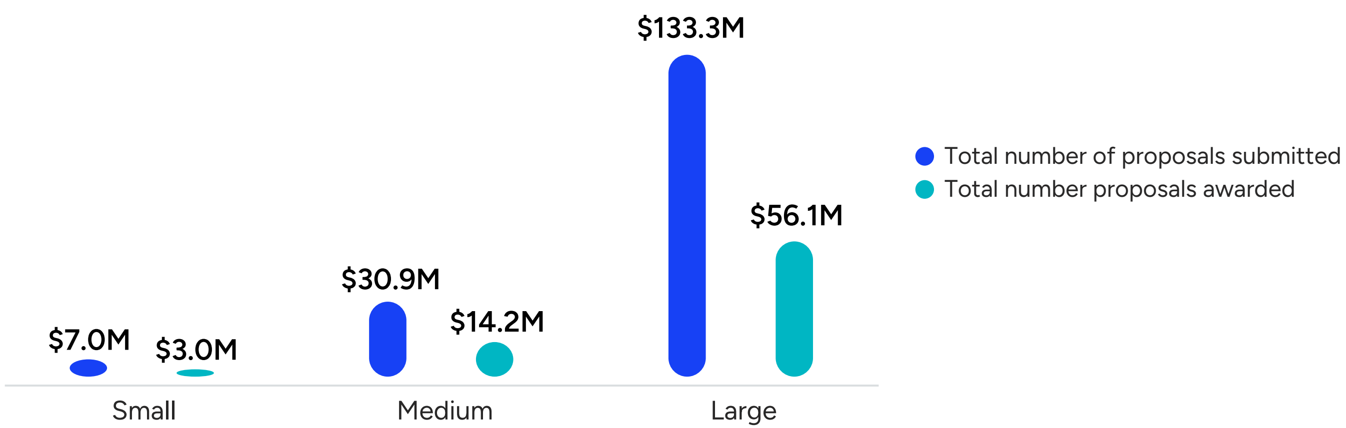
The value picture tells a more nuanced story. Total value of proposals submitted grew 12% while value awarded rose 29%, a gap that points to a shift in project scale. More proposals are being submitted, but at lower average values, consistent with a market trend toward smaller, more discrete project scopes as large-scale projects such as IIJA move into execution and may be broken into phases.

When asked to rank the factors most influencing their decision to submit a proposal, firms signaled a meaningful shift in priorities. Good fit for the type of work we do remained near the top but declined seven percentage points to 59%. Existing client relationships rose four percentage points to 57% and emerged as the top first choice at 30%, signaling a renewed emphasis on relationship-driven pursuits. Do we have the staff to deliver declined four percentage points to 41%, while probability of winning ticked up two percentage points to 40%.

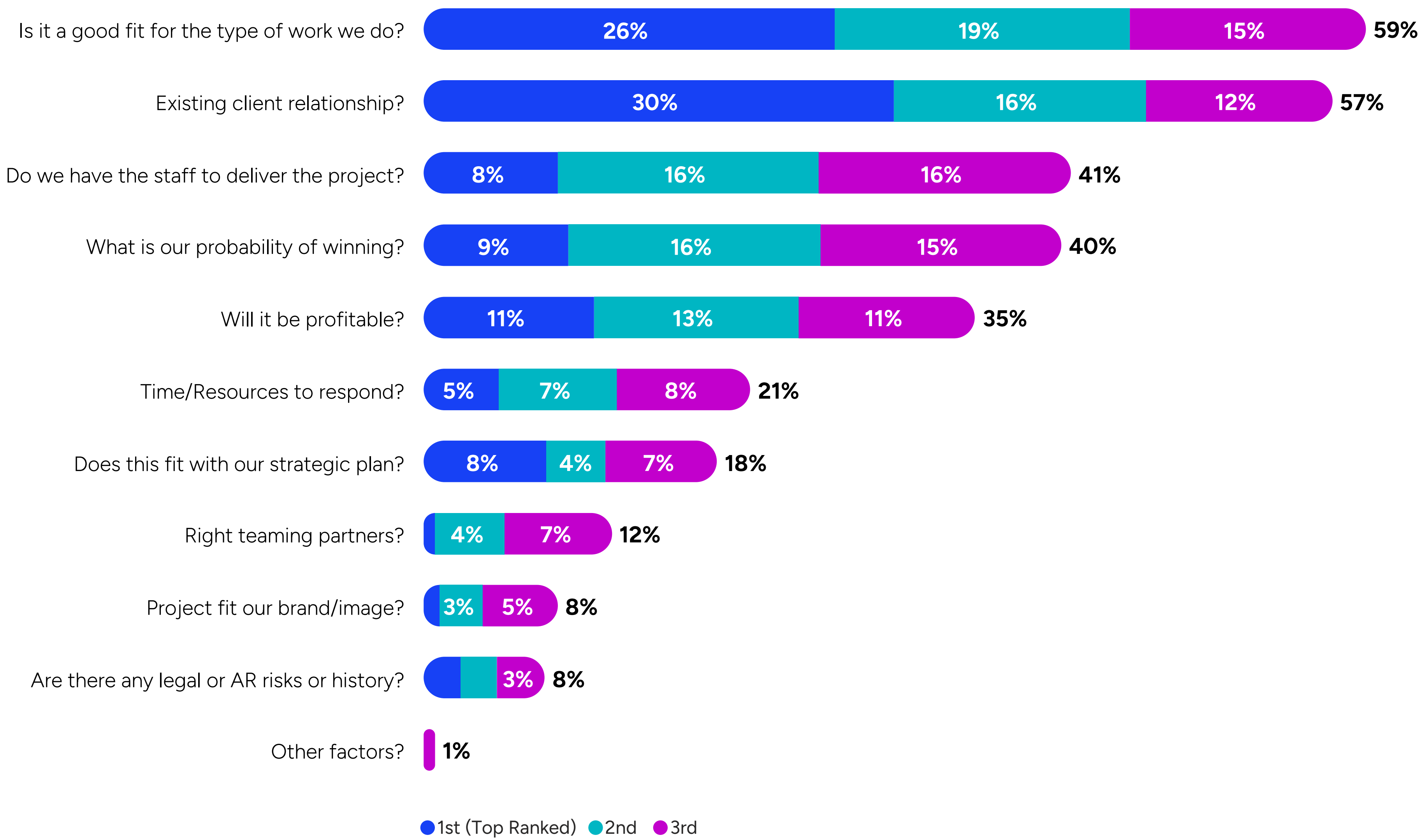
Number of Proposals Submitted vs. Awarded



Value of Proposals Submitted vs. Awarded



Factors Influencing Proposal Submission



Note: Respondents selected and ranked their top three options.

49.0%

↓ -1.0

Top Quarter

65.4%

Bottom Quarter

35.8%

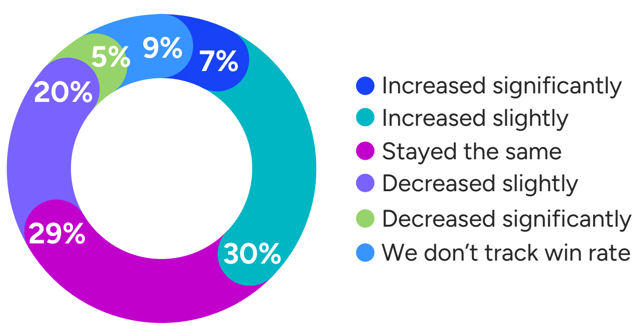
Win Rate

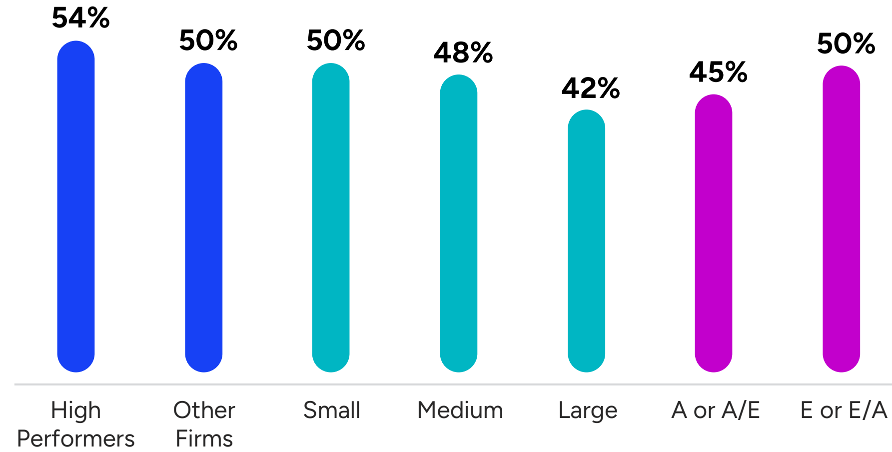
The median win rate slipped 1.1 percentage points to 49%, pulling back from the 50% mark reached the prior year. The slight decline was driven primarily by medium-sized firms, which fell five percentage points to 48%, and engineering firms, which dropped three percentage points to 50%. Large firms edged down one percentage point to 42%, while small firms held flat at 50%. Architecture firms bucked the trend, rising five percentage points to 45%.

High performers saw a more pronounced decline, falling six percentage points to 54%, though they continue to lead all segments by a meaningful margin. The directional shift in win rate change data reinforces the broader trend: the number of firms reporting an increase in win rate declined three percentage points, while those reporting a decrease grew three percentage points. Nearly 29% of firms reported their win rate stayed the same, suggesting stability for a significant portion of the industry even as the overall median drifted lower.

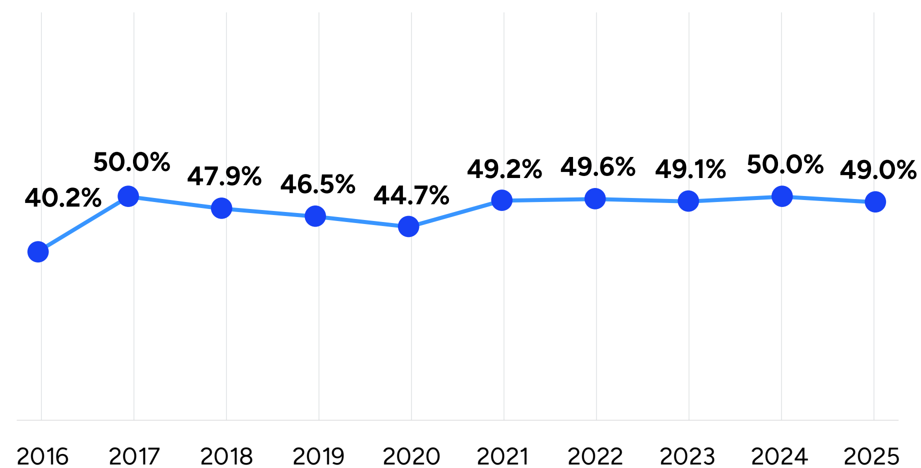
With proposal volume up sharply, the modest win rate decline may reflect the inclusion of more speculative pursuits in the mix, as firms cast a wider net across a broader range of opportunities.

Win Rate Change





Win Rate: 10-Year Trend

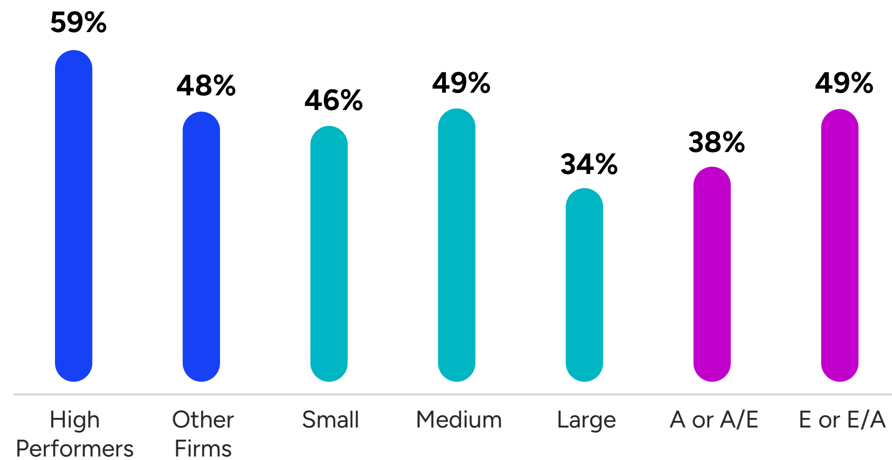


Capture Rate

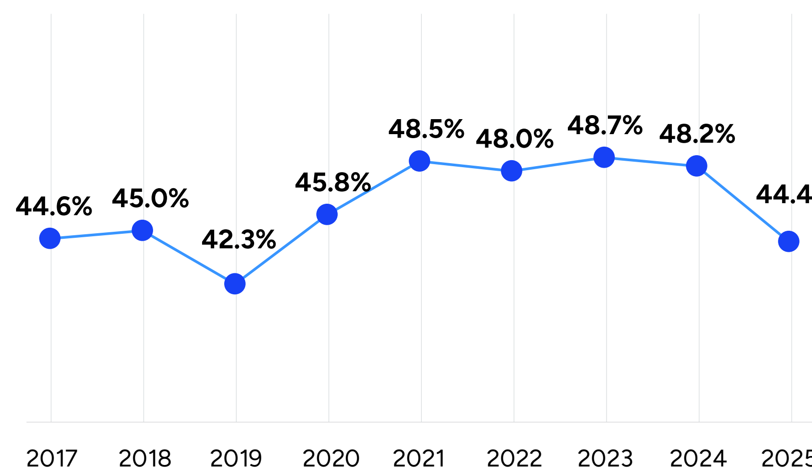
The median capture rate fell 3.8 percentage points to 44.4%, the sharpest single-year decline in the nine-year trend and the lowest rate since 2019. Declines were broad-based, spanning all firm sizes and types. Large firms experienced the steepest drop, falling six percentage points to 34%, while medium-sized firms declined three percentage points to 49%. Small firms edged down one percentage point to 46%. Architecture firms fell two percentage points to 38%, and engineering firms dipped one percentage point to 49%.

High performers were the clear exception, rising 10 percentage points to 59%, extending the gap between top-performing and all other firms. The divergence suggests that while the broader market is converting a smaller share of the dollar value pursued, firms with stronger BD discipline and more targeted pursuit strategies are finding ways to improve their returns.

The trend context adds weight to the decline. After holding near 48% for four consecutive years, the drop to 44.4% represents a meaningful pullback, likely reflecting the combination of higher proposal volume, increased competition and a shift toward smaller-value projects where conversion efficiency can be harder to sustain.



Capture Rate: 9-Year Trend



44.4%

-3.8

Top Quarter

61.3%

Bottom Quarter

30.2%

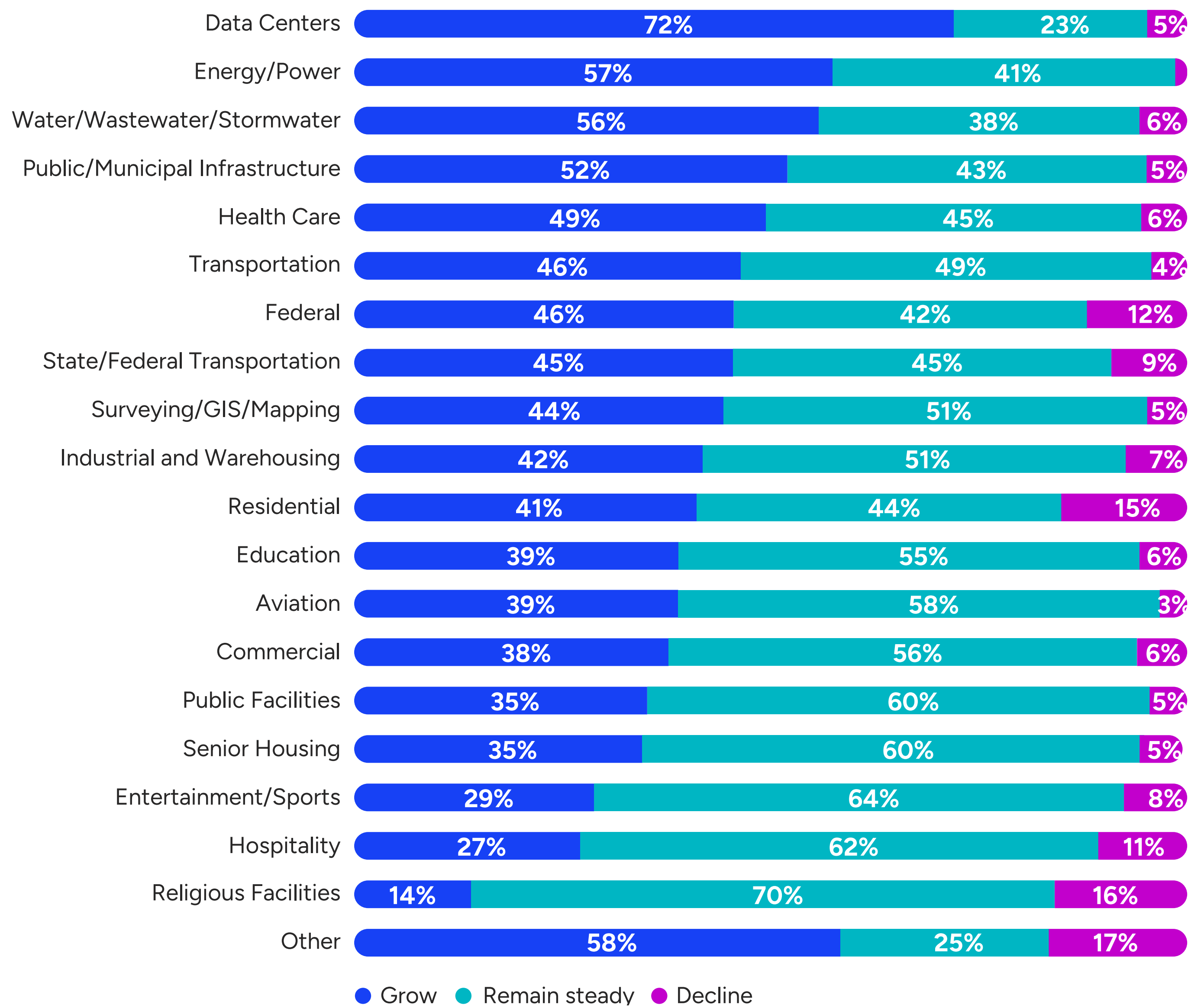
Total dollar value of competitive proposals awarded divided by total dollar value of competitive proposals submitted

Market Position in the Next 18 Months

The Study asked firms how they expect their own position to change across key markets over the next 18 months. Data centers debuted at the top of the market position chart this year, with 72% of firms expecting to grow their position in the sector over the next 18 months. The addition reflects the surging demand for infrastructure that supports the digital surge and its downstream requirements across energy, water and design services. Energy/power held steady as the second-ranked growth opportunity at 57%, while water/wastewater/stormwater edged up two percentage points to 56%, underscoring the continued strength of infrastructure-driven sectors.

Health care grew three percentage points to 49%, and federal work rose 10 percentage points to 46%, suggesting renewed optimism in both sectors despite near-term funding uncertainty. Education gained five percentage points to 39%, and residential climbed four percentage points to 41%.

Several markets softened. Transportation fell nine percentage points to 46%, a notable pullback given its prominence in recent years as IIJA-funded projects move further into execution. Surveying/GIS/mapping declined five percentage points to 44%. Hospitality continued its post-pandemic retreat, dropping six percentage points to 27% with 11% of firms now expecting to decline in the sector, up three percentage points year-over-year.



9.5%

↓ -0.1

Top Quarter

19.8%

Bottom Quarter

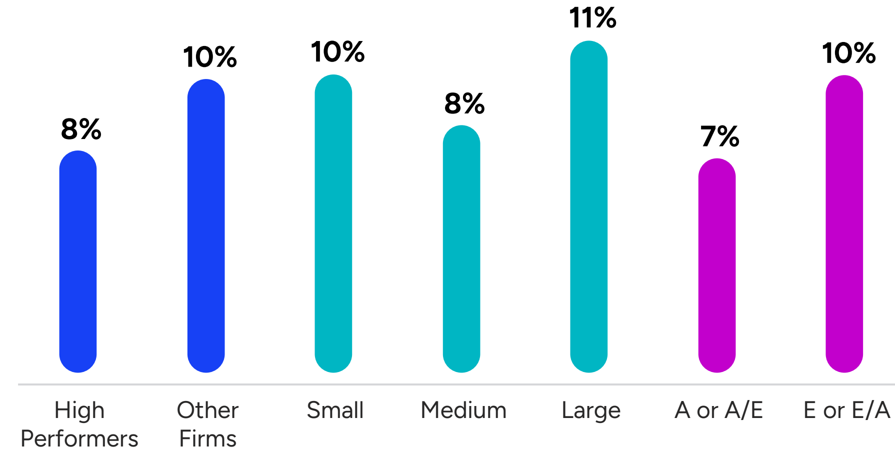
-2.5%

Net Revenue Growth Forecast

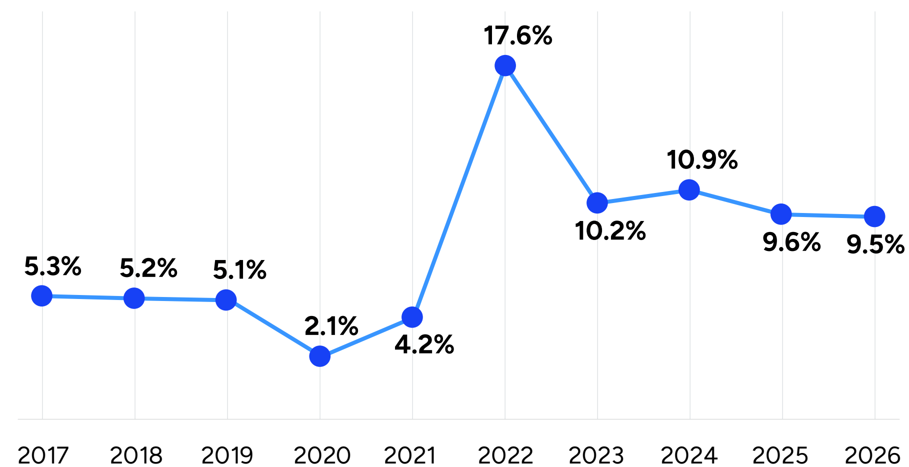
The median net revenue growth forecast held nearly flat at 9.5%, down just 0.1 percentage point from the prior year. However, the stability at the overall level masks meaningful divergence across firm segments. Large firms were the standout, rising four percentage points to 11%, while architecture firms declined four percentage points to 7%, the largest drop among all segments. Small firms fell two percentage points to 10%, and medium-sized firms decreased slightly to 8%. Engineering firms gained one percentage point to 10%.

The 10-year trend shows a market that has undergone a significant recalibration. After surging to 17.6% in 2021, forecasts stepped down steadily through 2022 and 2023 before settling into a narrow band near 9.5% over the past two years. While still well above pre-pandemic levels, the leveling off suggests firms have adjusted expectations to reflect a more measured growth environment.

Notably, firms broadly underperformed their prior-year forecasts, with small and architecture firms showing the widest gaps between projected and actual results. In an environment where market conditions can shift quickly, the accuracy of near-term growth projections will be increasingly important to pipeline planning and resource decisions.



Net Revenue Growth Forecast: 10-Year Trend

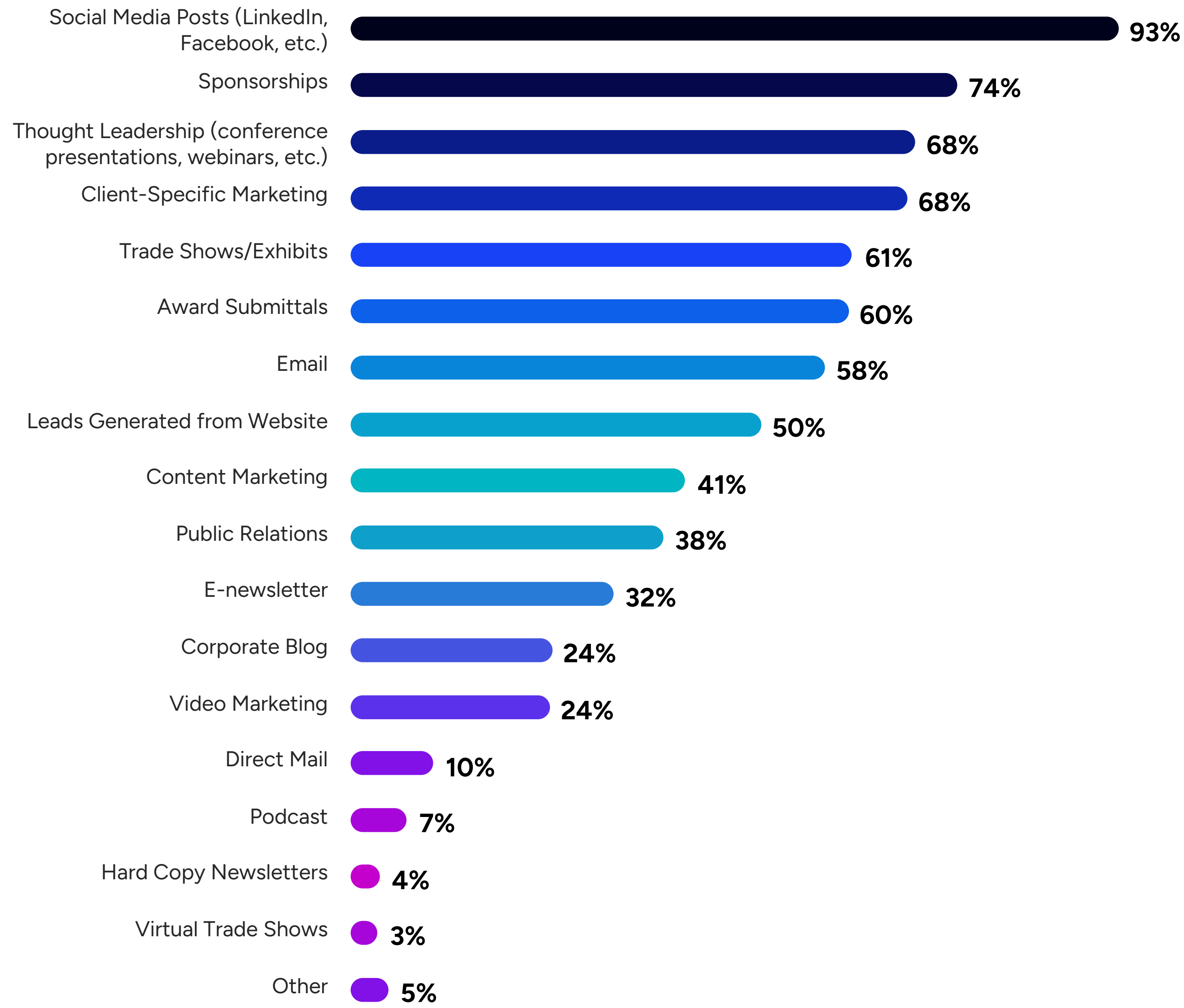


Top Marketing Techniques

Social media posts retained the top spot, cited by 93% of firms, up four percentage points year-over-year. Sponsorships, new to the survey this year, debuted at 74% to claim second place immediately, reflecting the industry's longstanding reliance on relationship-building through events, associations and client-facing visibility opportunities. Thought leadership posted the largest gain on the chart, rising 21 percentage points to 68%, as firms increasingly invest in conference presentations, webinars and content that demonstrates expertise and positions them ahead of specific pursuits.

Client-specific marketing rose eight percentage points to 68%, and trade shows/exhibits declined six percentage points to 61%, suggesting firms are gradually shifting budget and energy toward digital and content-driven channels even as in-person engagement persists. Award submittals, also new this year, registered at 60%, underscoring how project recognition serves as both a credibility signal and a business development tool. Leads generated from website gained nine percentage points to 50%.

The overall picture points to a broadening marketing approach. As firms pursue growth in new sectors requiring different go-to-market strategies, the combination of digital channels, thought leadership and high-visibility sponsorships is becoming the new standard toolkit.

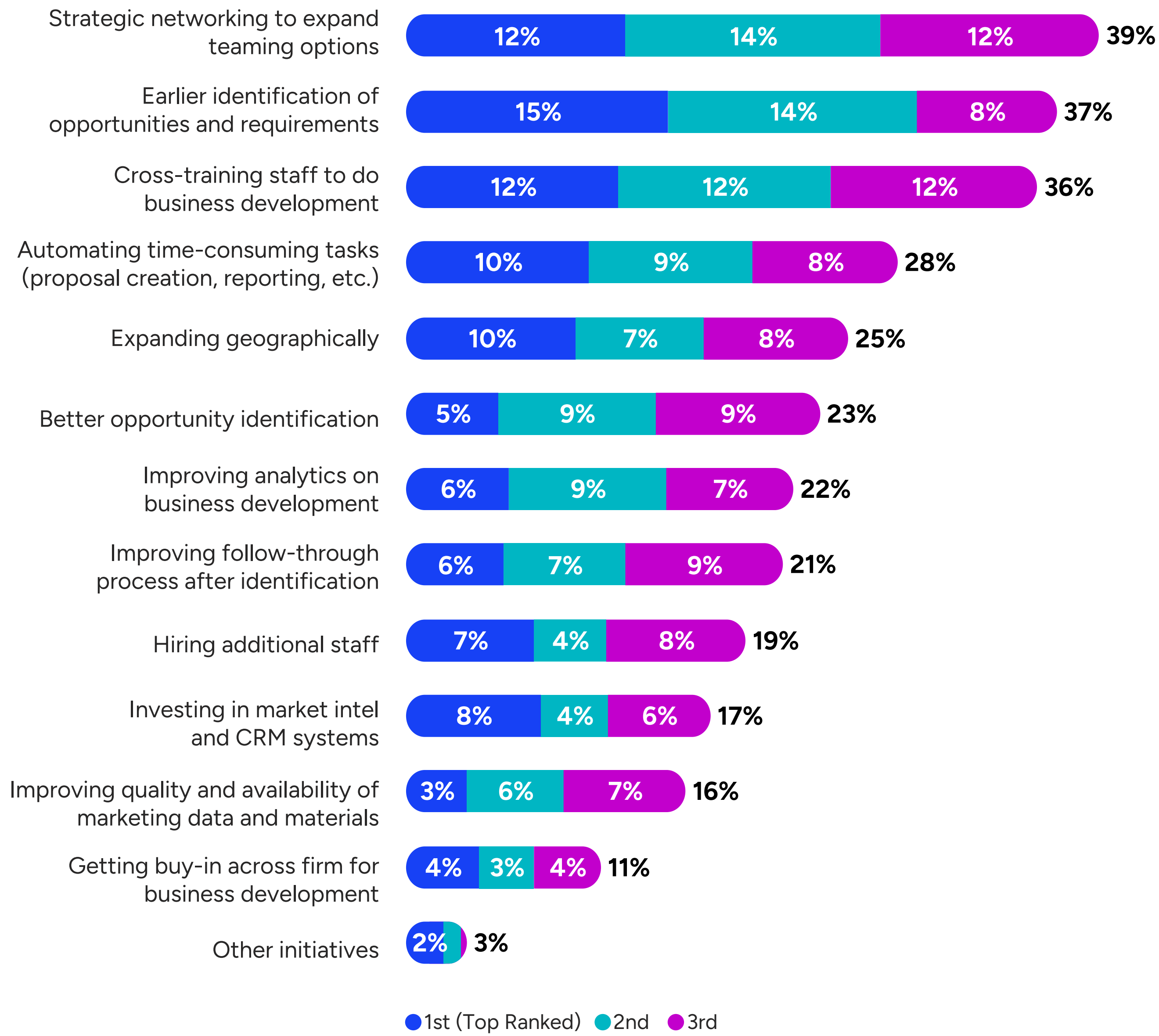


Top Business Development Initiatives

Firms were asked to identify and rank their top business development initiatives for the coming year. Strategic networking to expand teaming options rose to the top BD initiative, growing seven percentage points to 39%, as firms look to fill capability gaps and access new markets through partnerships. Earlier identification of opportunities held second at 37%, down one percentage point, while cross-training staff to do business development climbed four percentage points to 36%, reflecting the continued push to bring project managers and other technical staff more fully into the pursuit process.

Automating time-consuming tasks declined three percentage points to 28%, though it remains a priority as firms look to reduce the administrative burden of proposal production and pipeline management. Expanding geographically fell four percentage points to 25%, and improving follow-through after identification dropped five percentage points to 21%, the steepest decline on the chart. Hiring additional staff slipped three percentage points to 19%, consistent with broader caution around headcount investment in an uncertain economic environment.

Investing in market intel and CRM systems declined two percentage points to 17%, a figure that likely understates the opportunity. As firms pursue more sectors and rely more heavily on seller/doers, the quality and accessibility of pipeline data will increasingly determine how effectively teams can act on the opportunities they identify.



Note: Respondents selected and ranked their top three options.

02

CLARITY OUTLOOK

Business Development

With proposal volume rising and conversion efficiency declining, firms must consider prioritizing fit and focus over activity and build the internal discipline to back up those decisions.

The business development environment is demanding greater discipline at every stage of the pursuit process. With economic uncertainty now the top first-choice challenge and capture rates near a six-year low, firms cannot afford to pursue opportunities without a clear view of their probability of winning and their capacity to deliver.

Firms should consider sharpening their go/no go criteria and apply them consistently. The surge in firms considering a go/no go process, with nearly half of non-users now weighing adoption, reflects growing recognition that saying no to the wrong work is as important as winning the right work.

Investing in earlier market intelligence and pre-positioning is critical. As the capture process grows more competitive and sophisticated, firms that wait for an RFP to signal an opportunity are already behind. Business development and marketing teams should be building visibility and credibility in target sectors well in advance.

Technology offers real opportunities here. AI tools can reduce the administrative burden of proposal production, surface opportunities earlier and help seller/doers stay organized across a growing number of active pursuits and client relationships. Firms should be intentional about where and how those tools are deployed to free up time for the strategic work that technology cannot replace.

03

Project Management

Firms are sharpening their focus on project management by investing in accountability structures, role refinement and training to build the foundation for more consistent, sustainable delivery.

Firms are moving with more intention on project management. Competing priorities, staffing pressures and the growing complexity of integrating AI into project workflows are pushing firms to strengthen fundamentals: defining how work gets managed, how performance gets measured and who is responsible or held accountable. More firms are formalizing KPI tracking, conducting project evaluations and extending training to a broader share of project leaders. These investments are building the internal infrastructure that supports project performance and long-term firm-wide growth.

> "Firms need to get back to basics and focus on project management. They need to ask themselves "Are we an A/E firm or a project management firm delivering A/E services?"
>
> **MICHAEL O'BRIEN, PRINCIPAL, RUSK O'BRIEN GIDO + PARTNERS**

33%

of firms ranked establishing PM accountability metrics as their top initiative, a first-year debut at #1

Addressing Top Project Management Challenges

1 Competing Priorities

Project managers are being asked to do more than ever, balancing project delivery responsibilities with growing expectations around business development, client management and internal initiatives. As more firms focus on seller/doer models, the demands on PMs often multiply without necessarily adding the structure or support needed to manage them effectively. Firms that define clear roles, protect billable time and give PMs the tools to delegate and prioritize are better positioned to sustain project performance.

2 Staff Shortages

Workforce pressures have eased somewhat, but remain a factor across the industry. Firms are adapting by focusing less on headcount growth and more on developing and deploying existing talent effectively. Investing in training, clarifying responsibilities and using technology to reduce administrative burden are helping firms do more with the teams they have, while creating pathways that make PM roles more attractive and sustainable over the long term.

3 Incorporating AI Into Project Management

AI entered the top three challenges for the first time this year, signaling that firms recognize its potential but are still working through the complexities of integration.. The challenge is not just adoption but execution. Firms need to determine where AI fits in the project lifecycle, ensure the underlying data and processes are in place and equip PMs to act on the insights it generates.. Those that invest in that groundwork now will be well positioned to realize AI's potential as a PM productivity lever.

"Strong project management is the single biggest lever - firms that invest in PM training and equip teams with real-time visibility into budgets, invoicing and collections consistently outperform on WIP and AR."

IAN RUSK, MANAGING PRINCIPAL, RUSK O'BRIEN GIDO + PARTNERS

Project Management Overview

Firms are sharpening PM discipline with accountability, training and data as performance held steady.

Project management results were broadly stable this year, with budget performance holding at 75% and schedule performance plateauing near 60% for the fifth consecutive year. Headline metrics tell a story of resilience as firms work to build a stronger PM function.

This year's data points to a clear shift from consideration to action. Firms are formalizing KPI tracking, expanding project evaluations, extending formal training to more project leaders and, for the first time, prioritizing PM accountability metrics as their top initiative. These are not dramatic leaps but they are directional, and their collective momentum matters.

At the same time, real gaps remain. Project delivery processes, from documentation and information management to schedule visibility and client feedback, continue to lag behind financial metrics in consistency and standardization. Visibility into schedule variance and client satisfaction in particular remains limited. The convergence of two new measures in this year's challenges, incorporating AI into project management and a new accountability-focused initiative that debuted at the top of the priorities list, captures where the industry is headed. Firms recognize that AI can be a meaningful lever for PM productivity and KPI visibility, but they also recognize that getting the fundamentals right first matters. Clean data, consistent processes and project leaders held to clear standards are not just PM best practices, they are the prerequisite for any technology investment to deliver meaningful returns.

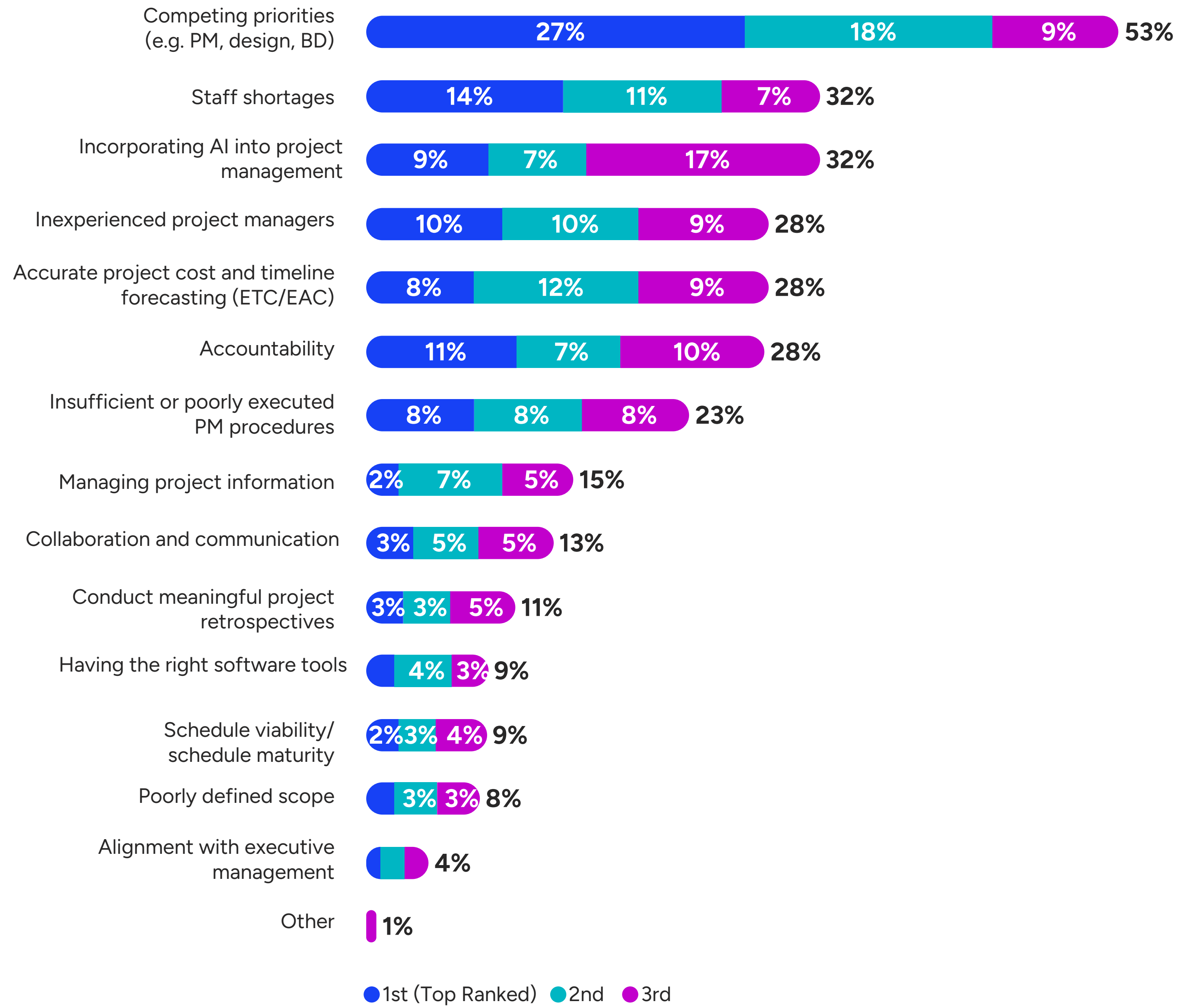
Firms that treat this year's investments in training, role clarity and process discipline as the foundation, not the destination, will be best positioned to improve performance and thrive as AI is integrated into industry best practices.

Firms that align technology investment with PM accountability structures will boost KPI performance. Consistent processes and disciplined data practices are essential to deliver on targeted measurable results.

Top Project Management Challenges

When asked to identify their top three project management challenges over the next three years, firms point to a familiar set of pressures, now joined by a significant new entrant. Competing priorities tops the list of challenges for the sixth consecutive year, cited by 53% of firms, and still ranked first among 27% of firms, reinforcing its position as the defining pressure on the project management function. Staff shortages remain a top challenge. Incorporating AI into project management debuted as a new option, landing squarely in the top three at 32%. This is a notable result for a first-year option and indicates that firms view AI as a challenge to navigate.

Inexperienced project managers, accurate project costs and timeline forecasting and accountability all registered at 28%, reflecting that project management and tracking metrics effectively requires skilled professionals. Firms must support the structures and expectations to hold project leaders accountable to those metrics.



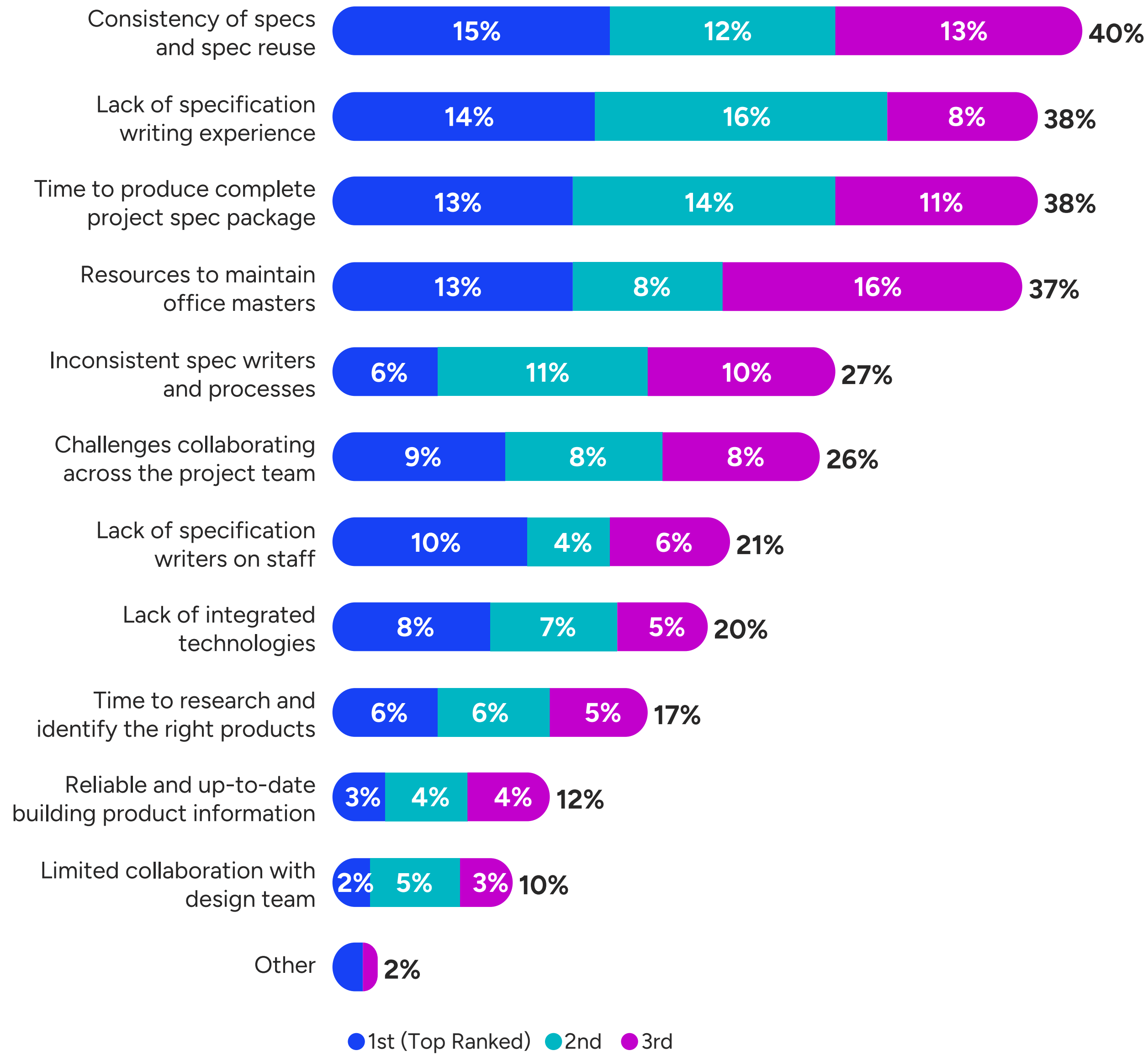
Note: Respondents selected and ranked their top three options.

Top Construction Specification Challenges

Firms were asked to identify their top three construction specification challenges. Their responses show they are experiencing discipline under pressure from multiple directions. Four challenges clustered tightly at the top this year, each cited by roughly 37% to 40% of firms, signaling that no single bottleneck exists. Consistency of specs and spec reuse led at 40%, debuting as a new option alongside lack of specification writing experience at 38%. Both reflect a workforce and process gap that has grown harder to ignore as project complexity increases.

Time to produce a complete project specification package and resources to maintain the firm's office masters round out the key pain points associated with construction specification challenges. Taken together, the four leading challenges point to a compounding problem: firms lack the experienced writers, consistent standards and dedicated resources to keep specification practices current and scalable.

Inconsistent spec writers and processes, another new addition, registered at 27%, reinforcing that the consistency theme runs deeper than any single workflow. Where prior years flagged staffing gaps and collaboration friction as the central concerns, this year's data suggest they remain present but are now framed within a broader quality and standardization challenge. Addressing that challenge requires not just more writers but better systems, clearer standards and more deliberate knowledge transfer across project teams.



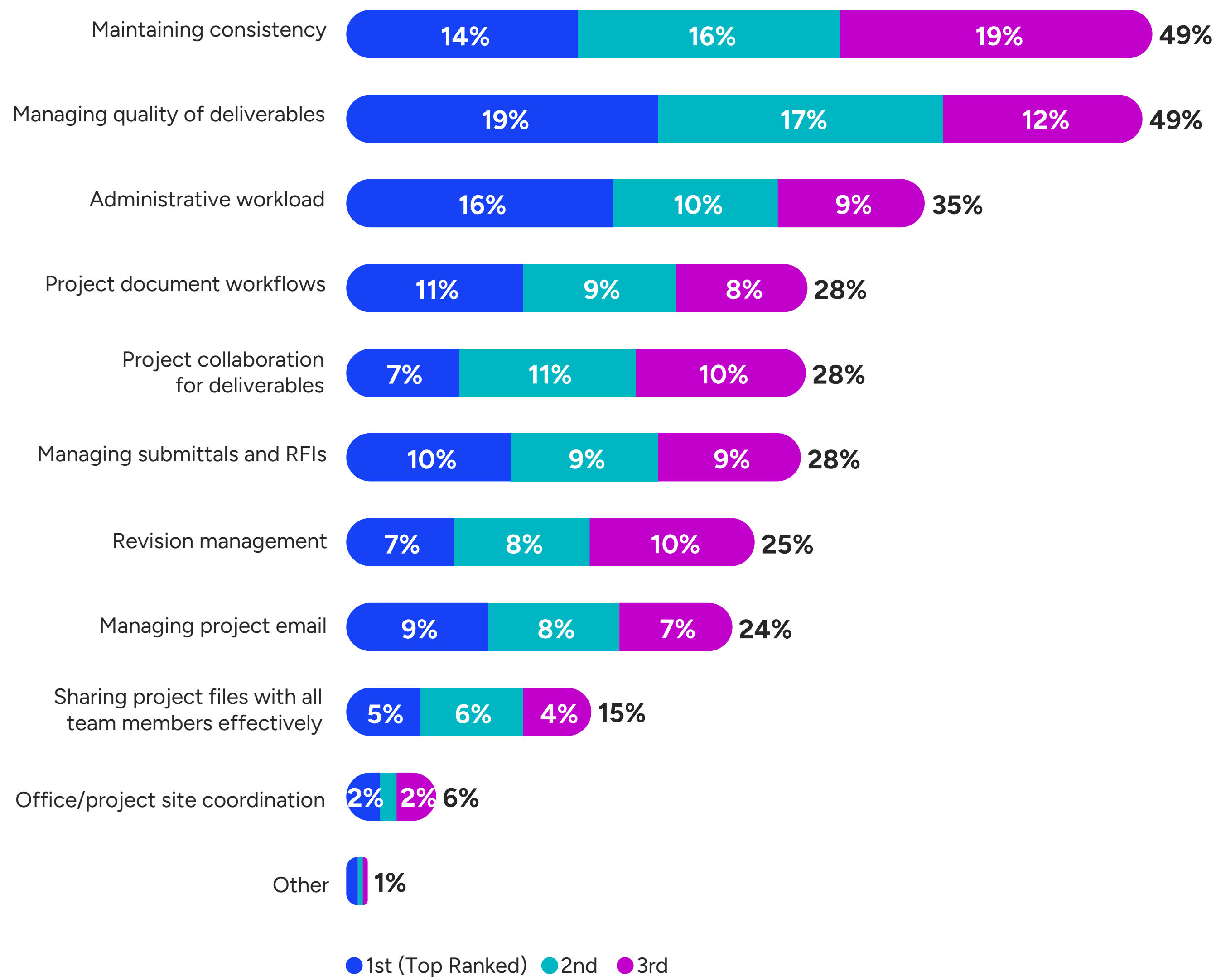
Note: Respondents selected and ranked their top three options.

Top Challenges to Managing Project Information

Maintaining consistency and managing quality of deliverables tied at the top of project information challenges, each cited by 49% of firms. Inconsistent information practices erode deliverable quality, and quality problems in turn expose gaps in how information is managed and shared across the project team.

The addition of new options this year limits direct year-over-year comparisons, but the distribution of responses reveals useful context. Managing quality of deliverables carried the highest first-place share at 19%, reflecting that for many firms, quality is where consistency failures become most visible and most costly. Administrative workload followed at 35%, with 16% of firms ranking it as their top challenge, suggesting it functions as the central bottleneck for a significant share of respondents. Maintaining consistency, while tied for the overall lead, had the most companies select it as their third most pressing challenge, indicating it is broadly felt across firms even when a more acute concern takes priority.

Project document workflows, project collaboration for deliverables and managing submittals and RFIs each were selected by 28% of participants as a top challenge. Taken together, the data points to an opportunity to build more consistent information management practices across the full project lifecycle. Firms that invest in shared standards, clear ownership and targeted training are well positioned to close those project information gaps.



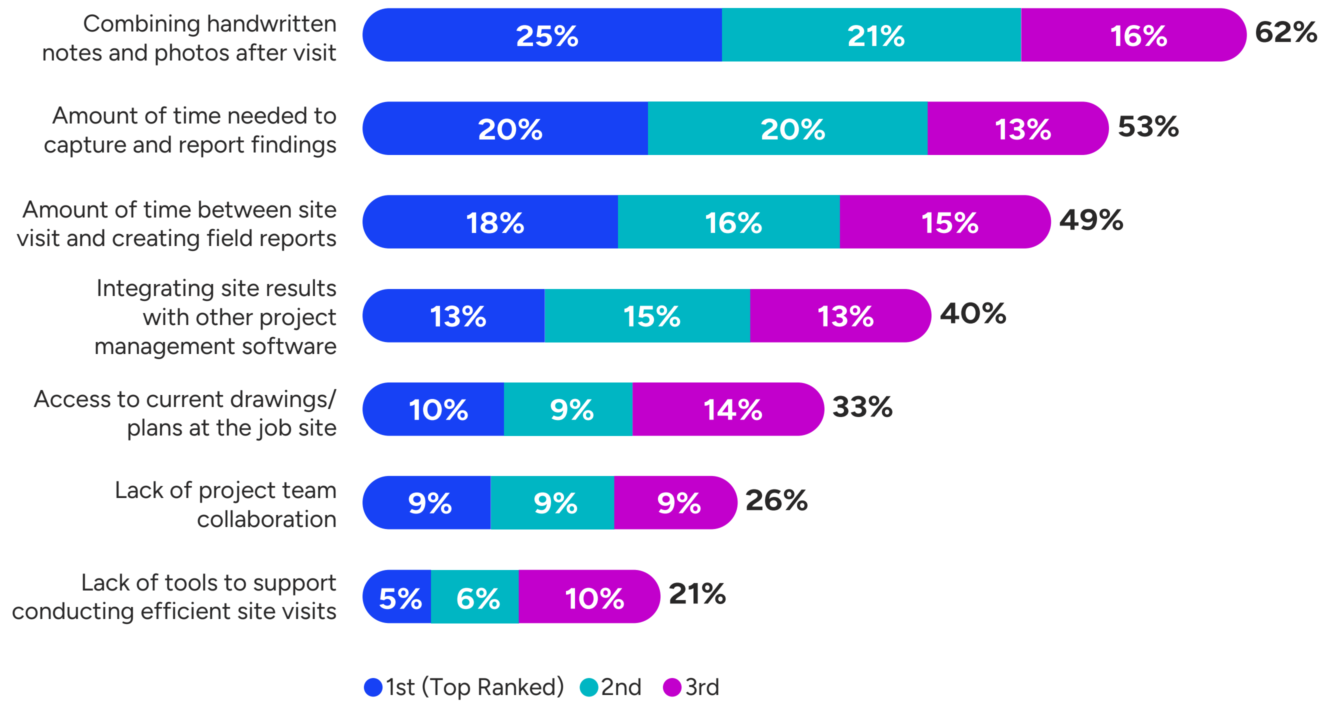
Note: Respondents selected and ranked their top three options.

Top Challenges to Documenting Site Visits

Field documentation remains one of the most persistent friction points in project delivery, with the top three challenges holding steady year over year. Combining handwritten notes and photos after a site visit continues to lead at 62, down one percentage point. The amount of time needed to capture and report findings followed at 53%, down six percentage points, and the lag between a site visit and completing field reports registered at 49%, down three percentage points. The modest declines across all three may reflect incremental adoption of field tools, despite ongoing challenges.

Integrating site results with other project management software climbed six percentage points to 40%, overtaking access to current drawings and plans at the job site. As more firms invest in connected project management platforms, the friction of moving site data into those systems is becoming more visible. The data is being captured, but getting it into the right place, in the right format, remains a gap.

Notably, lack of tools to conduct efficient site visits ranks last at 21%. The bottleneck is not the absence of tools, but the time and process required to use them effectively. Firms that invest in streamlining field-to-system workflows stand to recover measurable time across the project lifecycle.



Note: Respondents selected and ranked their top three options.

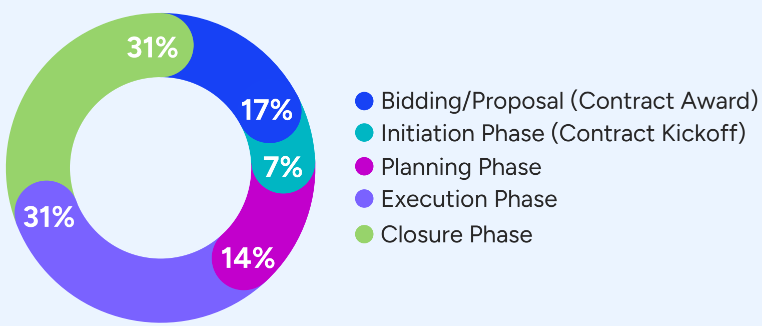
Most Challenging Phase of the Project Lifecycle

Execution and closure remain the most significant pinch points in the project lifecycle, tied at 31% and together accounting for 62% of respondents. Closure was up four percentage points, continuing an upward trend that reflects how frequently the final stages of a project are shaped by factors outside a firm's direct control: client approvals, scope changes, change order resolution and final billing. Execution climbed three percentage points, reflecting persistent delivery pressure as project complexity and competing demands on project managers continue to build.

Planning held flat at 14%, while bidding and proposal declined six percentage points to 17%, reflecting firms' continued focus on go/no go discipline and more deliberate pursuit strategies. Challenges with the initiation phase remained low at 7%.

The distribution points to a practical opportunity: while execution and closure require resolving external variables, firms that hold themselves to best practices and maintain accountability throughout the project lifecycle are more likely to avoid disruption and close projects cleanly.

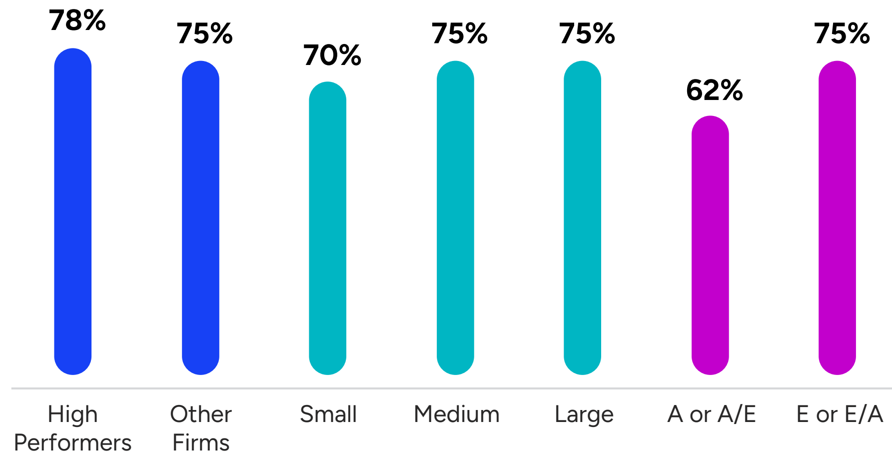
Most Challenging Project Lifecycle Phase



Projects On or Under Budget

Budget performance held steady for the second consecutive year, with 75% of projects reported as currently on or under budget. Performance was broadly consistent across most firm types. High performers climbed six percentage points to 78%, reflecting the cost management discipline that tends to distinguish top-performing firms. Large firms declined five percentage points to 75%, while architecture firms saw the steepest drop, falling eight percentage points to 62%, a notable pullback that may reflect delivery complexity and the client-driven variables that more frequently affect architecture-focused work.

The 10-year trend shows the industry has recovered steadily from the pandemic-era low of 62.1% in 2020, reaching 75% in 2024 and holding that level in 2025. Two consecutive years at 75% suggest performance has stabilized, though the industry has yet to reclaim the 80% peak reached in 2017. Firms that invest in earlier cost visibility, tighter scope discipline and stronger PM accountability are best positioned to push that number higher.



75.0%

0.0

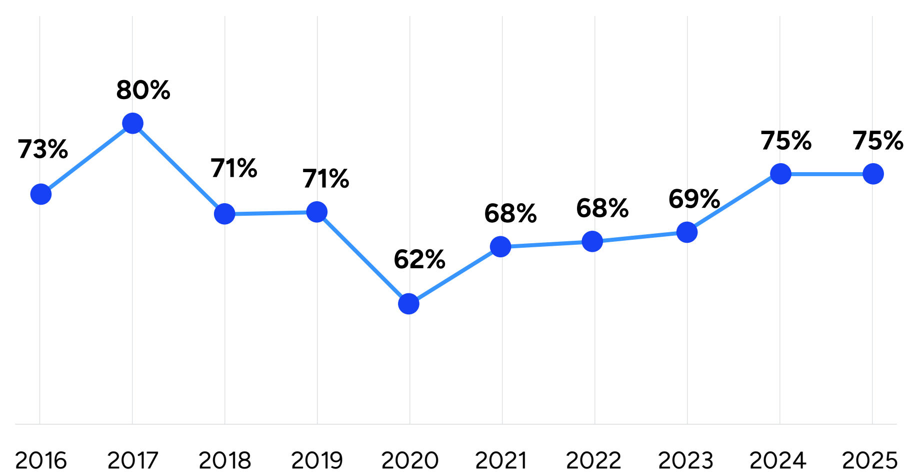
Top Quarter

80.0%

Bottom Quarter

58.0%

Projects On or Under Budget: 10-Year Trend



59.5%

0.0

Top Quarter

85.0%

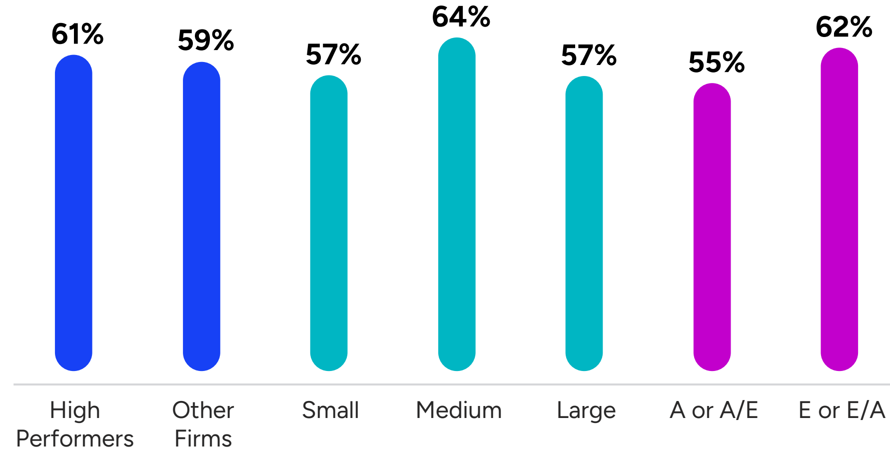
Bottom Quarter

30.0%

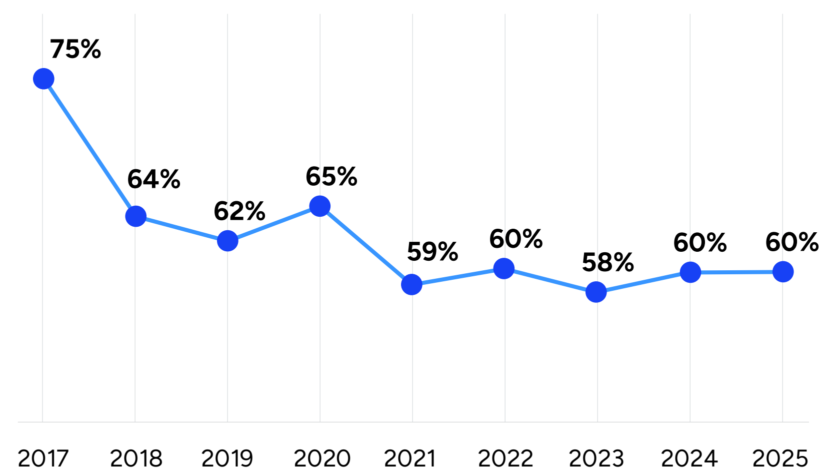
Projects On or Ahead of Schedule

Schedule performance held steady at 59.5% for the second consecutive year, with 60% of projects reported as on or ahead of schedule. Results were mixed across segments. High performers and medium firms each reported an increase of six percentage points, to 61% and 64% respectively. Large firms declined five percentage points to 57%, and other firms fell four percentage points to 59%. Engineering firms continued to outpace their architecture counterparts, at 62% versus 55% for architecture firms, a performance gap that has persisted across multiple years and likely reflects differences in project complexity, client dynamics and external dependencies.

The nine-year trend shows schedule performance dropped sharply from a high of 75% in 2017 and has oscillated between 58% and 65% ever since. Five consecutive years near 60% signal a plateau rather than a temporary dip. Schedule performance is shaped by factors both within and outside a firm's control. Client-driven changes, approval delays and scope shifts are persistent variables that even well-run projects must accommodate. Firms that build stronger plans upfront, give project managers meaningful access to schedule data and apply the same accountability to schedule metrics that they bring to financial ones are in a stronger position to manage those variables and improve outcomes over time.



Projects On or Ahead of Schedule: 9-year Trend

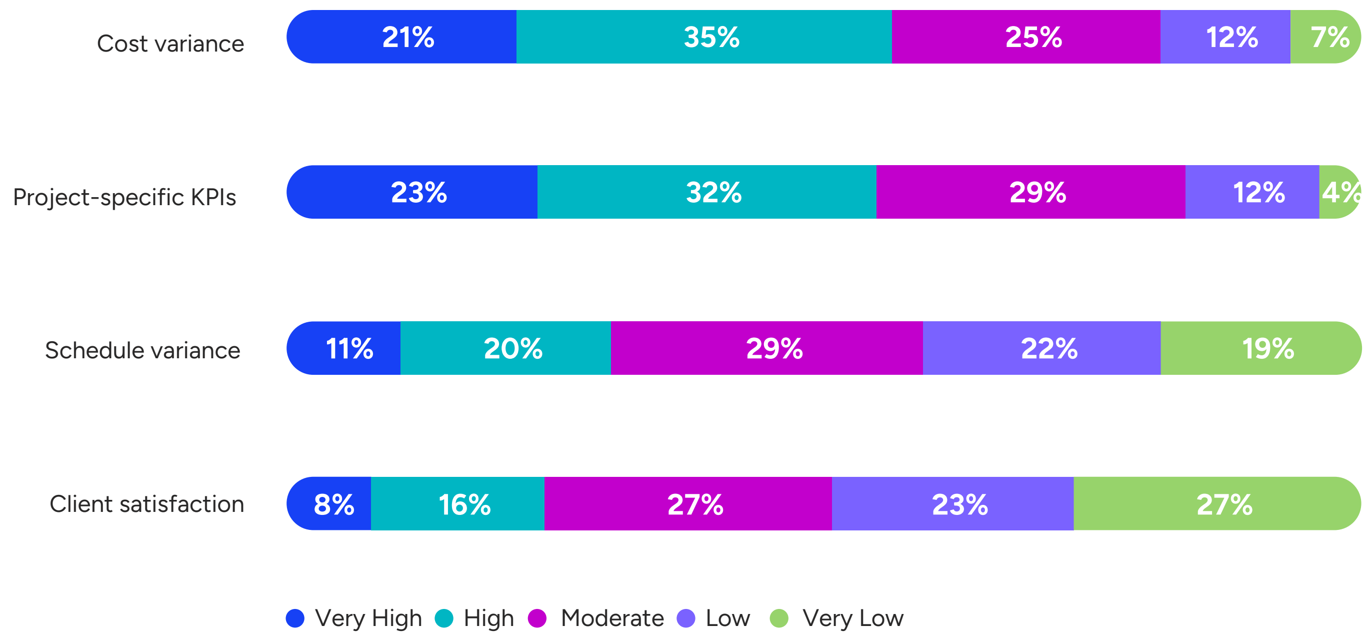


Project Status Visibility

When asked to rate their visibility into key project performance metrics, firms revealed a clear divide between financial and operational indicators. Visibility into project metrics improved across most areas this year, with cost variance and project-specific KPIs leading the gains. The share of firms reporting high or very high visibility into cost variance rose five percentage points to 56%, while project-specific KPI visibility climbed four percentage points to 55%. Firms reporting low or very low visibility into both metrics declined correspondingly, a positive directional shift that suggests firms are making progress in surfacing financial data for their project managers.

Schedule variance and client satisfaction tell a different story. Only 31% of firms report high or very high visibility into schedule variance, essentially flat year over year, while 41% remain in the low or very low range. Client satisfaction visibility is even more limited, with just 24% of firms reporting high or very high visibility and half of all firms with low or very low visibility. Firms that gain clearer visibility into schedule status give project managers the ability to course-correct before issues compound, and those that build structured client feedback loops are better positioned to strengthen relationships rather than simply respond to them.

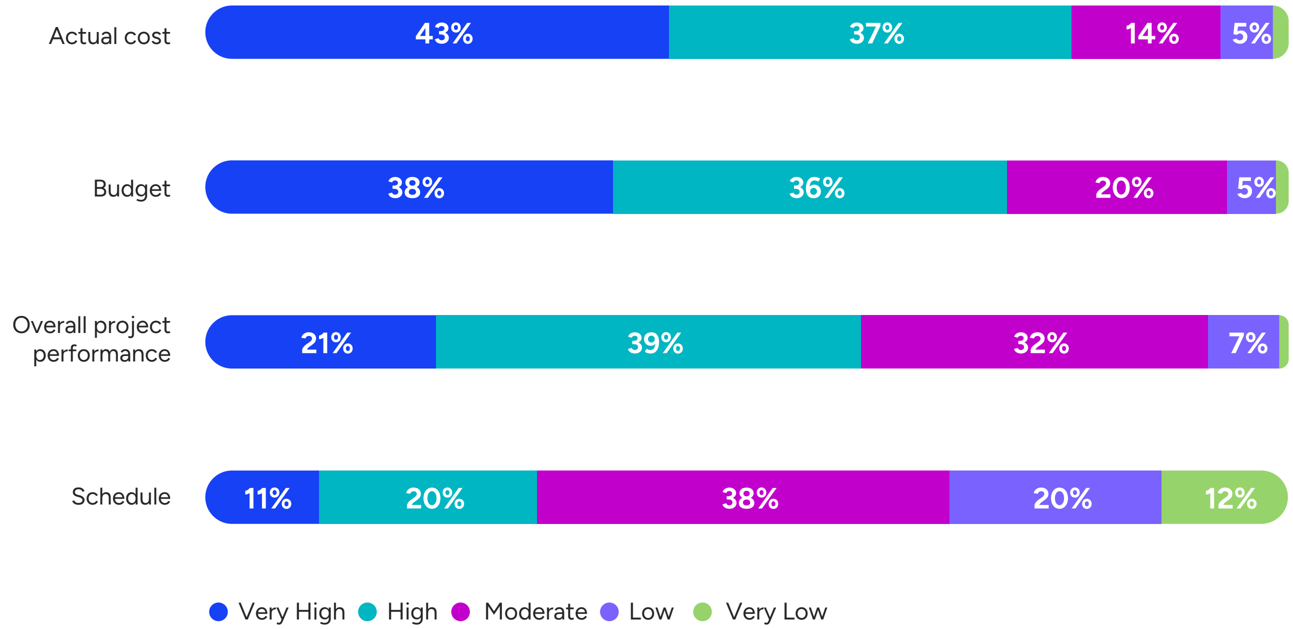
Closing the visibility gap on schedule and client satisfaction requires more than access to data. Firms that invest in building those plans and feedback processes create the conditions for more proactive, insight-driven project management.



Project Reporting Accuracy

Firms were asked to rate their confidence in accurately reporting on key project performance metrics and responded with an uneven picture across financial and schedule indicators. Confidence in project reporting accuracy improved across most metrics this year, with gains concentrated in financial data. The share of firms reporting high or very high confidence in actual cost reporting rose five percentage points to 80%, the strongest result across all four metrics. Budget confidence edged up one percentage point to 74%. Overall project performance confidence climbed four percentage points to 60%, reflecting a broader improvement in how consistently firms are capturing and reporting on project health.

Schedule remains the key pain point. Confidence in schedule reporting accuracy declined five percentage points, with just 31% of firms reporting high or very high confidence, the lowest of any metric by a wide margin. This pattern is consistent with what the visibility data shows: financial metrics benefit from established tracking workflows and finance-driven reporting cadences, while schedule metrics depend more heavily on project managers actively maintaining plans and being held accountable to them. Firms that close this gap stand to improve not just reporting accuracy but the underlying delivery outcomes that accurate schedule tracking enables.

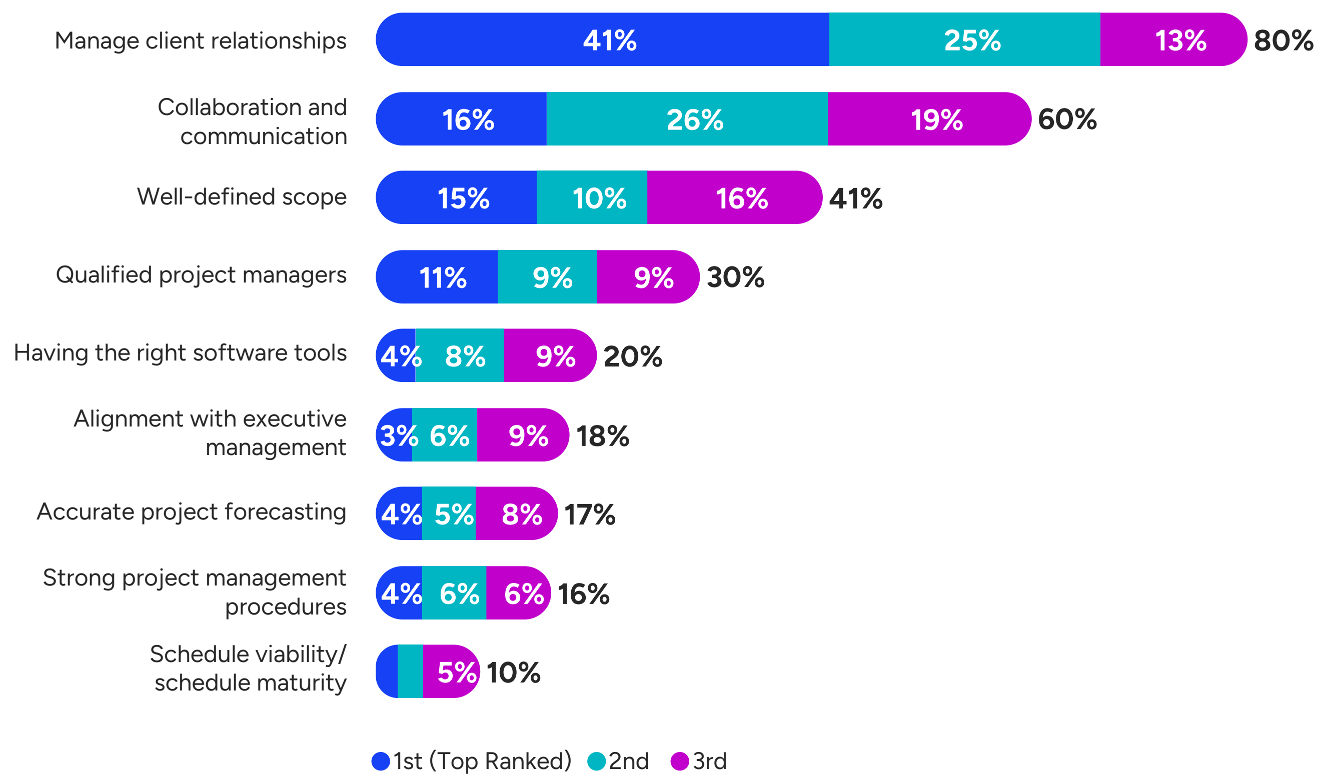


What Firms Do Well in Project Management

Managing client relationships remains the top project management strength for the fourth consecutive year, cited by 80% of firms, unchanged from last year. Collaboration and communication held steady in second place at 60%. Together these two capabilities reflect where the industry has traditionally invested the most attention, and where that investment continues to pay off.

The most notable shift this year is the rise of well-defined scope, which climbed eight percentage points to 41%, its highest level in several years. Stronger scoping discipline is foundational to budget and schedule performance, and this gain is an encouraging signal that firms are investing in the front-end work that makes downstream execution more manageable.

Qualified project managers declined five percentage points to 30%, consistent with the persistent challenge firms report in developing and retaining experienced PM talent. Having the right software tools climbed three percentage points to 20%, a welcome gain given how consistently firms cite tools as a lever for improving PM visibility and efficiency. Alignment with executive management held steady at 18%. At the bottom of the list, schedule viability and schedule maturity registered just 10%, accurate project cost and timeline forecasting at 17% and strong PM procedures at 16%. The gap between where firms feel strongest (relationships, collaboration) and where execution discipline still has room to grow (scheduling, forecasting, procedures) points directly to the opportunity: building on client-facing strengths while closing the execution discipline gap will be what separates firms that sustain performance from those that plateau.



Note: Respondents selected and ranked their top three options.

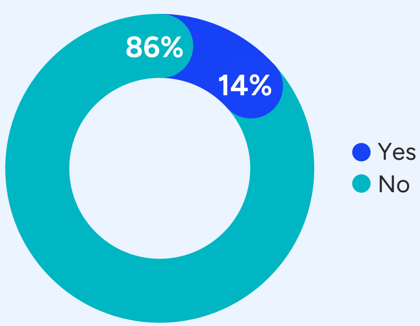
Use of Clearly Defined PM Processes

The Study asked firms what percentage of their projects use a clearly defined project management process. Results show steady adoption, with 68% applying formal processes to at least half of their work. The distribution within that figure shifted modestly: the share of firms using defined processes on more than three fourths of projects held flat at 36%, while companies using a clear process on all projects edged up two percentage points to 8%, a small but positive signal of PM commitment among the most process-disciplined firms.

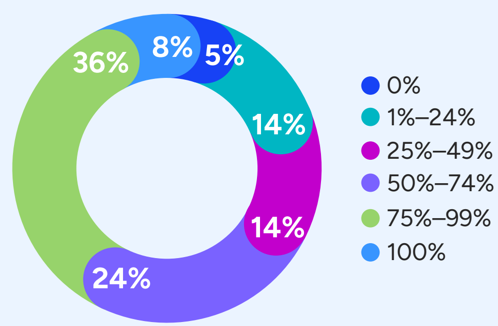
The presence of a project management office (PMO) or Center of Excellence remained essentially flat at 14%. Despite years of advocacy for more structured PM governance, fewer than one in seven firms has formalized that function. Formal project management training showed the most significant movement, with firms reporting at least 50% of project leaders trained edging up four percentage points to 44%. The share with fewer than 25% of leaders trained declined four percentage points, suggesting incremental progress in building a more broadly trained PM workforce.

Taken together, these three metrics point to an industry that is steadily moving in the right direction. Firms that commit more fully to structured PM governance, whether through a PMO, a Center of Excellence or a formal training program, are creating the conditions for PM capability to translate into consistent, measurable execution.

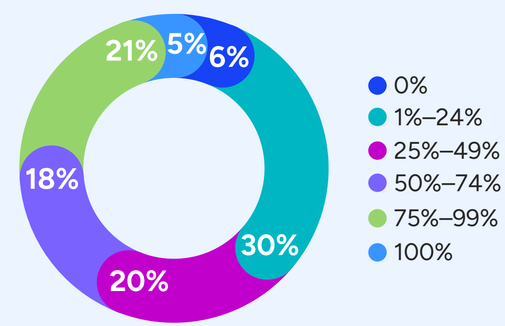
Firms with PMO or Center of Excellence



Projects Using Clearly Defined PM Process



Project Leaders with Formal PM Training



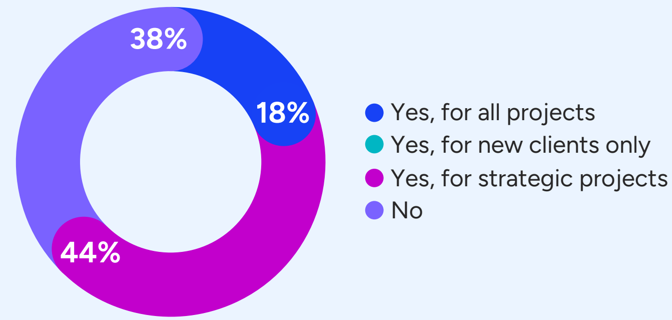
Internal Project Performance Evaluations

The use of internal project performance evaluations held steady, with 62% of firms conducting them for all projects or strategic projects, up three percentage points from the prior year. The share evaluating strategic projects rose three percentage points to 44%, while the share evaluating all projects held flat at 18%. Nearly four in ten firms still do not conduct evaluations of any kind, a number that has shown little movement in recent years. Notably, no firms are evaluating projects for new clients only, down from 2% in 2024.

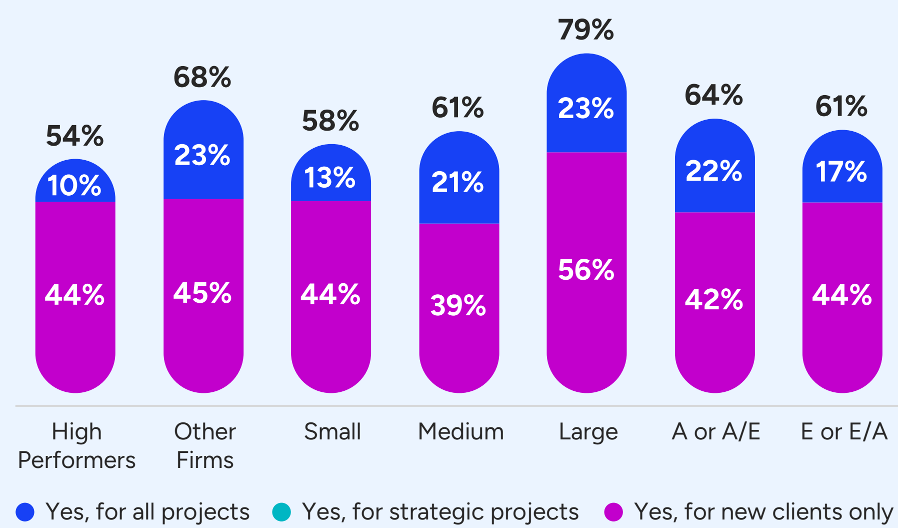
Results varied meaningfully by firm type. Other firms and small firms both increased their evaluation rates, to 68% (up eight percentage points) and 58% (up six percentage points) respectively, a significant shift given that smaller firms often cite resource constraints as a barrier. Large firms declined six percentage points to 79%, and high performers dropped six percentage points to 54%, a pullback worth monitoring given the role that structured reflection plays in sustaining performance over time.

Internal evaluations are one of the most accessible tools firms have for building PM discipline. They do not require significant investment, only intentionality. Firms that build evaluation cadences into their project workflows, rather than treating them as optional or end-of-year exercises, are well positioned to identify patterns, apply lessons learned and improve delivery consistency over time.

Internal Project Performance Evaluations



Evaluations by Firm Type/Size

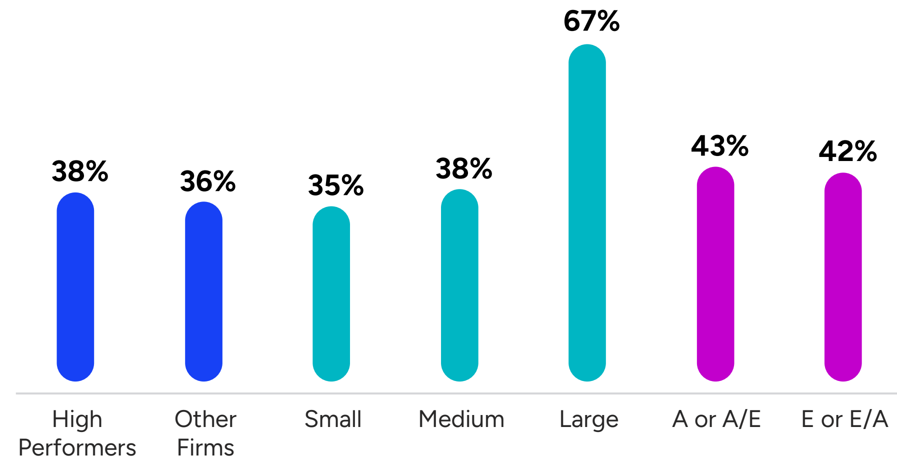


Measuring Client Satisfaction

The share of firms measuring client satisfaction rose to 41.6%, up 2.5 percentage points from the prior year. The gain was driven primarily by other firms, which climbed eight percentage points to 36%, and A or A/E firms, which rose nine percentage points to 43%. Large firms held steady at 67%, continuing to lead all segments by a wide margin.

Among firms that do measure client satisfaction, the share doing so across all projects climbed five percentage points to 50%, while the share limiting measurement to strategic projects declined three percentage points to 49%. More firms are beginning to treat client feedback as a standard part of project delivery rather than a selective practice reserved for high-priority work.

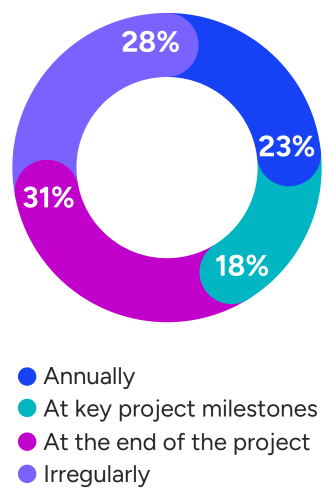
The frequency of measurement also shifted toward more structured cadences. End-of-project measurement rose eight percentage points to 31%, and annual measurement edged up three percentage points to 23%. Irregular or ad hoc feedback practices declined six percentage points to 28%. Together these trends signal that firms are moving toward more deliberate, embedded approaches to capturing client feedback, a shift that strengthens relationship management and surfaces service gaps while they are addressable.



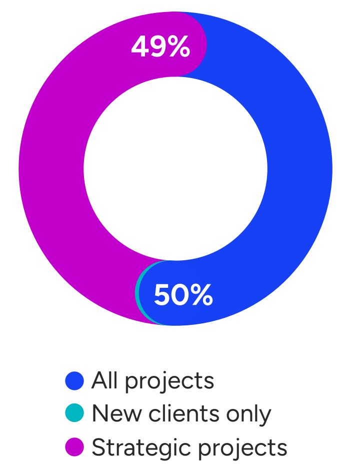
41.6%

↑ **2.5%**

Frequency of Measuring Client Satisfaction



Measuring Client Satisfaction by Project Type



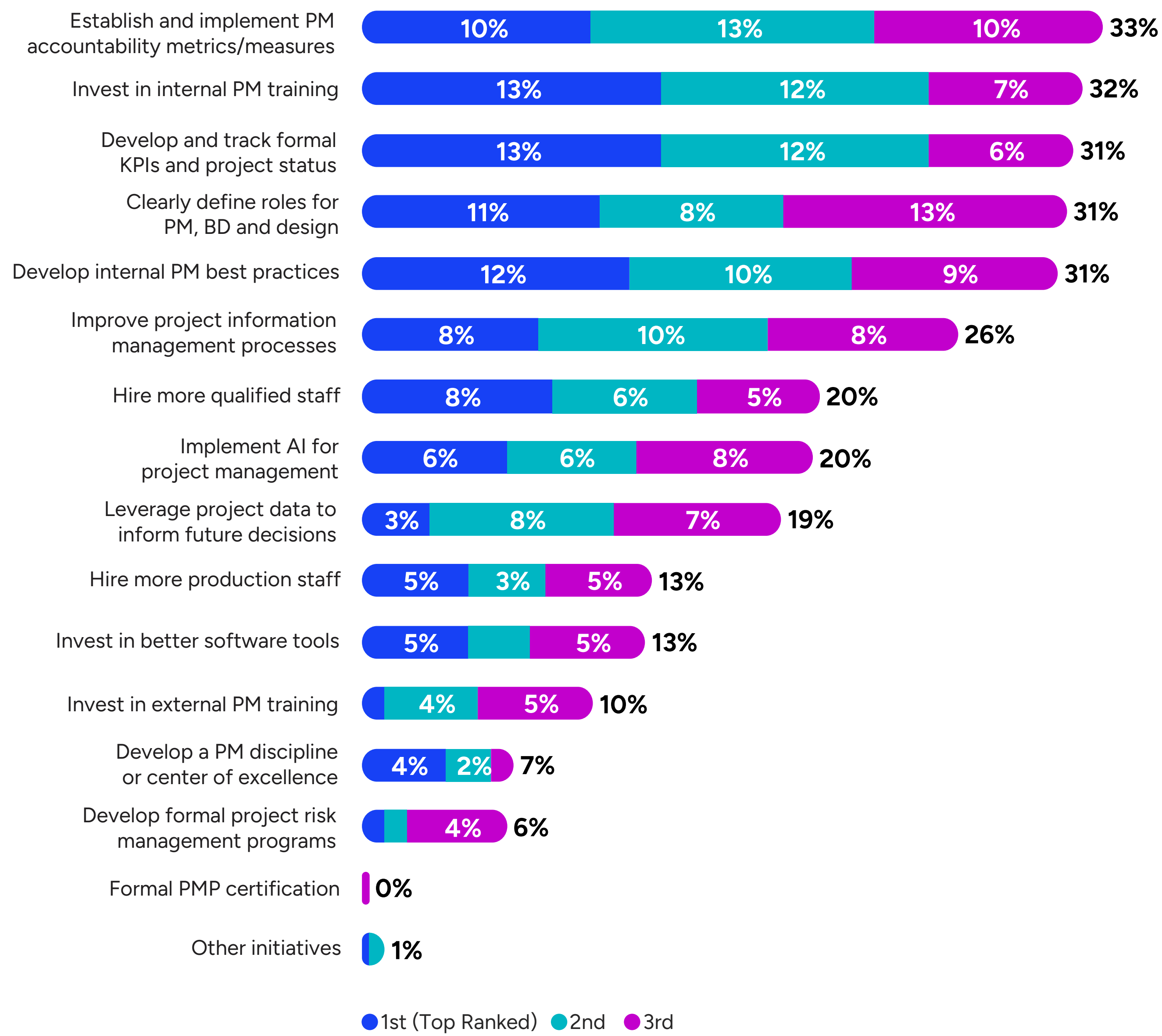
Top Project Management Initiatives

When asked to identify the top three initiatives they plan to pursue over the next three years, firms pointed to a mix of familiar priorities and a notable new entrant. Establishing and implementing PM accountability metrics and measures debuted at the top of the initiatives list in its first year as an option, cited by 33% of firms. Its immediate ascent to first place is a meaningful signal: firms are not just tracking more data, they are looking to formalize the expectations and accountability structures that give that data more meaning and impact to the business.

Investing in internal PM training followed with 32% of firms identifying this as one of their top three initiatives. Developing and tracking formal KPIs and project status, clearly defining roles for PM, business development and design, and developing internal PM best practices all were selected by 31% of firms, forming a cluster of priorities centered on structure, clarity and discipline.

Implementing AI for project management also debuted this year with 20% of firms selecting this option, reinforcing a theme running through this year's data: firms are exploring how technology can support the PM function, but they recognize that AI value depends on the quality and consistency of the underlying data and processes.

Hiring more qualified staff, cited by 20% of firms, reinforces the need for talent with the skills required to meet current project management challenges and contribute to building firms equipped to adapt and compete in the near future.



Note: Respondents selected and ranked their top three options.

03

CLARITY OUTLOOK

Project Management

A&E firms are building the PM infrastructure that positions them to realize the full value of their staff, implementation of AI and KPI tracking: structured accountability, disciplined processes and a more broadly trained project management workforce.

The path forward in project management is not a single initiative but a sequence. Firms that start with clear business objectives, define what success looks like for each project and hold project managers accountable to those definitions are building the first layer of a foundation that compounds over time. Process standardization, KPI discipline and structured training build the next layers, creating the conditions under which better tools, including AI, can surface insights that can have a meaningful impact on how decisions get made.

That sequence matters because the temptation is to skip ahead. The firms that will make the most meaningful progress are not necessarily those with the most sophisticated tools, but those with the clearest standards, the most consistent practices and the most accountable teams. Building that culture deliberately, starting with the fundamentals that are within every firm's reach, is what separates incremental improvement from a genuine step change in project performance.

04

Human Capital Management

With employee turnover still high, but relatively unchanged, firms are continuing to shift focus from growth to retention, development and workforce sustainability.

Hiring has stabilized, but the pressure to find and keep the right people has not eased. Firms are competing on more than compensation, investing in career visibility, early-talent pipelines and modern management practices to attract a new generation of professionals. At the same time, the skills most in demand are evolving, making internal development and knowledge transfer as critical as recruitment.

> "Firms need to consistently spend resources on training and development and grow their future leaders. It is a must in today's competitive recruiting and retention environment."
>
> **STEVE GIDO, PRINCIPAL, RUSK O'BRIEN GIDO + PARTNERS**

13.8%
employee turnover

Addressing Top Talent Acquisition Challenges

1 Availability of Good Candidates

The search for qualified talent continues to top the list of acquisition challenges, even as its prevalence has eased from recent highs. As experienced professionals retire and generational transitions accelerate, firms face growing pressure to identify and attract the right people across disciplines. Many are responding by looking earlier in the career pipeline, targeting new graduates and building the internal onboarding and development infrastructure needed to bring them up to speed. The challenge is no longer just finding people; it is finding people who are ready, or investing in making them ready once they arrive.

2 Competitiveness in Market

New to the list this year, the intensity of competition for qualified candidates has quickly emerged as a leading concern. Firms are increasingly competing not just on salary but on the full employment proposition: career clarity, development opportunity, culture and management quality. As workplace flexibility becomes less available as a differentiator, the ability to articulate a compelling and distinctive employer value proposition matters more than ever. Firms that can show candidates not just a job, but a trajectory, will have a meaningful advantage.

3 Offering Competitive Compensation

Compensation remains a top challenge even as its urgency has eased somewhat from prior years. Firms are recognizing that the issue goes beyond total compensation. How pay is structured, communicated and positioned relative to the full benefits of employment is increasingly what determines whether offers are accepted or declined. Candidates are comparing offers more holistically, and firms that lead with transparency and a clear rationale for how compensation decisions are made are better positioned to close.

"Nurturing the next generation of the architecture firm workforce has always been of importance. Firms specifically should expose early- and mid-career folks to every aspect of projects so they can better understand how their contributions not only impact the project outcome but the success of the business."

MICHELE RUSSO, VICE PRESIDENT, RESEARCH, AIA

Human Capital Management Overview

Firms are shifting focus from workforce growth to talent sustainability.

The hiring environment has stabilized from the disruption of recent years, but the underlying pressures have not. Firms continue to cite the availability of qualified candidates as their top challenge, and as turnover rises slightly, the cost and disruption of losing people is compounding those pressures. Rather than expanding headcount aggressively, most firms are focused on investing in the talent they already have, improving role alignment, investing in career development and targeting early-career professionals as a deliberate pipeline strategy.

How firms think about developing talent is evolving. Fewer firms have structured career development plans this year, yet those that do are applying them more broadly across their firms. Firms are narrowing their succession planning focus toward high-potential employees, particularly in larger firms, while modern performance management practices are gaining ground as both a management tool and a talent attraction strategy. The shift away from annual reviews toward more continuous feedback reflects a deeper change in how firms engage employees across all stages of their careers.

Technology investment in HR is growing but remains uneven. Learning management systems are being adopted by a growing share of firms, yet many still rely on spreadsheets and manual processes to track workforce skills. This gap limits the ability to connect learning investment to talent deployment, succession planning and long-term workforce strategy. Firms with more connected HR infrastructure are better positioned to act on their data and respond quickly to changing staffing needs.

Improving career development and promotion programs ranked as the top HR initiative, rising 7 percentage points year-over-year, a clear signal that firms are investing in the talent they already have rather than relying on recruitment alone. Yet executing on that priority is harder than identifying it. Mentorship is declining as a formal initiative even as the skills most needed across the industry are precisely those built through experience and guidance. Creating space for development and knowledge transfer, without sacrificing delivery capacity, is one of the defining workforce challenges firms will carry into the coming year.

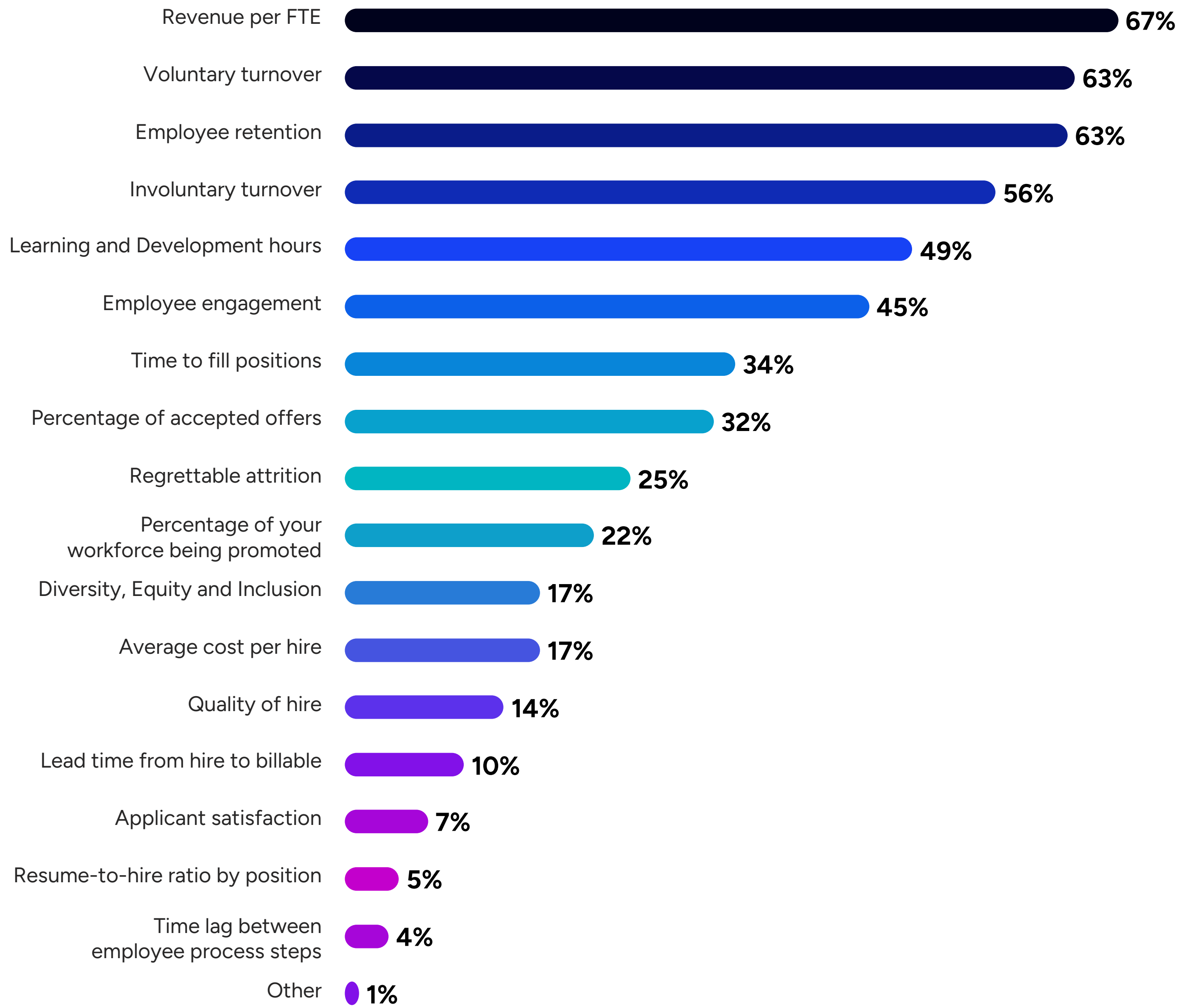
Firms are shifting from reactive hiring to intentional workforce development, investing in career pathways, early-talent pipelines and modern performance practices to strengthen the client relationships, project experience and bench strength that drive long-term success.

Human Capital Management KPIs

The top three key performance indicators (KPIs) tracked by firms remained consistent with prior years: revenue per full-time employee (67%), voluntary turnover (63%) and employee retention (63%). Employee retention saw the most significant year-over-year gain, rising nine percentage points, a clear signal that firms are placing greater strategic weight on keeping the talent they already have as hiring conditions remain competitive and turnover remains relatively unchanged.

Learning and Development hours entered the list for the first time this year and immediately ranked among the most widely tracked metrics at 49%. The prominence of this new KPI, alongside gains in employee engagement (+4 percentage points to 45%) and time to fill positions (+5 percentage points to 34%), reflects a broader shift in how firms are measuring workforce health. Rather than focusing narrowly on productivity and headcount, firms are expanding their measurement lens to capture the full employee experience, from how quickly roles get filled to how invested employees feel in their work.

At the same time, some recruiting efficiency metrics remain relatively under tracked. Quality of hire (14%), lead time from hire to billable (10%) and applicant satisfaction (7%) continue to trail the field, pointing to an opportunity for firms to build a more complete picture of their talent acquisition pipeline.

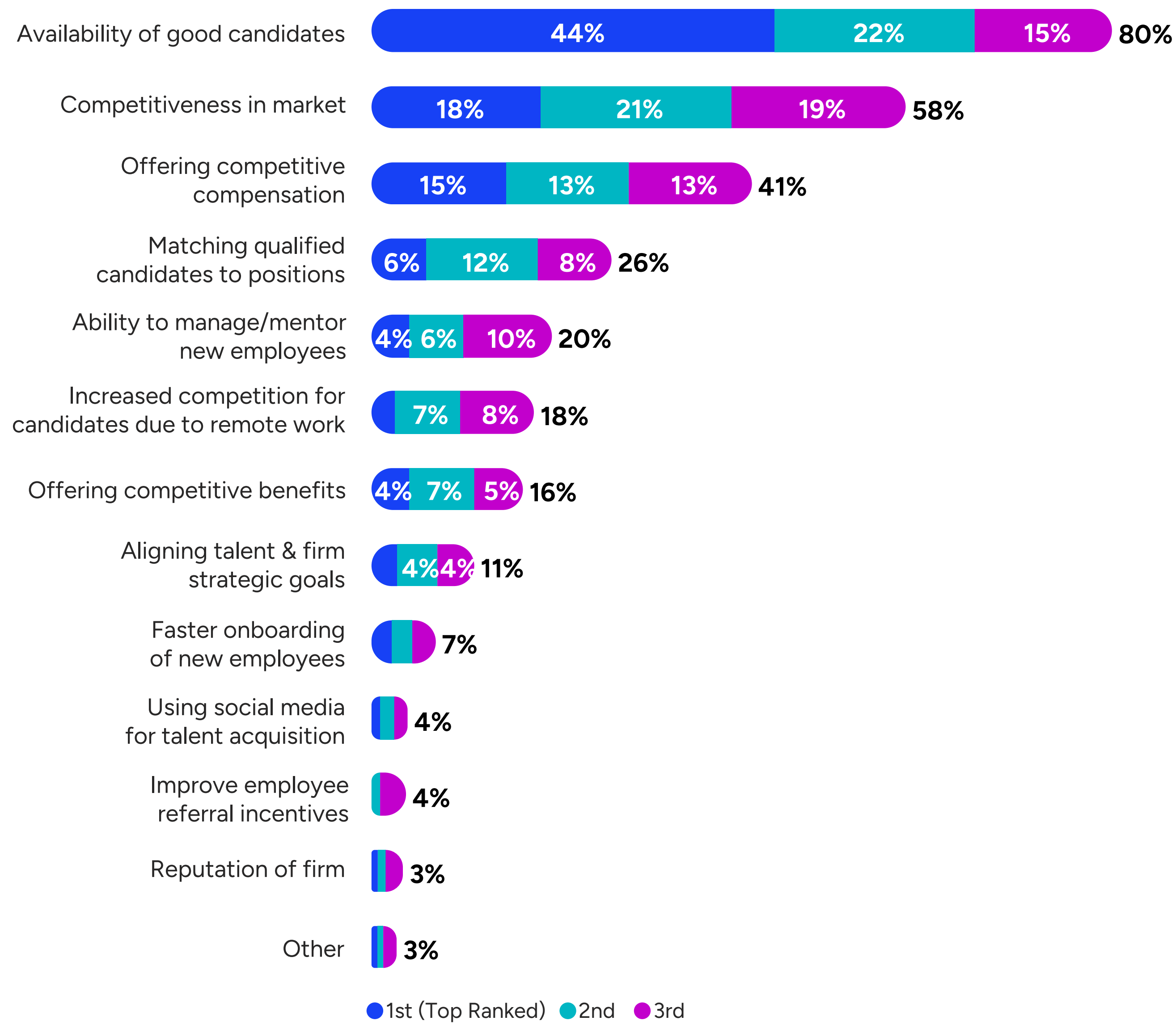


Top Talent Acquisition Challenges

When firms were asked to identify and rank their top talent acquisition challenges, the availability of good candidates remained at the top, though its prevalence declined nine percentage points to 80%. The addition of new response options this year likely absorbed some of that shift, but easing also suggests that the most acute phase of the talent crunch may be softening, even as competition for skilled professionals continues to reshape how firms approach hiring.

Two new response options entered the list this year and made an immediate impact. Competitiveness in market debuted at 58%, ranking second overall, and the ability to manage and mentor new employees entered at 20%, reflecting a challenge that extends well beyond recruitment. Once firms bring people on board, developing them effectively requires dedicated time and internal infrastructure that many organizations are still building out.

Offering competitive compensation fell 12 percentage points to 41% and matching qualified candidates to open positions dropped sharply from 45% to 26%. Increased competition for candidates due to remote work also fell 9 percentage points to 18%, consistent with a broader industry trend of firms pulling back on workplace flexibility. Underlying these shifts, an increased need for skill sets driven by AI tools continues to surface in the data, reinforcing that the talent challenge in A&E is structural as much as it is cyclical.



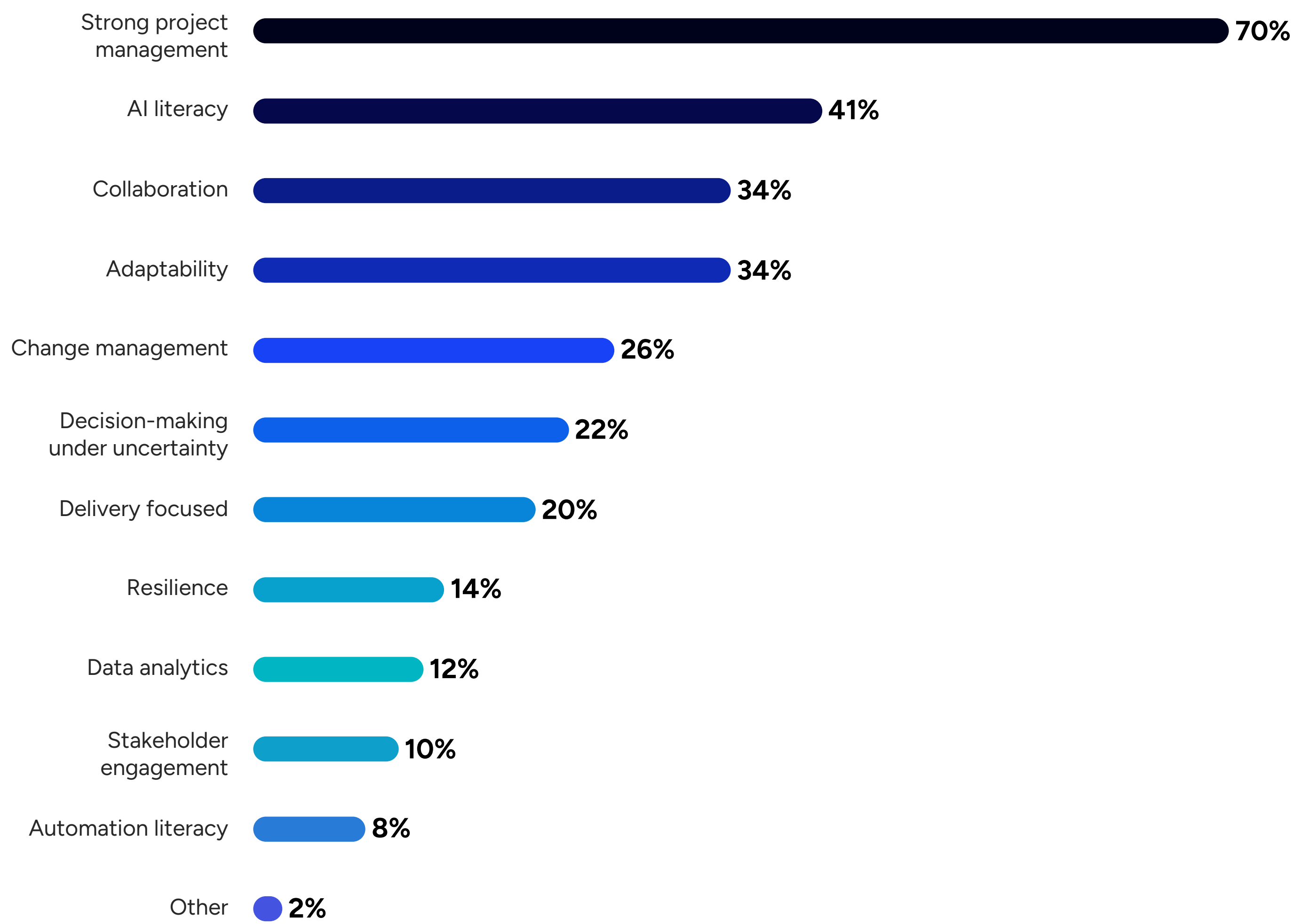
Note: Respondents selected and ranked their top three options.

Most Needed Skills

For the first time this year, firms were asked to identify the skills most needed across their firms for the next three years. Strong project management topped the list by a wide margin, cited by 70% of firms, underscoring the persistent pressure to deliver complex projects efficiently in an environment of tighter margins and constrained staffing. AI literacy followed at 41%, signaling that fluency with emerging tools is no longer optional but increasingly expected across disciplines.

Rounding out the top five were collaboration (34%), adaptability (34%) and change management (26%), skills that are less about technical expertise and more about navigating uncertainty effectively. Decision-making under uncertainty (22%) and delivery focus (20%) also ranked prominently, reflecting the operational realities firms face as project pipelines shift, client demands evolve and economic conditions remain unpredictable.

What is notable about this list is how many of the most needed skills cannot be acquired through a single training session or program. Collaboration, adaptability and resilience are largely developed through mentorship and hands-on experience. Yet as firms increasingly target younger and early-career hires, the experienced staff best positioned to provide that mentorship can often be stretched across too many demands to make the time. Building the internal conditions for knowledge transfer will be essential to long-term delivery capacity.

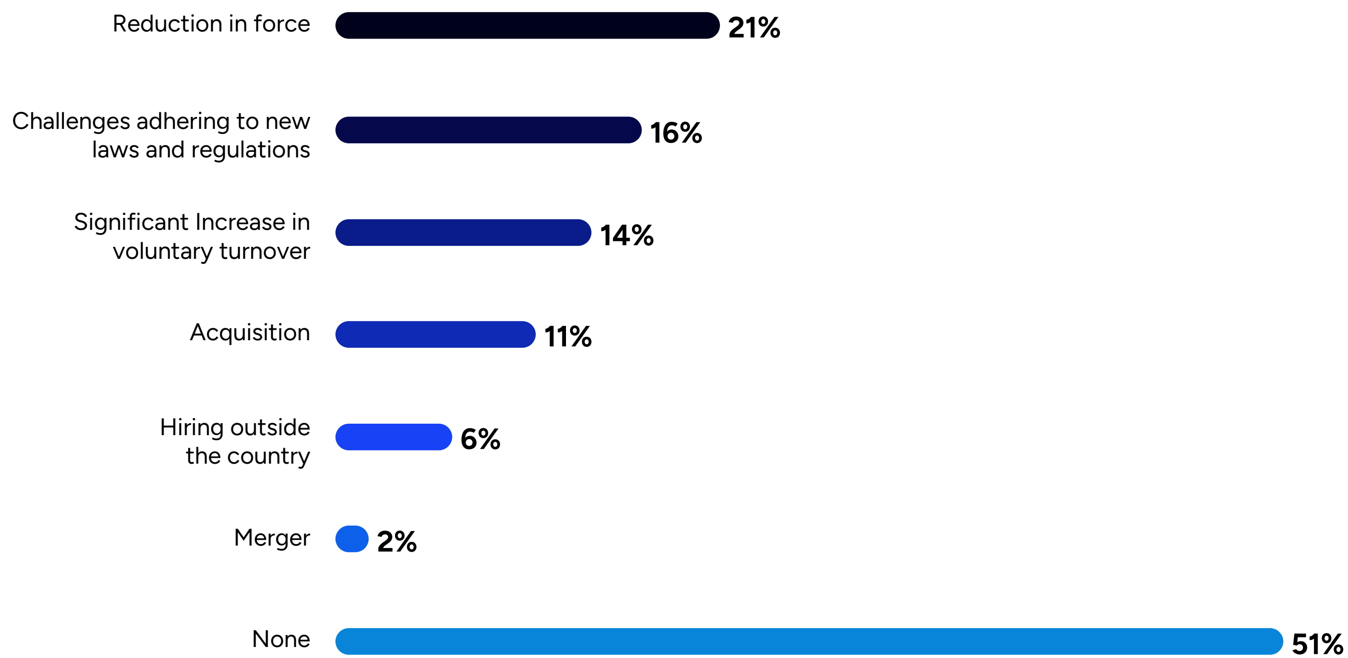


Workforce Events Experienced

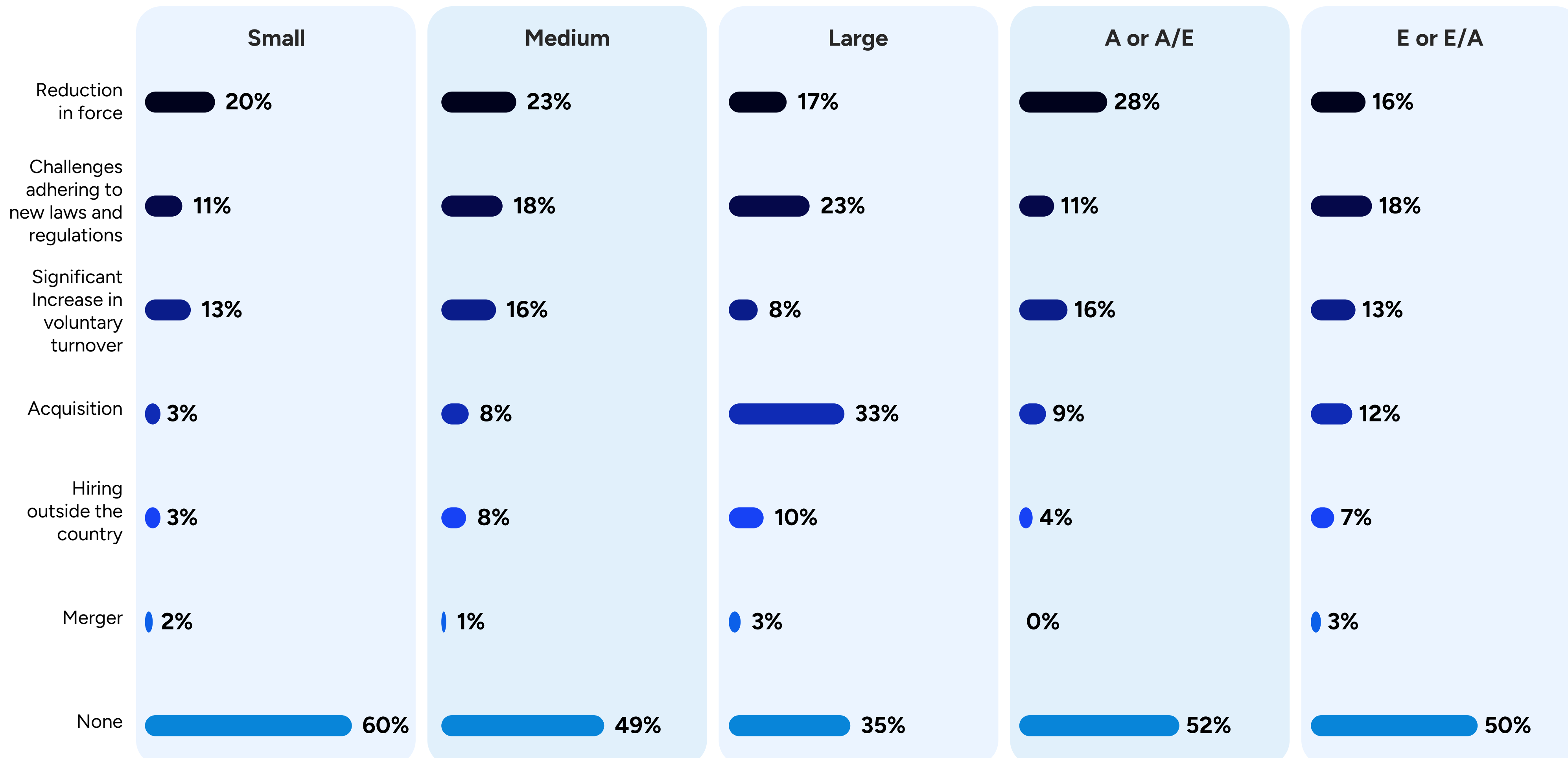
The share of firms reporting a significant workforce event in the last year increased six percentage points year-over-year, with 51% reporting none compared to 57% the prior year. Reductions in force (RIF) remained the most common event at 21% (+3 percentage points), suggesting that firms are continuing to make workforce adjustments as they navigate uneven workloads and margin pressure. Challenges adhering to new laws and regulations grew five percentage points to 16%, reflecting a more complex compliance environment across both architecture and engineering disciplines.

The picture varied by firm size. RIFs were the leading event for small and medium-sized firms at 20% and 23% respectively, while large firms were most affected by acquisitions at 33%, though that figure declined 15 percentage points from the prior year. The lower number of firms experiencing an acquisition may partly reflect the fact that firms actively engaged in mergers and acquisitions are less likely to participate in the Study during periods of organizational transition.

By firm type, RIFs were more prevalent among architecture firms (28%) than engineering firms (16%), consistent with the softer billing environment architecture has experienced relative to stronger engineering backlogs. Both firm types saw upticks in regulatory compliance challenges, up six percentage points for architecture and five percentage points for engineering, as shifting federal and state requirements add complexity to workforce planning.



Workforce Events Experienced by Firm Size and Firm Type



13.8%

↑ **0.6**

Top Quarter

19.1%

Bottom Quarter

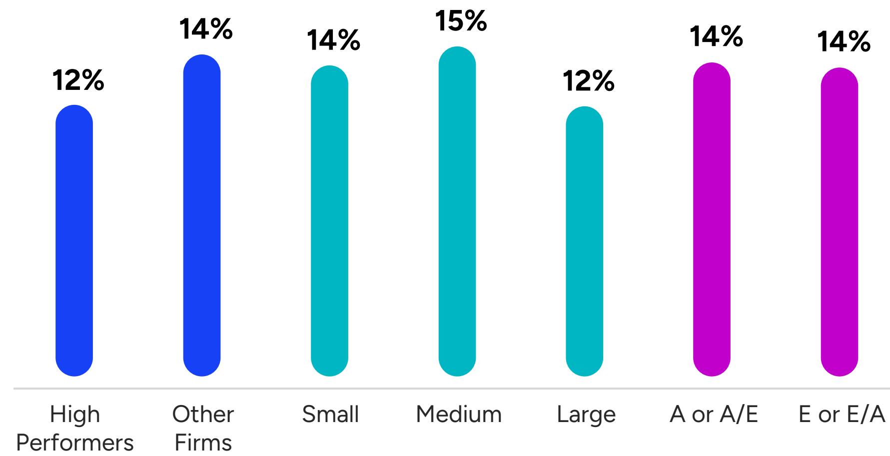
8.3%

Employee Turnover

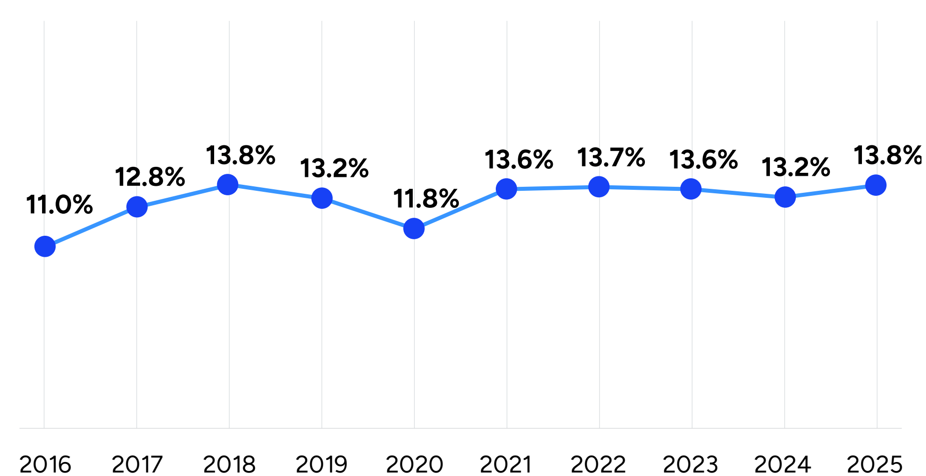
Employee turnover was relatively unchanged, edging up 0.6 percentage points to 13.8%. The modest increase was driven by small and medium-sized firms, which climbed to 14% and 15% respectively, while large firms saw a modest decline. High performers edged up by one percentage point to 12%. Firms that invest consistently in career development, engagement and meaningful work experiences tend to see more stable retention even when the broader market is unsettled.

Viewed over a decade, turnover has remained within a relatively narrow band between 11.8% and 13.8% since 2016. The current rate matches the 2018 level, suggesting this is less of a spike than a return to the higher end of what has become a fairly consistent range for the industry. The picture varies considerably at the firm level, however: top quarter firms reported turnover below 8.3%, while bottom quarter firms saw rates approaching 20%. For firms in the higher range, understanding how much of that movement is regrettable versus expected, and whether it reflects voluntary attrition or structural change, is increasingly important to shaping an effective retention strategy.

What makes the present environment worth watching is the combination of persistent turnover alongside slower staff growth. As generational transitions accelerate and workforce composition continues to shift, the challenge is less about a single year's movement and more about building the development pathways, management practices and culture that sustain retention over time.



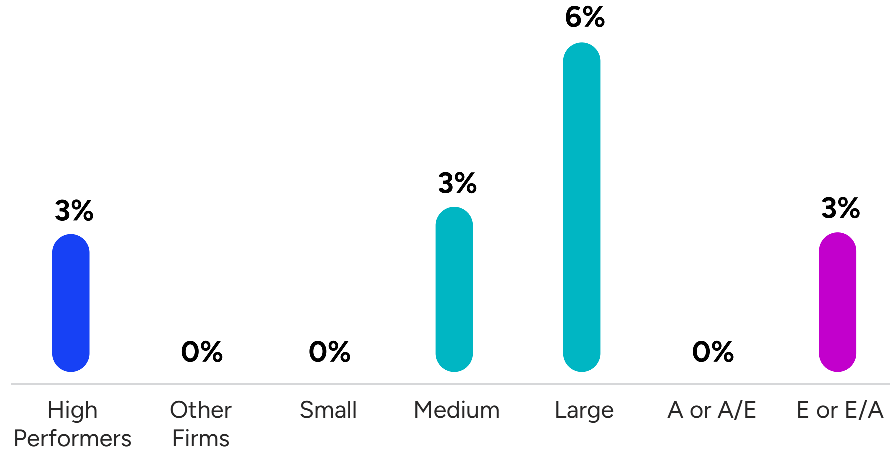
Employee Turnover: 10-Year Trend



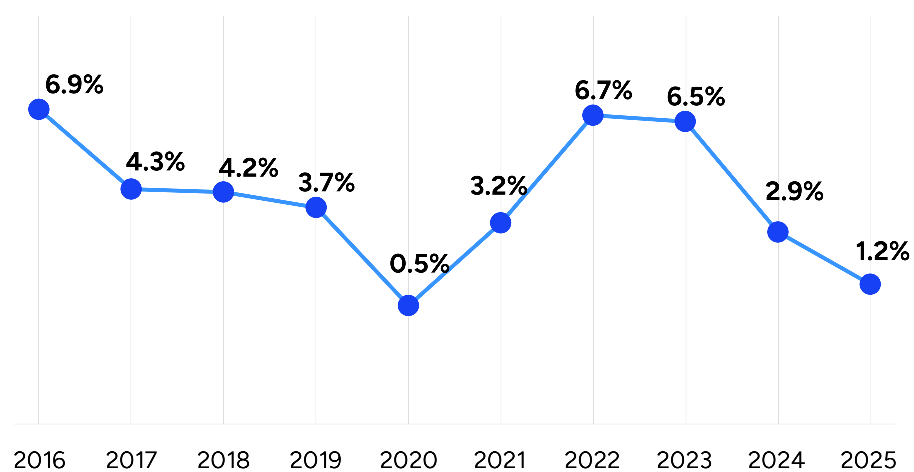
Staff Growth or Decline

Staff growth slowed to 1.2% this year, down 1.7 percentage points from the prior year, as firms pulled back from expansion mode to focus on optimizing existing capacity or filling open positions. The deceleration was driven primarily by medium-sized firms, which went from 4% to 3%, and architecture firms, which declined to flat. Large firms were the notable exception, with headcount growing to 6%, suggesting that scale continues to provide some insulation from the broader slowdown. The range of outcomes tells a wider story: top quarter firms grew headcount by nearly 8%, while bottom quarter firms saw staffing decline by nearly 5%, reflecting the uneven pressures of tighter margins, softer backlogs and more deliberate workforce controls playing out differently across the industry.

Despite leaner teams, many firms are maintaining strong revenue performance, suggesting improved operational efficiency and better alignment of staff to backlog and workload. As growth moderates, strategic workforce planning and targeted investment in skills development will become increasingly important to sustaining both capacity and profitability going forward.



Staff Growth/Decline: 10-Year Trend



1.2%

↓ **-1.7**

Top Quarter

7.7%

Bottom Quarter

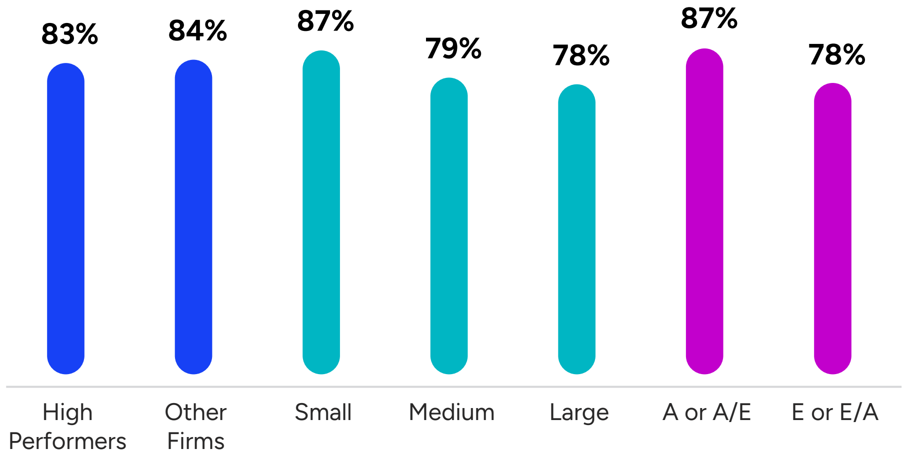
-4.9%

Open Positions

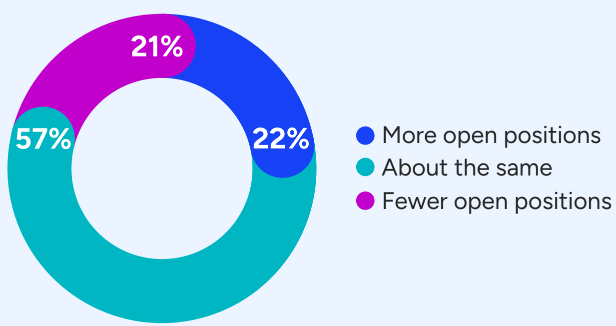
When asked whether their firm had more, fewer or about the same number of open positions compared to the prior year, the share of firms reporting more open positions declined three percentage points to 22%. Those reporting fewer open positions grew two percentage points to 21%, and 57% reported roughly the same number as the prior year. The hiring environment has stabilized considerably from the peak-demand years, yet growth remained the primary driver of open positions at 45%, indicating that even as hiring slows, forward-looking firms are still investing in capacity.

Offer acceptance rates improved notably, rising 4.6 percentage points to 81.6%, with small firms driving the largest gain, up nine percentage points to 87%. This likely reflects both economic uncertainty prompting candidates to accept offers more readily and potentially a shift in talent preferences away from larger firms following waves of acquisition activity. Architecture firms led all segments at 87%, while engineering firms came in at 78%. Given that compensation too low remains the top reason candidates decline offers, firms that do not actively communicate the full value of their compensation and benefits package risk losing candidates who might otherwise have accepted.

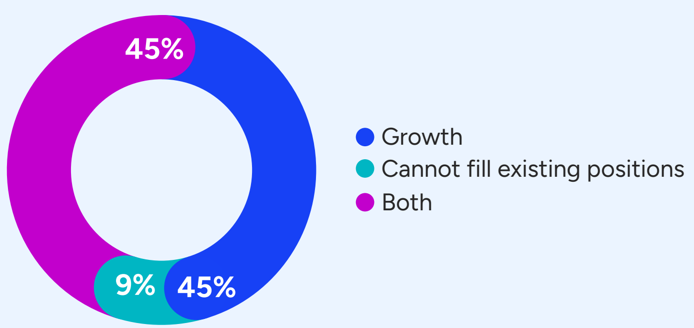
Percentage of Offers Accepted



Number of Open Positions



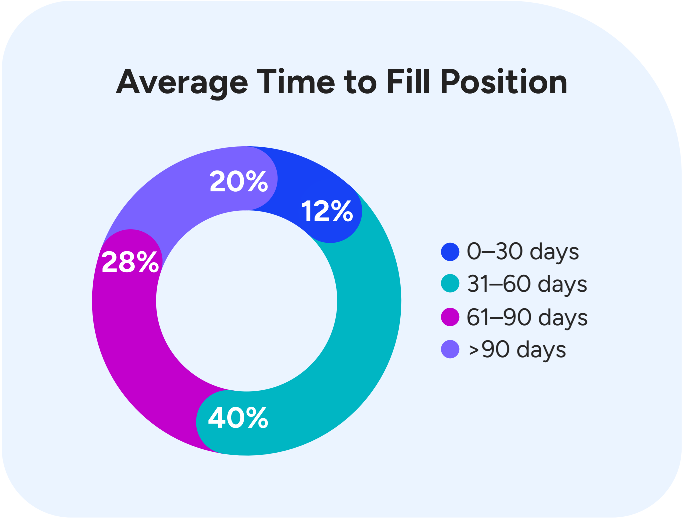
Reason for Open Positions

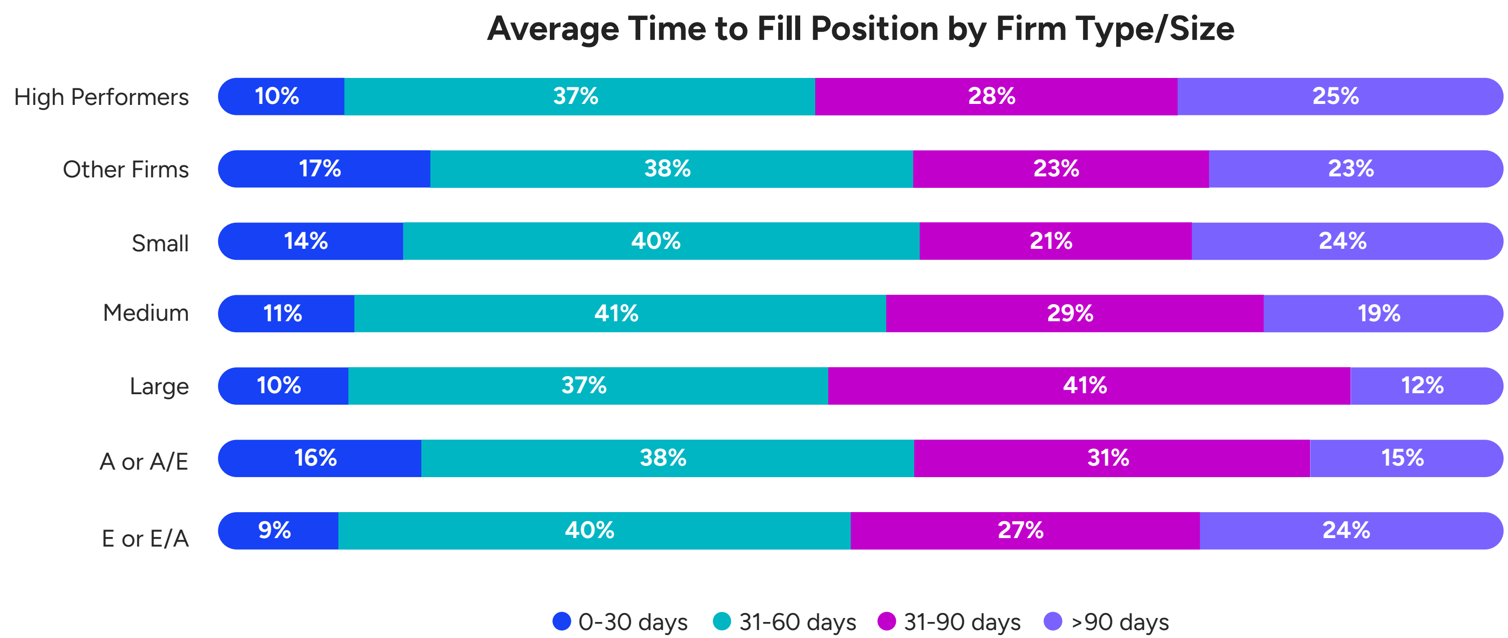


Average Time to Fill Position

Hiring timelines improved across the board, with the share of positions filled in under 30 days rising three percentage points to 12% and positions filled in 31 to 60 days up one percentage point at 40%. The share taking more than 90 days remained at 20%, while positions filled in 61 to 90 days declined four percentage points to 28%. The overall trend toward faster hiring likely reflects improved internal recruiting processes, better-defined role requirements and a candidate market moving more quickly than in peak competition years.

The improvement was consistent across firm sizes. Medium-sized firms showed the most pronounced shift, growing five percentage points to 11% in the sub-30-day category. Large firms showed the most persistent difficulty with longer timelines, though their share of positions taking more than 90 days declined two percentage points to 12%. Architecture firms improved more meaningfully than engineering firms in the fastest category, rising five percentage points to 16% versus three percentage points to 9%. For firms with a high concentration of longer cycles, process improvements can meaningfully move the needle.



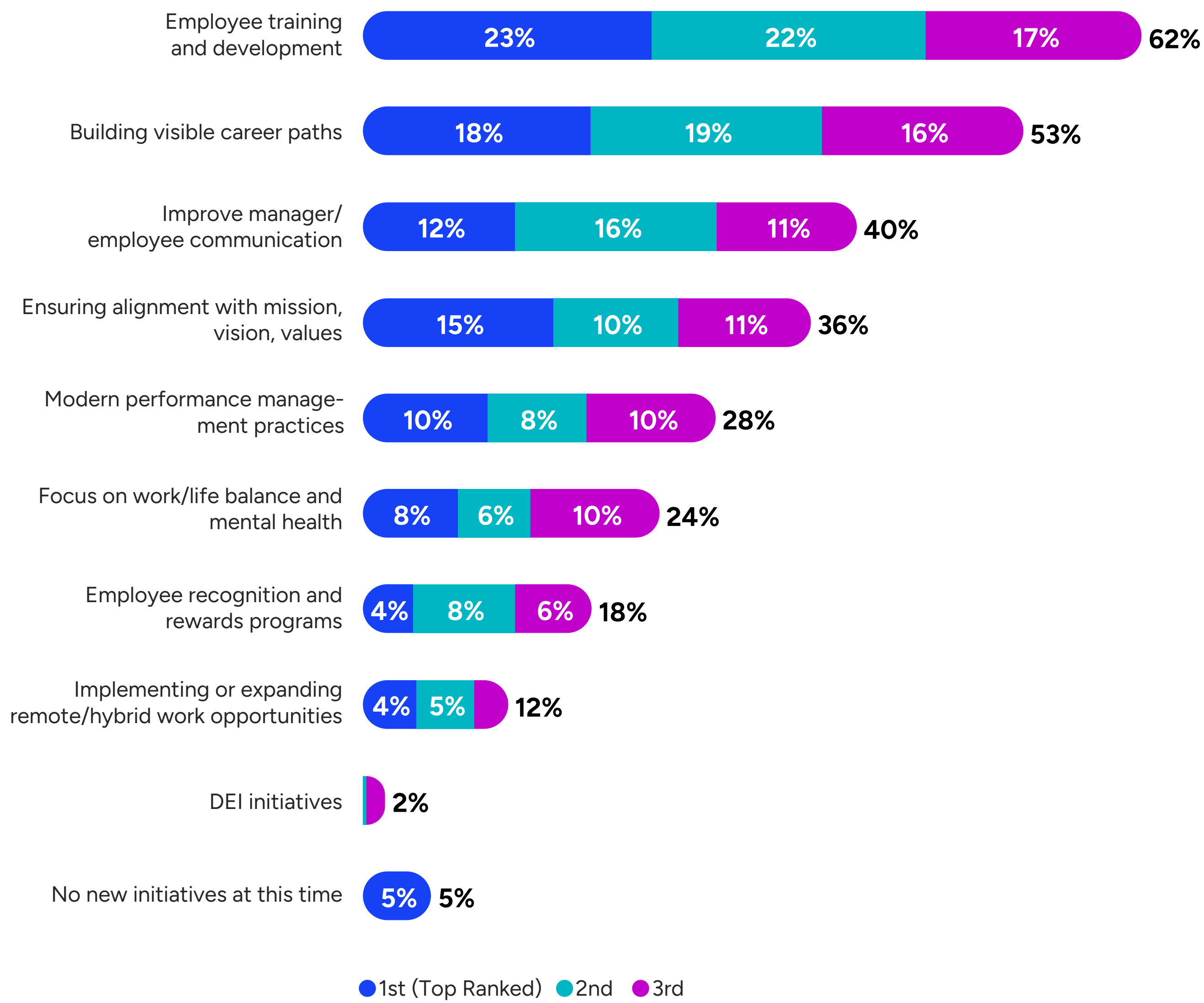


HR Initiatives to Retain and Attract

Firms were asked to rank their top three initiatives for creating a modern, employee-focused culture to bolster engagement, retention and attraction of top talent. Employee training and development remained the leading initiative firms are pursuing to attract talent, though it softened slightly to 62% (down three percentage points). Building visible career paths held firm in second place at 53%, reflecting the growing importance candidates place on understanding their trajectory before accepting a role. As firms increasingly target new graduates and younger professionals, clearly articulating career progression has become a key differentiator.

The biggest mover this year was modern performance management practices, which grew nine percentage points to 28%, reflecting a shift away from traditional annual reviews toward more continuous feedback models that resonate with younger employees. Improving manager and employee communication also ticked up to 40% (up by four percentage points), reinforcing that ongoing engagement is increasingly seen as a lever for attraction, not just retention.

Implementing or expanding remote and hybrid work opportunities continued to decline, falling to 12% as firms return to in-office expectations. Workplace flexibility remains a meaningful factor in candidate decision-making, yet fewer firms are investing in it as a recruiting tool. How firms navigate this gap, whether through stronger career investment, culture-building or other means, will shape their competitiveness for talent in the years ahead.



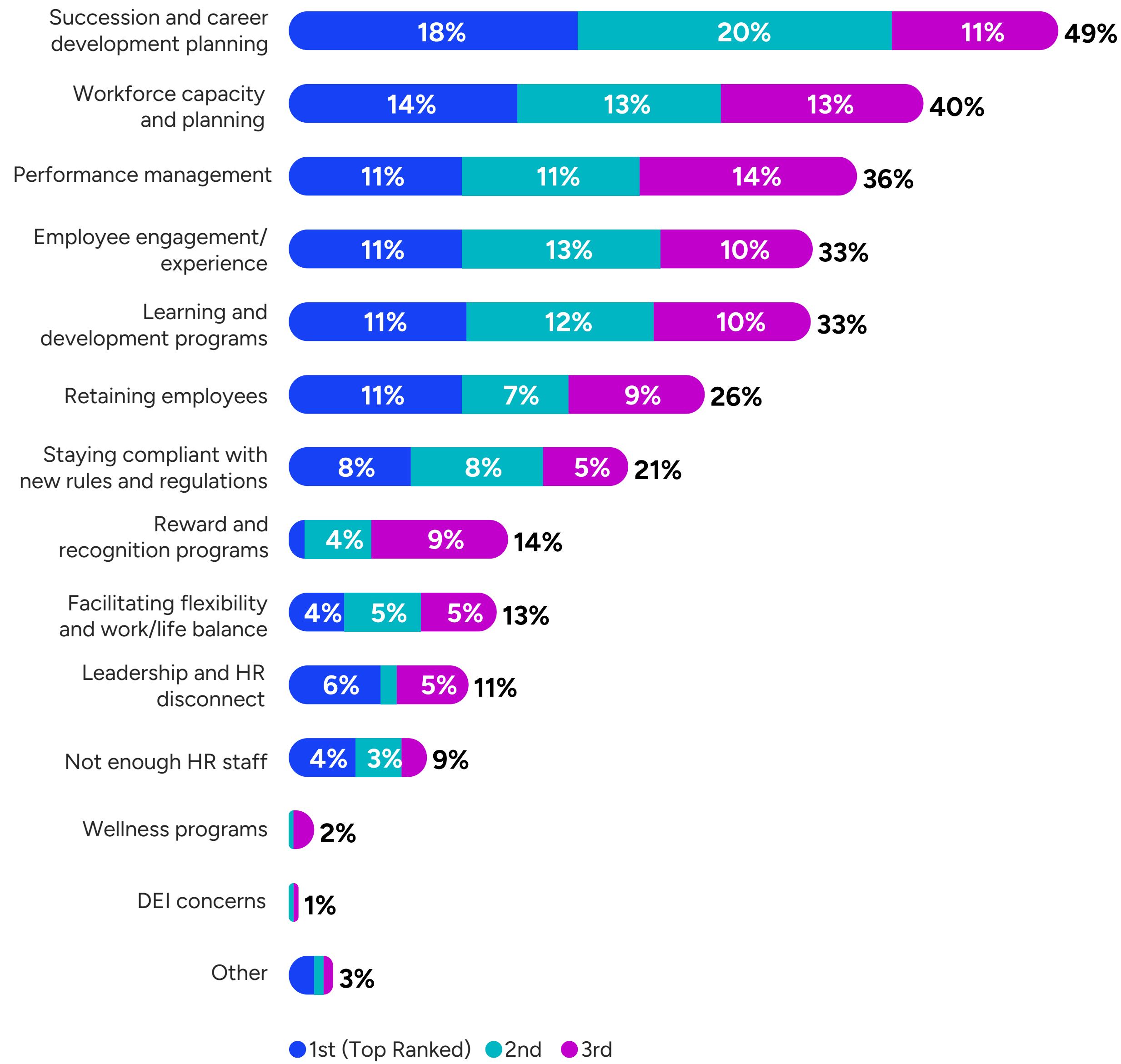
Note: Respondents selected and ranked their top three options.

Top Challenges Managing Human Resources

When asked to rank their top three challenges in managing human resources, firms placed succession and career development at the top again this year, rising two percentage points to 49%. With elevated turnover, slower headcount growth and a significant share of the workforce approaching retirement eligibility, the urgency around leadership continuity is only increasing. Workforce capacity and planning remained second at 40%, reflecting how difficult it remains to align staffing levels with shifting project demand. Learning and development programs rose three percentage points to 33%, and a new option this year, leadership and HR disconnect, entered at 11%, a modest but meaningful signal that aligning people strategy with organizational leadership remains a work in progress.

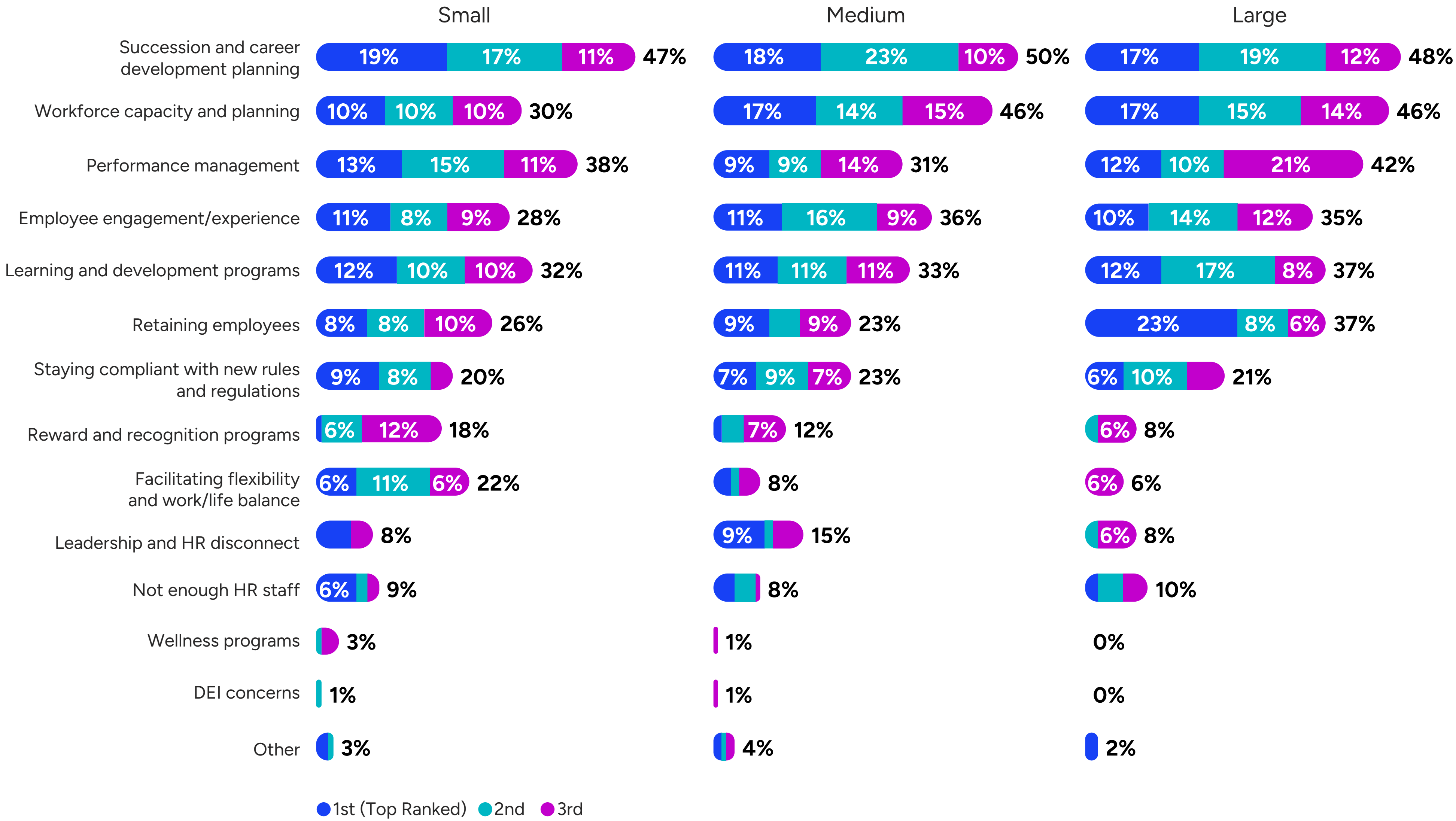
The nature of challenges varied by firm size. For large firms, 37% cited retaining employees as their top concern, likely reflecting the complexity of post-acquisition integration. Medium-sized firms face notable pressure from both succession planning and workforce capacity, as they are complex enough to have sophisticated workforce needs, but often without the HR infrastructure larger firms can bring to bear. For small firms, succession and career development planning topped the list of challenges, followed by performance management and workforce capacity. In terms of facilitating flexibility and work-life balance, small firms were more challenged than their medium and large counterparts.

By firm type, engineering firms face greater challenges with workforce capacity and planning (44% versus 35% for architecture) and regulatory compliance (24% versus 15%), while architecture firms report higher difficulty with performance management (40% versus 32%) and workforce capacity (35% versus 44%).



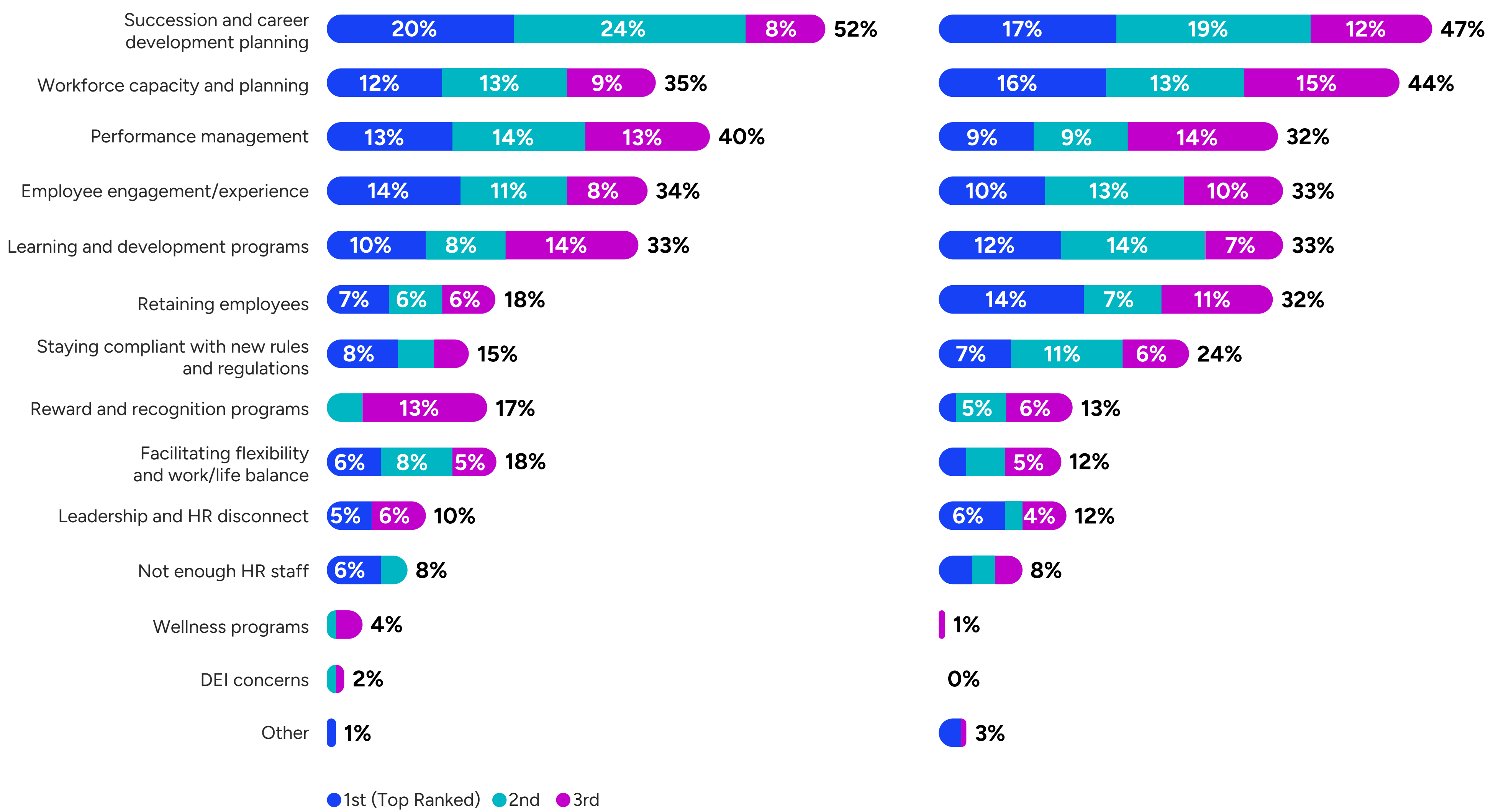
Note: Respondents selected and ranked their top three options.

Top Challenges for Managing Human Resources by Firm Size



Note: Respondents selected and ranked their top three options.

Top Challenges for Managing Human Resources



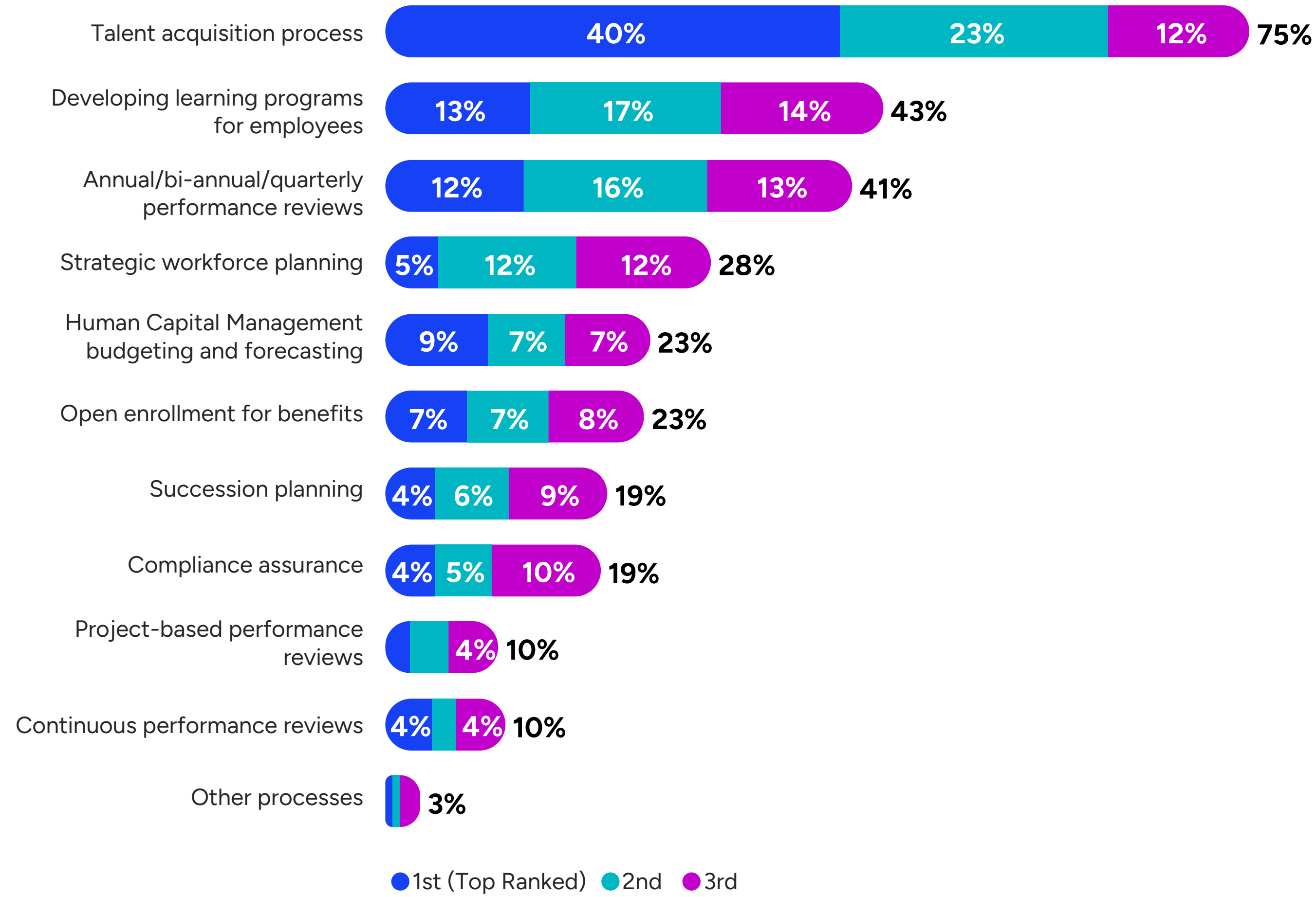
Note: Respondents selected and ranked their top three options.

Most Expensive Business Processes to Support

Talent acquisition remains the most expensive business process to support, cited by 75% of firms, though down one percentage point from the prior year. The cost of identifying, attracting and securing qualified candidates continues to place significant demands on firm time and resources, particularly as firms compete for a limited pool of specialized talent across disciplines.

Developing learning programs for employees declined eight percentage points to 43%, perhaps reflecting a pullback in investment as firms prioritize immediate operational needs over longer-term capability building. Annual, bi-annual and quarterly performance reviews declined as a cost concern to 41% (down by six percentage points). Open enrollment for benefits grew seven percentage points to 23%, consistent with rising benefits costs seen broadly across industries.

Strategic workforce planning grew three percentage points to 28%, reflecting the increasing investment firms are making in thinking more systematically about their talent pipelines and capacity needs. As firms look to optimize costs without compromising people strategy, technology-enabled HR solutions that reduce manual burden and improve planning foresight continue to be important investments.



Note: Respondents selected and ranked their top three options.

39%

↓ **-3.0**

Succession Planning

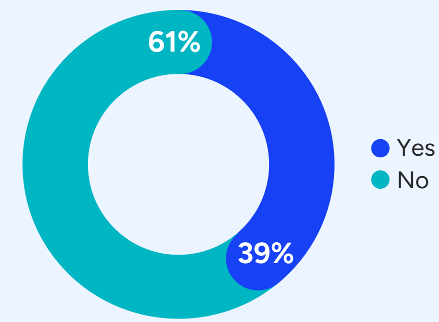
The share of firms with a formal succession plan declined three percentage points to 39%, continuing a gradual pullback even as succession and career development planning remains the top-cited HR management challenge. This gap between awareness and action represents a meaningful vulnerability, particularly as leadership transitions accelerate amid ongoing M&A activity and generational change.

Among firms that do have plans, the scope of coverage is shifting. The share applying plans to current leaders and next-in-line leaders declined from 60% to 53%, while high-potential employees grew two percentage points to 22% and first-line leaders grew four percentage points to 15%. The overall direction is toward more targeted, performance-based frameworks and away from broad-based leadership planning.

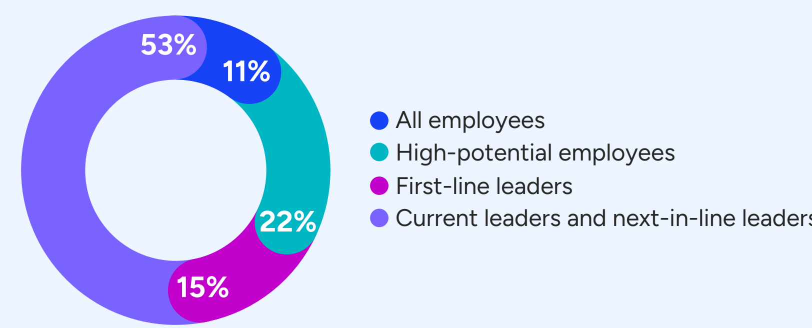
At the segment level, large firms drove the most significant shift, growing 15 percentage points in coverage of high-potential employees to 37%. Medium-sized firms and high performers saw the biggest gains in applying plans to all employees, each growing to 14% and 13% (up seven and four percentage points, respectively), suggesting that broader-based planning is gaining traction among firms with stronger HR practices and organizational bandwidth. Architecture firms saw a meaningful decline in planning for current and next-in-line leaders (down by 17 percentage points), while engineering firms held steady across categories.

As firms manage generational turnover and M&A integration, succession planning will need to balance focus with inclusivity. A targeted approach can be effective, but long-term resilience depends on cultivating leadership readiness across all levels of the firm.

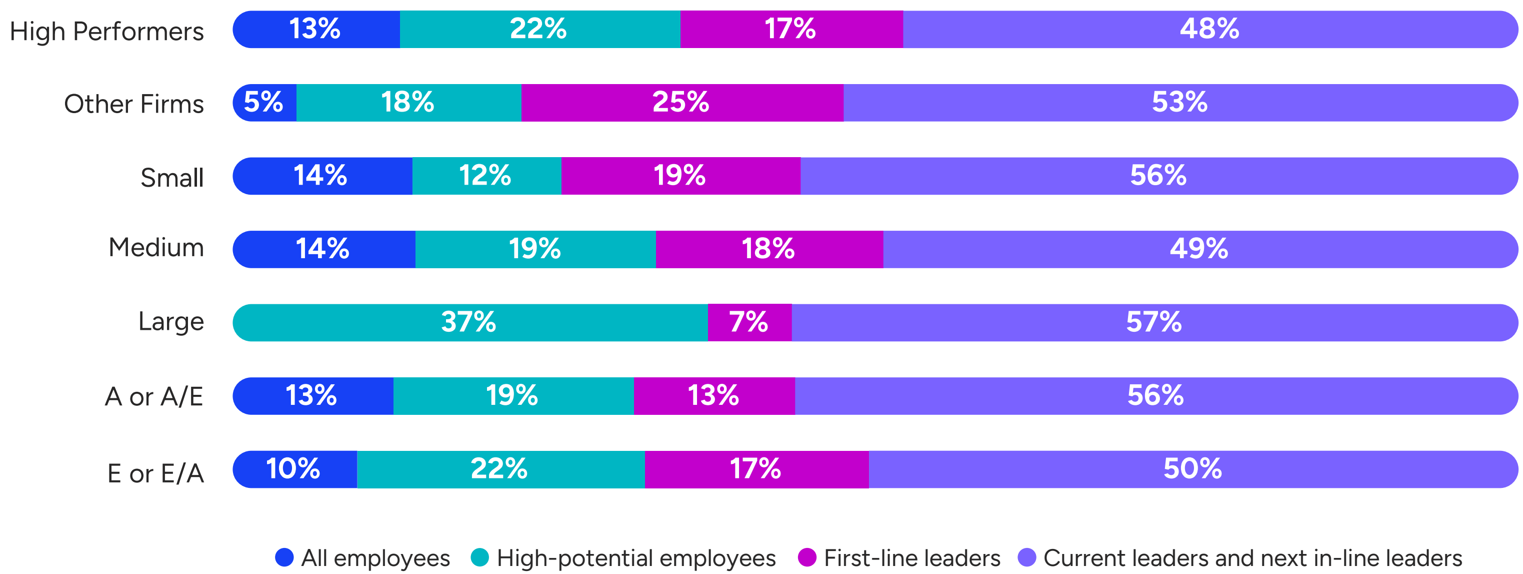
Firms with Formal Succession Plans



Who Succession Plan Applies to at Firm



Who Succession Plan Applies to by Firm Type/Size



"Done right, leadership transition is a multi-year process that is a non-event when the official hand-off actually occurs."

NICK BELITZ, MANAGING PRINCIPAL, MORRISSEY GOODALE

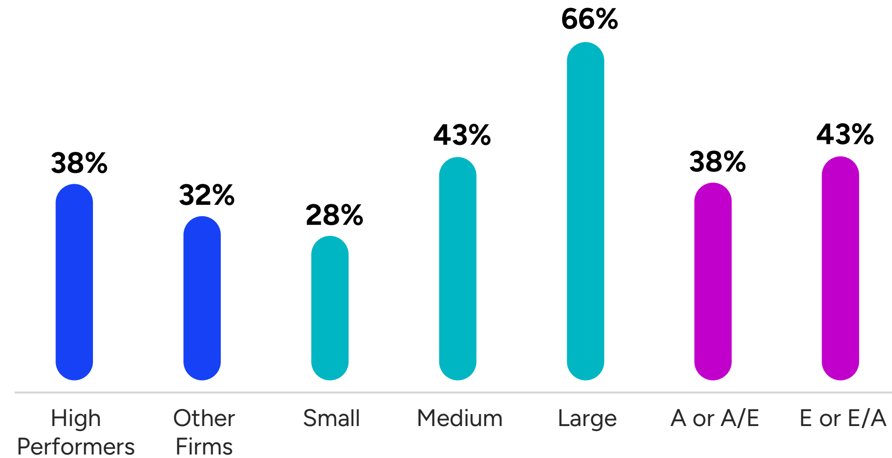
Career Development Planning

Formal career development plans declined 3.7 percentage points to 41.4%, with small and medium-sized firms driving much of the pullback, falling eight and four percentage points respectively. Engineering firms also saw a meaningful decline, dropping from 51% to 43%. Large firms bucked the trend, growing three percentage points to 66%, and high performers increased slightly to 38%. The pattern is consistent: firms with more resources and defined HR infrastructure are continuing to invest in structured development pathways even as others pull back.

The decline is worth monitoring carefully. Firms increasingly cite building visible career paths as a top talent attraction initiative, yet fewer are formalizing the plans that would deliver on that promise. Candidates, particularly younger professionals, are asking about career trajectories before accepting offers. Firms that cannot articulate a clear development path risk losing ground in a market where that expectation is becoming standard.

Among firms that do have plans, application to all employees grew five percentage points to 82% overall. High performers experienced the largest gain, up 27 percentage points, and medium-sized firms grew 15 percentage points. Large firms tell a more nuanced story: while they led on adoption, growing three percentage points to 66%, they saw a 17 percentage point retraction in universal application, reflecting a deliberate shift toward more targeted, role-based frameworks as organizational complexity grows.

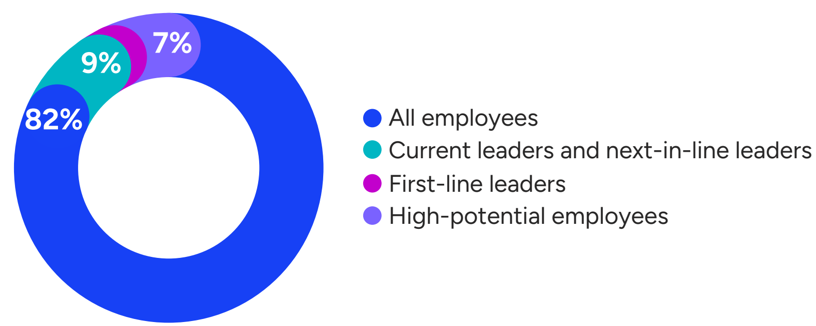
This points to a bifurcating landscape: firms committed to career development are deepening that commitment, while those without formal programs continue to lag precisely when candidates are demanding more.



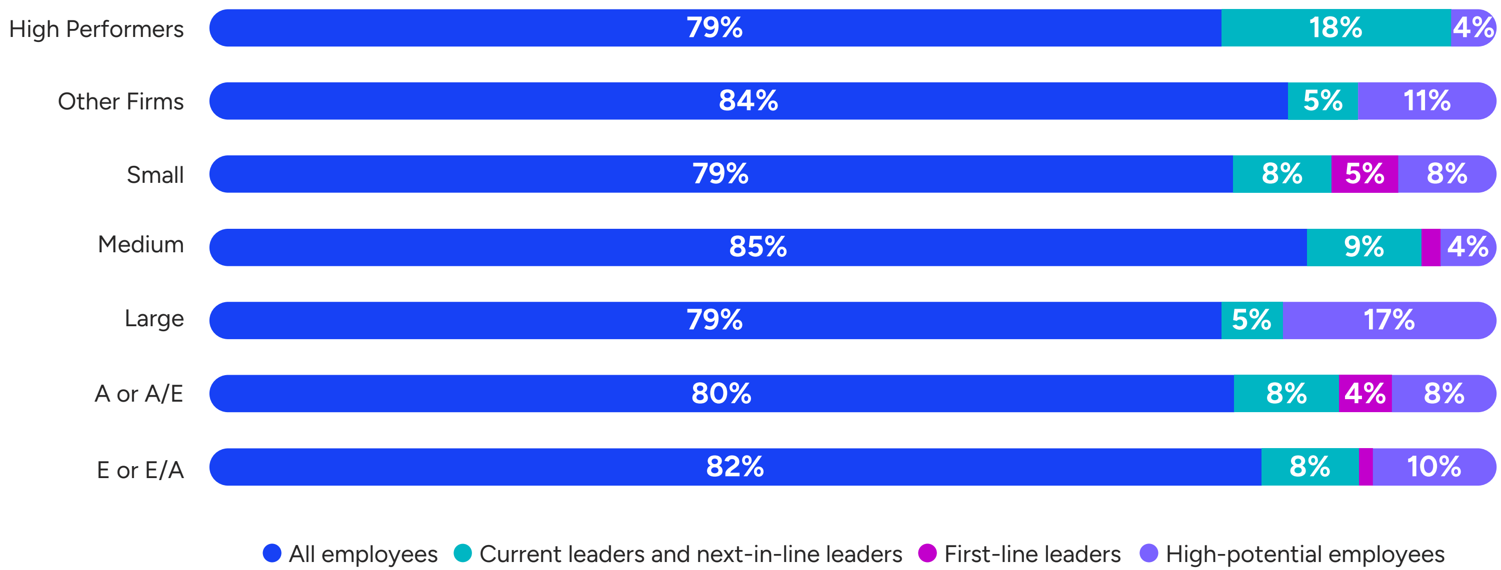
41.4%

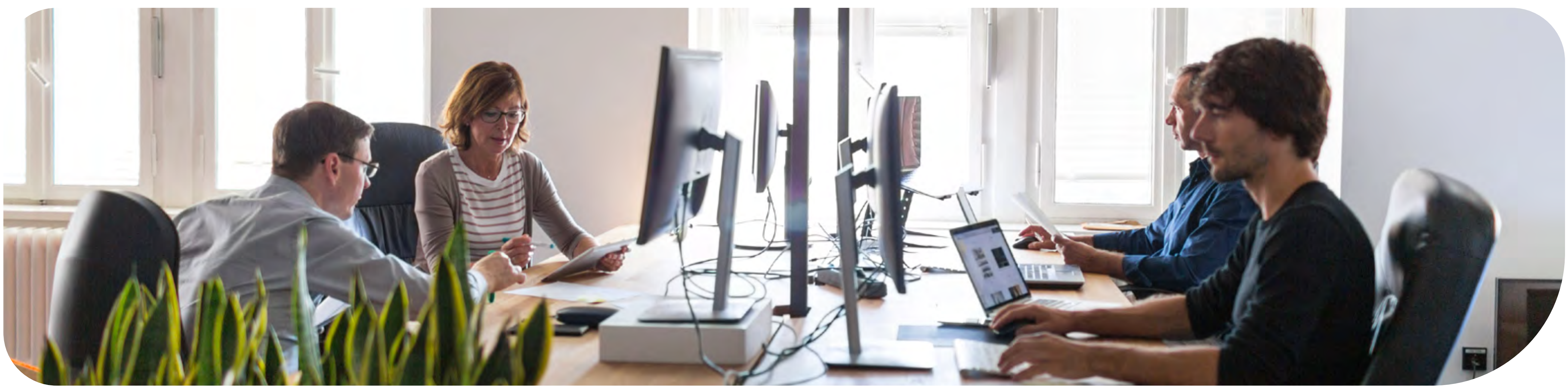
↓ -3.7

Career Development Plan Application



Career Development Plan Application By Firm Type/Size



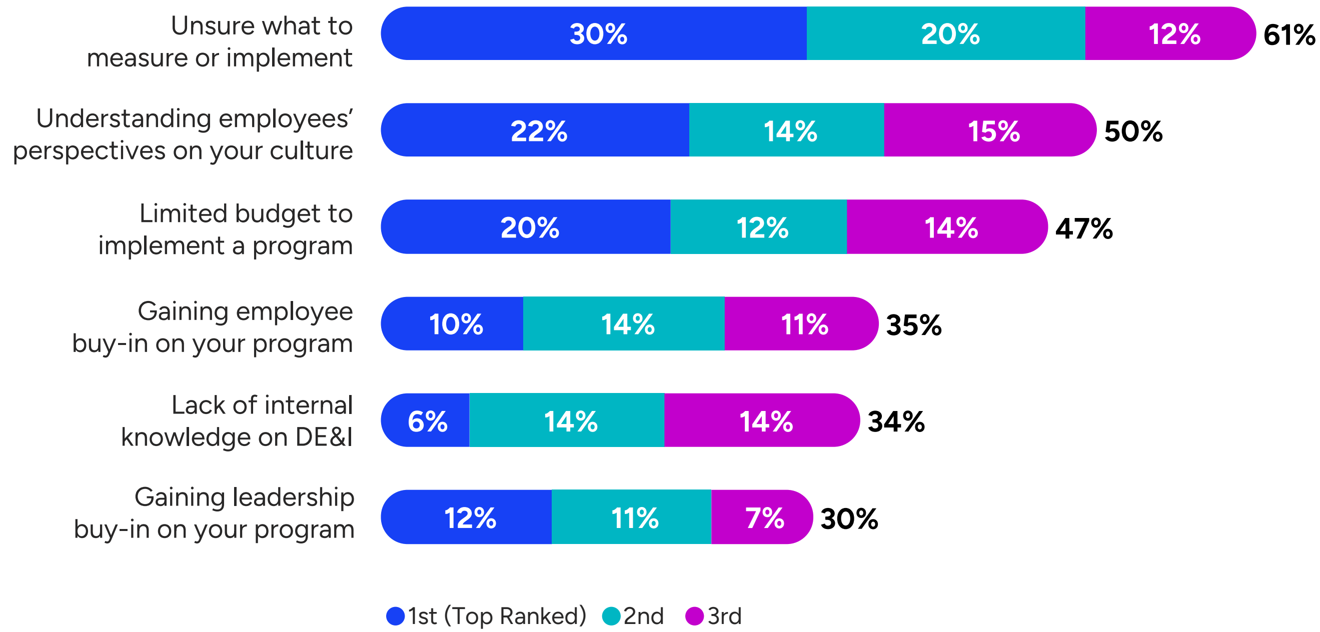


Top Challenges to Building DE&I Programs

Being unsure of what to measure or implement remained the leading DE&I challenge, though it declined six percentage points to 61%, suggesting that some firms are making progress in defining their approach. Understanding employees' perspectives on firm culture grew to 50% (up six percentage points), indicating that as programs mature, firms are recognizing the harder work of cultural integration over program design alone.

Limited budget held relatively steady at 47%, while lack of internal knowledge on DE&I declined eight percentage points to 34%, a sign that baseline competence is improving even where formal programs remain in development. Gaining employee buy-in (35%) held, but leadership buy-in (30%) declined by three percentage points, pointing to an ongoing challenge of sustaining organizational commitment across all levels.

The broader regulatory environment is also shaping how firms approach DE&I. Shifting federal guidance and evolving contract requirements are prompting some firms, particularly those with significant public sector exposure, to reassess what they measure and communicate.

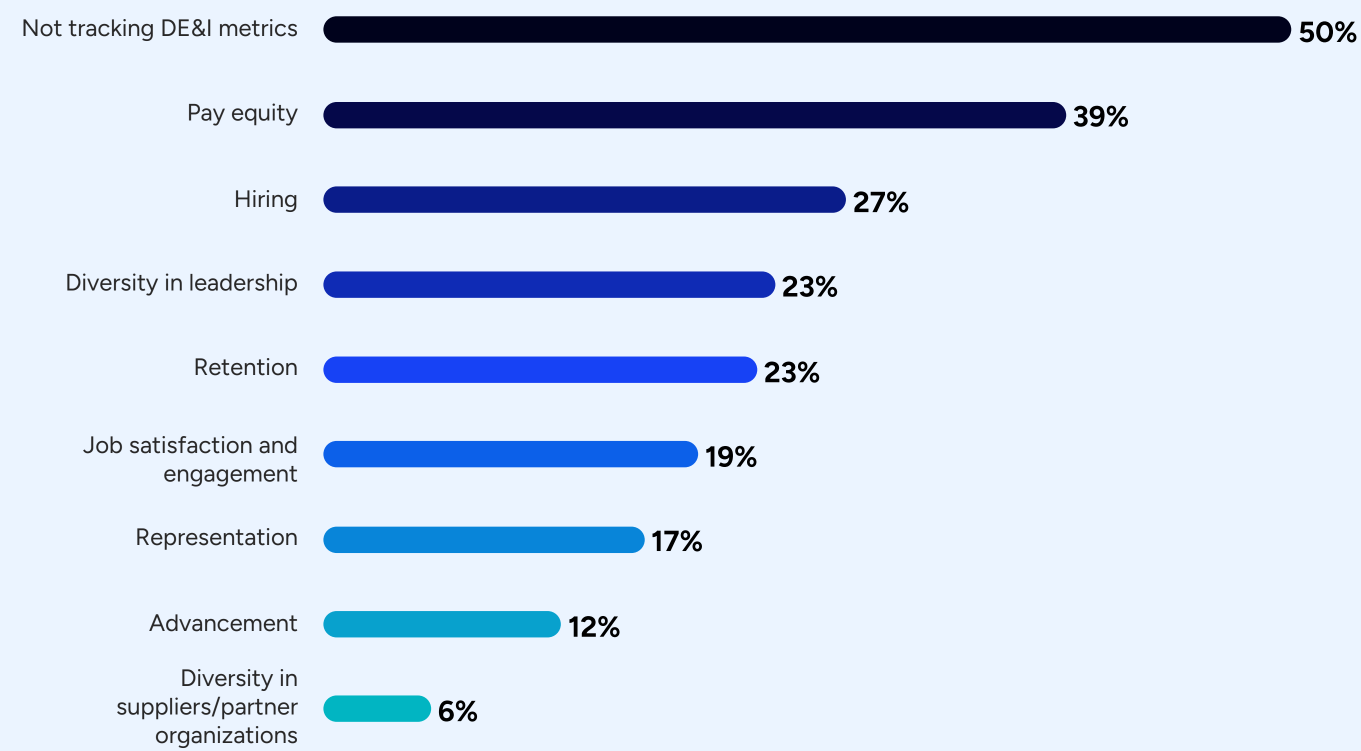


Note: Respondents selected and ranked their top three options.

DE&I Metrics Tracked

For the first time, at least half of all firms are now actively measuring some aspect of their DE&I efforts, as the share tracking no metrics at all declined seven percentage points to 50%. Pay equity led among tracked metrics at 39%, up 10 percentage points year-over-year, reflecting both growing interest in compensation transparency and firms' desire to demonstrate fairness in how they pay employees across roles and demographics.

Retention as a DE&I metric grew five percentage points to 23%, connecting diversity and inclusion efforts more directly to the workforce outcomes that matter most to firms right now. Hiring (27%) and diversity in leadership (23%) remained roughly consistent, while job satisfaction and engagement (19%) and representation (17%) both grew modestly. For firms still in early stages of building a DE&I measurement practice, pay equity and hiring data represent accessible starting points that connect their efforts to tangible business and workforce outcomes.



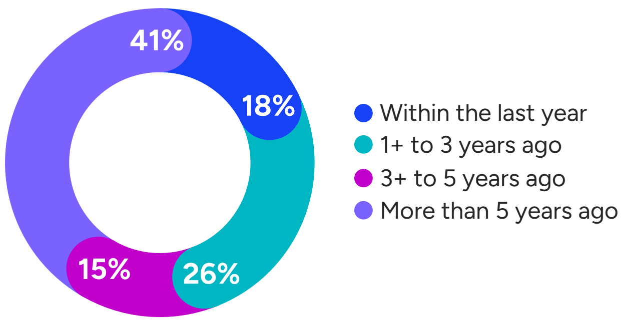
Use of Human Resource Management Solutions

HR technology modernization continues to lag for a growing share of the industry. More than four in 10 firms now report that their last HR solution modification occurred more than five years ago, a signal that many firms are operating with outdated tools at precisely the moment HR functions are being asked to do more. Firms that updated their systems a few years ago are now aging into the outdated category, quietly widening the share of the industry operating on aging infrastructure.

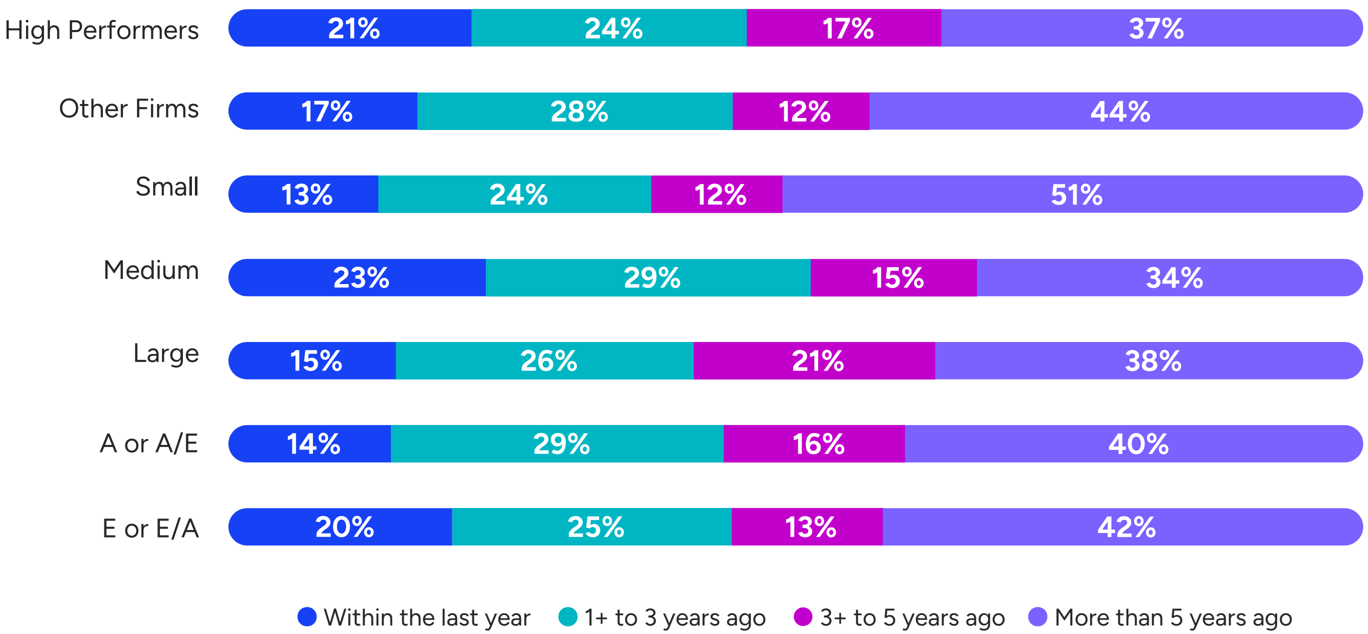
Small firms remained the most likely to be operating on outdated systems at 51%, though that figure improved slightly from the prior year. Medium and large firms moved in the opposite direction, with both segments reporting meaningful increases in the share whose last modification occurred more than five years ago. High performers bucked the trend, with fewer reporting outdated systems and more reporting updates within the last year.

Operating on outdated HR systems carries practical risks. Firms on older platforms may lack the integration capabilities needed to connect HR data with project management, financial and resource planning tools and are less likely to support the automated workflows and candidate tracking that faster hiring requires. As HR functions are asked to do more, from tracking DE&I metrics to managing learning programs and skills repositories, the gap between what aging systems can support and what modern workforce strategy requires will only widen.

Last HR Solution Modification



Last HR Solution Modification By Firm Type/Size



32.8%

↑ 5.6

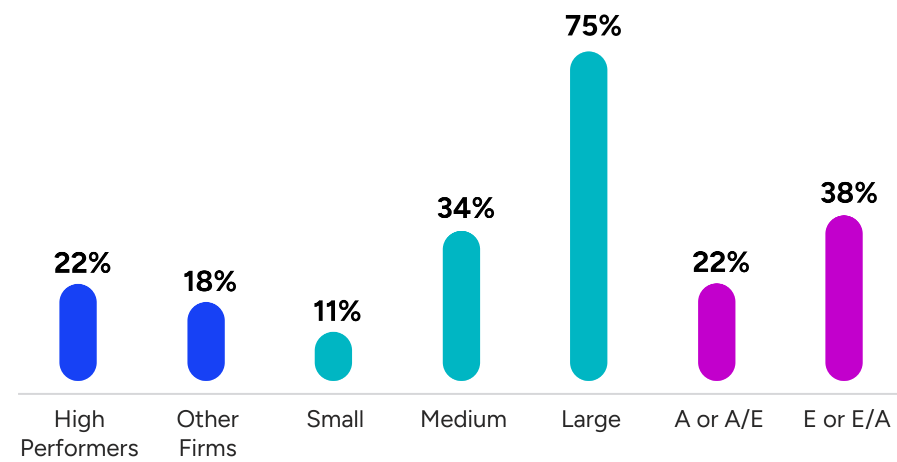
Learning Management Systems and Skills Repositories

The percentage of firms that have adopted an LMS grew 5.6 percentage points to 32.8%, driven by large firms, which jumped 12 percentage points to 75%, and architecture firms, which grew from 12% to 22%. The gains signal that more firms are recognizing the need for scalable, trackable approaches to workforce learning. However, owning an LMS and actively using it to build capability are different things. Firms that invest in the platform without investing equally in content, manager enablement and integration with their broader talent strategy are unlikely to see the full return.

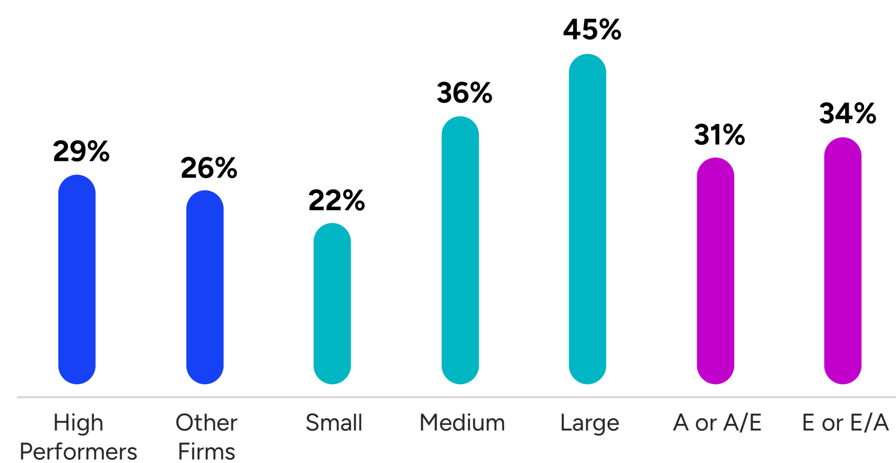
The skills repository picture tells a more nuanced story. While LMS adoption grew, the share of firms with a skills repository declined, with small firms falling the most. This gap between platform ownership and systematic skills tracking is consequential: without a clear picture of what skills exist within the organization, it is difficult to match people to opportunities or identify where gaps are most acute. Where repositories do exist, the tools being used are shifting away from standalone spreadsheets toward ERP platforms and SharePoint, reflecting a move to integrate workforce data into existing enterprise systems that are more accessible.

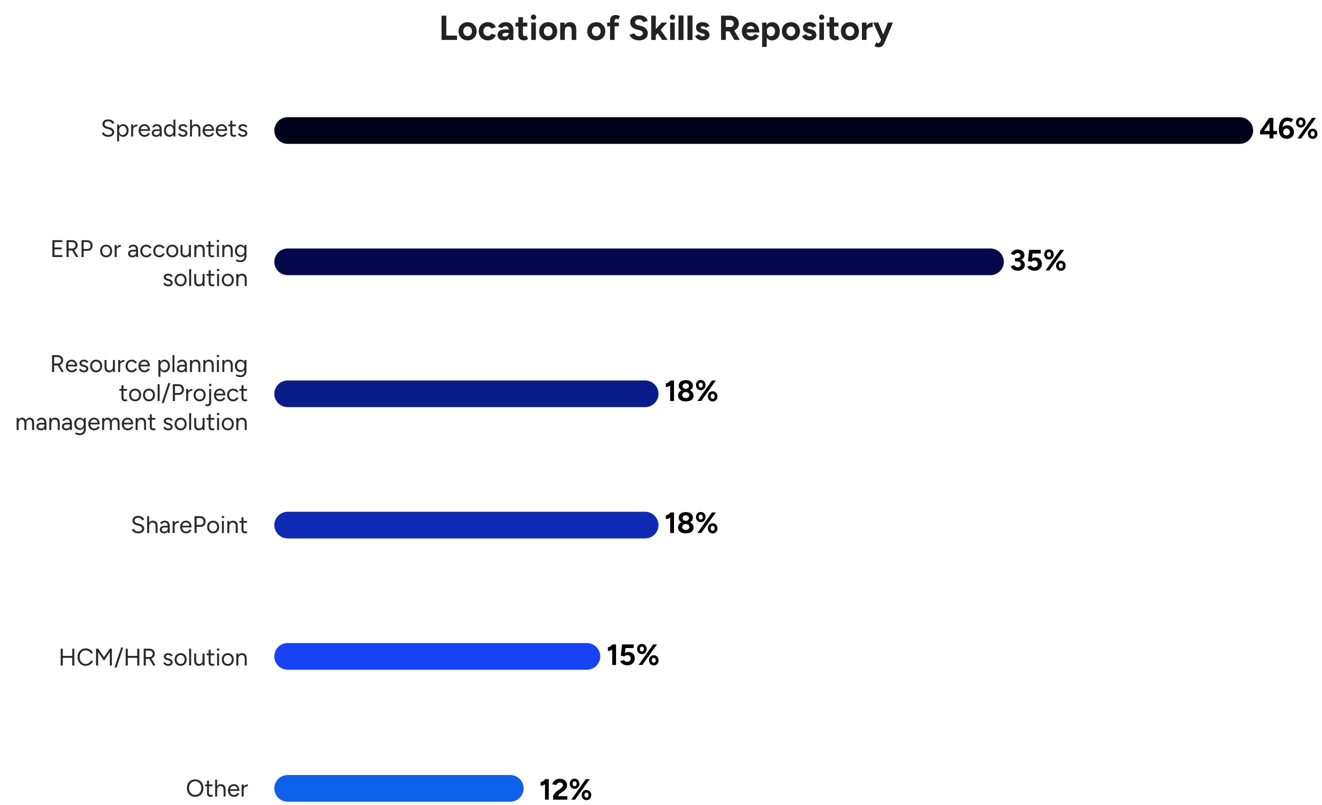
There may also be an opportunity to better leverage senior team members, particularly those closer to retirement, to focus more intentionally on training and knowledge transfer before that institutional expertise is lost.

Firms with a Learning Management System



Firms with a Skills Repository



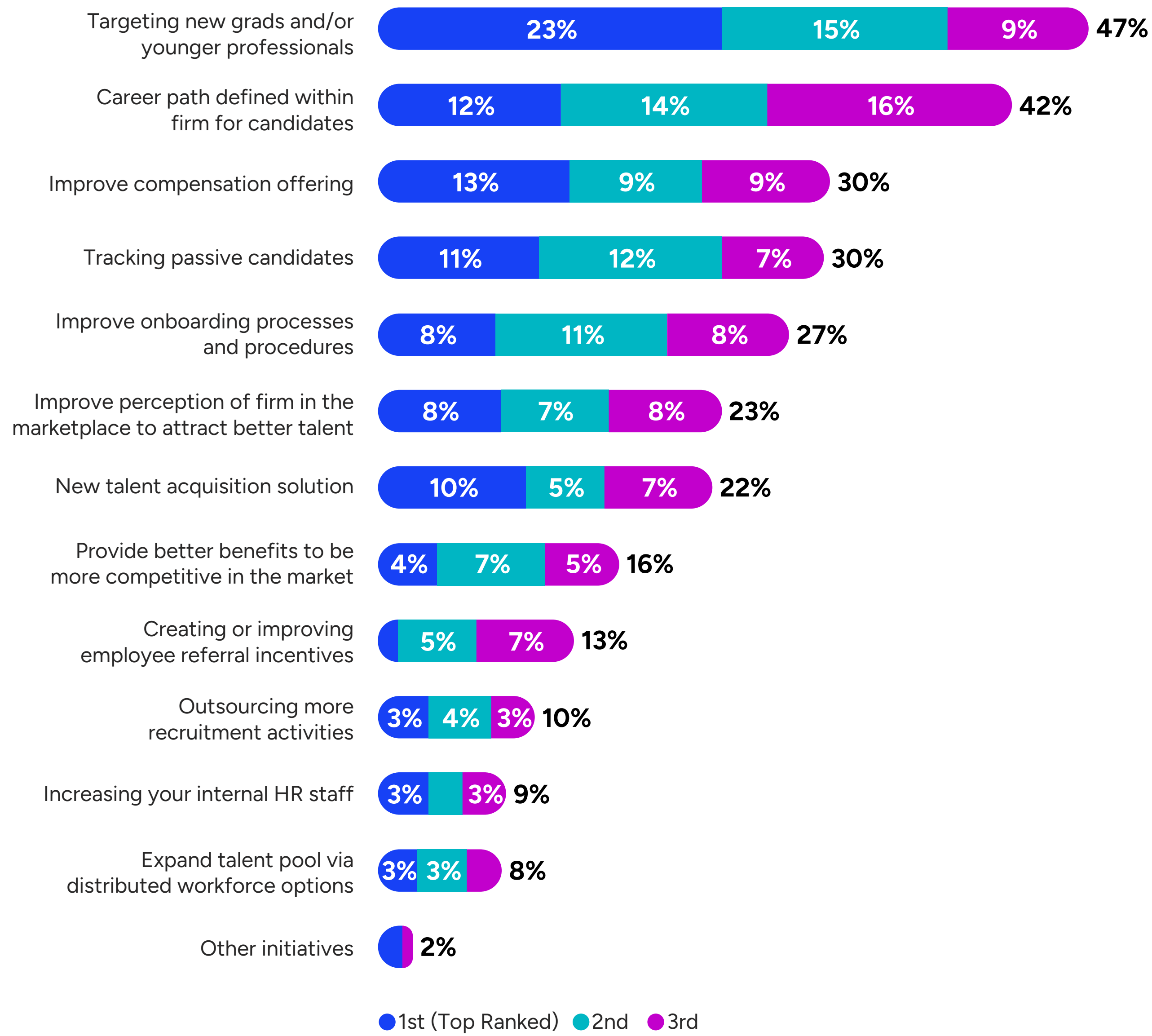

Location of Skills Repository
Spreadsheets
46%
ERP or accounting solution
35%
Resource planning tool/Project management solution
18%
SharePoint
18%
HCM/HR solution
15%
Other
12%

Top Talent Acquisition Initiatives

When asking firms to rank their top three initiatives for acquiring new staff over the next three years, two new options entered the and immediately rose to the top. Targeting new graduates and younger professionals debuted at 47% and career path defined within the firm for candidates entered at 42%, ranking second. Together these reflect a shift in how firms are thinking about talent: rather than competing primarily on compensation for experienced hires, many are looking earlier in the career pipeline and investing in making development pathways visible and compelling.

Improving compensation offerings and tracking passive candidates both declined, falling to third and fourth respectively. Rather than signaling that compensation concerns have been resolved, this may reflect firms redirecting energy toward levers they have more control over, such as career development, culture and early talent cultivation. It may also reflect a shift in market dynamics, as candidates have less negotiating leverage than in recent years and firms face less pressure to lead with compensation as a primary differentiator.

Expanding talent pool via distributed workforce options declined sharply, consistent with the broader move away from remote and hybrid work as a differentiating benefit. As firms ask candidates to be more present in the office, they are simultaneously narrowing the geographic range of talent they can realistically pursue. Bringing in younger employees also requires more intentional support: where onboarding, training and mentorship structures are not in place, new hires are at risk of not receiving the guidance they need to succeed.



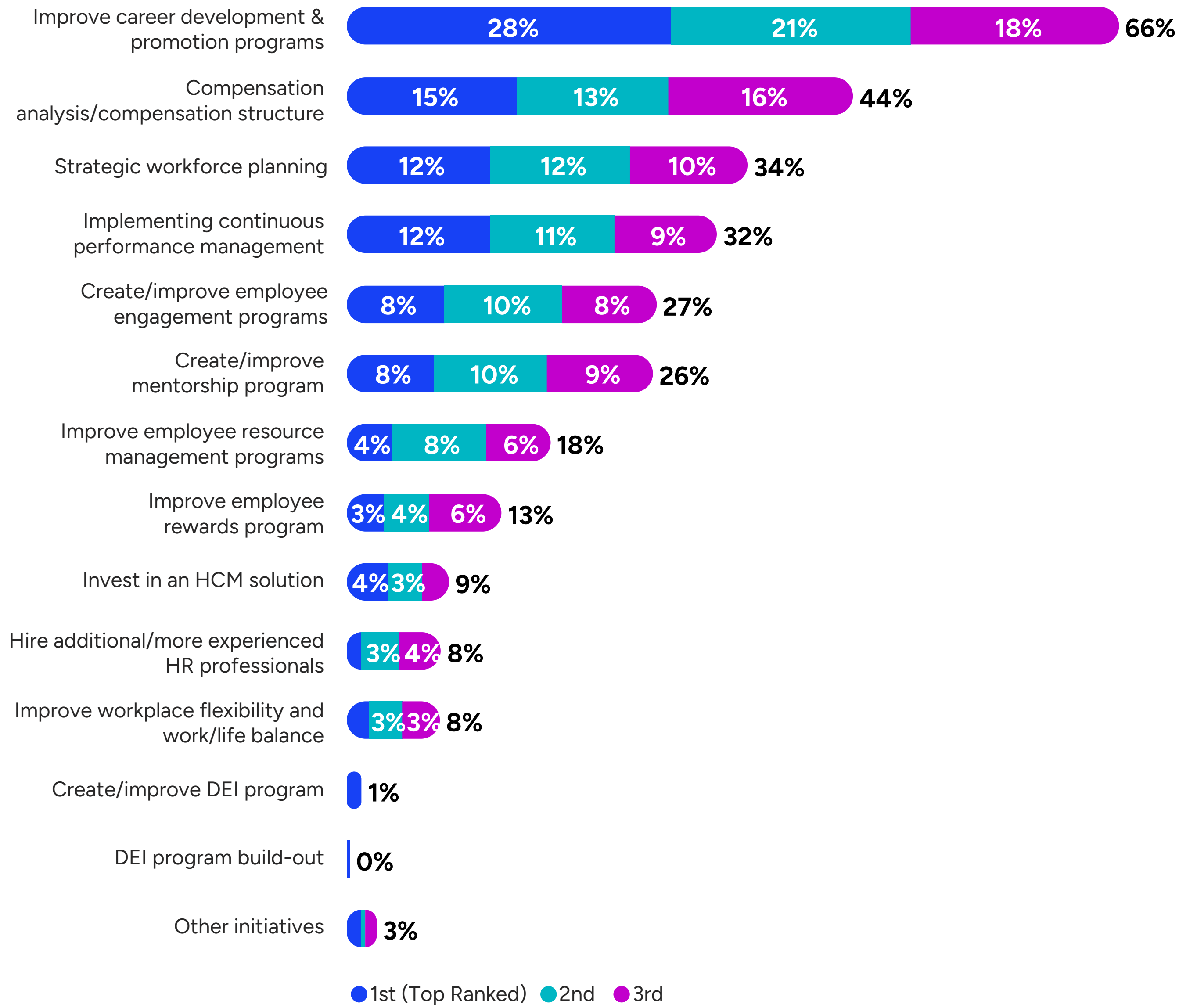
Note: Respondents selected and ranked their top three options.

Top HR Initiatives for Managing Talent

When asked to rank their top three initiatives for managing human resources over the next three years, firms placed improving career development and promotion programs at the top, growing seven percentage points year-over-year to 66%. This reflects the convergence of multiple pressures: rising turnover, an intensifying focus on early-career hiring and growing recognition that employees who cannot see a clear path forward are more likely to leave.

Compensation analysis and compensation structure entered the list as a new option and immediately ranked second at 44%, signaling that firms are taking a more deliberate look at how their pay structures are designed and communicated. This aligns with compensation remaining the top reason candidates decline offers, pointing to a recognition that the issue is not simply about offering more money but about transparency in how decisions are made.

Employee engagement programs declined and mentorship programs fell, even as these are precisely the conditions under which collaboration, adaptability and decision-making under uncertainty are developed and sustained. As firms concentrate on career development and compensation structure, ensuring engagement and mentorship remain part of the equation will be important. Time remains the consistent constraint: creating space for development competes directly with utilization targets, making it one of the harder priorities for firms to act on even when the need is clear.



Note: Respondents selected and ranked their top three options.

04

CLARITY OUTLOOK

Human Capital Management

Firms that thrive in the coming year will be those that move beyond reactive talent management. The opportunity is to build workforce systems that develop people deliberately, transfer knowledge before it walks out the door and connect HR infrastructure to real-time decisions about capacity, succession and performance.

The shift toward early-career hiring is a sound strategy, but it only works if firms invest in what comes next. Bringing in new graduates and younger professionals without the mentorship, onboarding structure and manager bandwidth to support them risks repeating the cycle of attrition rather than breaking it. Firms should examine whether experienced team members have protected time for coaching and development, and whether that contribution is recognized and valued as part of their role, not treated as overhead.

Career development and succession planning need to move from aspiration to infrastructure. Many firms articulate career paths as a recruiting promise but have not yet built the formal plans and processes that would deliver on it. Formalizing development frameworks, even simple ones, gives employees a reason to stay and gives firms a foundation for more deliberate succession decisions. Focusing succession planning exclusively on a narrow tier of high-potential employees may feel efficient but leaves firms exposed when departures happen elsewhere in the organization.

HR technology is a growing area of investment, and firms should approach it strategically. An LMS without a skills tracking practice, or a new HR platform that does not connect to project staffing and financial data, will not deliver its potential value. The priority should be integration: connecting people data to operational decision-making so that workforce planning and project capacity planning inform each other in real time.

Finally, firms should monitor the evolving regulatory landscape around compensation transparency and DE&I closely. The firms that build durable, equitable pay structures and measure workforce outcomes proactively will be better positioned regardless of how external requirements shift. These are not compliance exercises; they are talent strategy. The firms that treat them that way will have a competitive advantage in attracting and retaining the people they need.

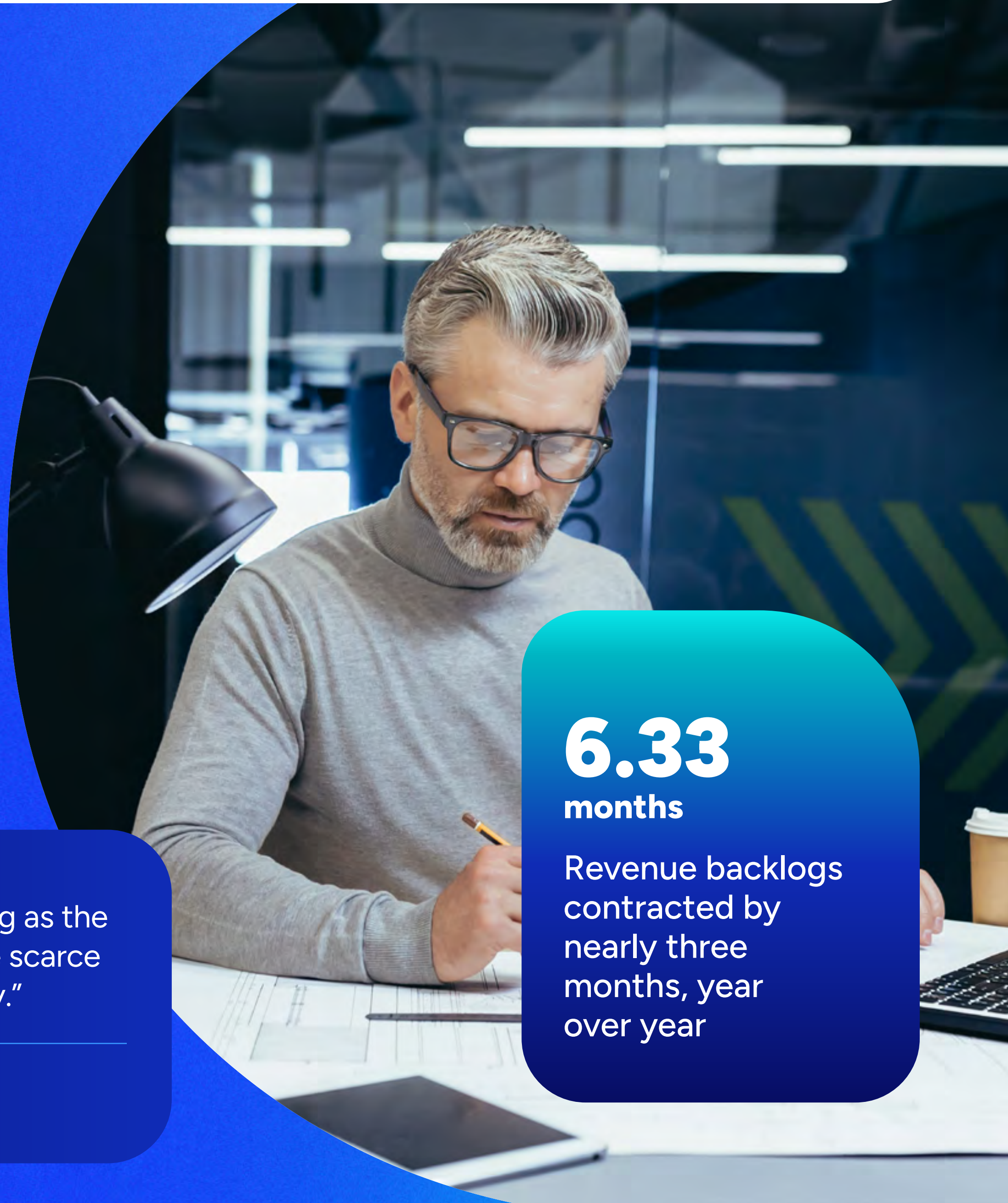
05

Financial Management

Firms navigated a year of normalizing performance as rising costs, declining utilization and contracting backlogs put new pressure on profitability and forward visibility.

In 2025, the financial narrative for A&E firms shifted from record-setting performance to managing a more complex set of pressures. With utilization declining, labor costs rising and backlogs contracting sharply, firms are relying more heavily on pricing discipline, project selectivity and taking on debt to finance operations. The results, while still solid, reflect a clear step back from the prior year's highs.

> "In an AI-enabled environment, revenue per employee is emerging as the defining KPI - much like utilization once was. Firms that combine scarce talent with effective AI deployment will see outsized profitability."
>
> **MICK MORRISSEY, MANAGING PRINCIPAL, MORRISSEY GOODALE**



6.33 months

Revenue backlogs contracted by nearly three months, year over year

Addressing Top Financial Challenges

1 Increasing Profitability

For the first time in several years, increasing profitability overtook talent acquisition as the top financial challenge, cited by 54% of firms. The shift reflects mounting cost pressures and softening margins across the industry. With utilization declining and labor costs rising, firms are focused on finding ways to protect profitability through tighter project controls, stronger pricing discipline and more strategic pursuit of higher-margin work.

2 Finding and Retaining Qualified Staff

Although it is no longer the top concern, talent acquisition remains a significant challenge, with 49% of firms selecting it as one of their top challenges. Its decline from the prior year does not signal that the underlying issue has been resolved, but that financial pressures have become urgent enough to command more attention from firm leaders. Firms that continue to invest in retention, professional development and competitive compensation will be better positioned to maintain delivery capacity despite the tight labor market.

3 Increasing Leaders' Financial Knowledge

Financial fluency among project managers held steady as the third-ranked challenge at 43%. Firms continue to recognize that PMs who understand how their decisions affect project margins and overall firm performance are essential to improving financial outcomes. Building this capability requires dedicated training time and investment, which remains difficult to prioritize when delivery demands are high.

"Backlog is often inconsistently defined – especially in IDIQ-heavy firms – so size alone can be misleading. What matters more is velocity: how quickly work converts to billings and cash. $100K burned in a month is far more valuable than $1M that lingers for a year."

NICK BELITZ, MANAGING PRINCIPAL, MORRISSEY GOODALE

Financial Management Overview

Firms are shifting from peak performance to tighter margins as efficiency softens and cost pressures build.

Architecture and engineering firms posted solid but moderating financial results in 2025, as several years of elevated performance gave way to normalization across core metrics. Operating profit, utilization and labor multipliers all declined from prior-year highs, while overhead and labor costs continued to rise. The combination produced a tighter financial picture, with firms relying more on pricing discipline and project selectivity to sustain margins as underlying operating efficiency softened.

Revenue per employee continued to climb, reaching a new 10-year high. However, the gains were driven more by pricing power and project mix than by expanded delivery throughput, a distinction that raises questions about the sustainability of revenue growth if underlying delivery capacity does not improve. At the same time, gross wages and total labor costs per employee both increased, compressing productivity per labor dollar and narrowing the gap between what firms earn and what they spend on their workforce.

Decline in backlog was among the most significant developments, with the median dropping by nearly three months. The decline was steepest among small and medium-sized firms, pointing to reduced forward visibility and a more fragmented project pipeline. Firms appear to be responding by pursuing more work, though declining win and capture rates in business development suggest that converting opportunity into revenue is becoming more challenging as execution capacity becomes more constrained.

On the balance sheet, firms took on more leverage while short-term liquidity tightened. The divergence between return on assets and return on equity suggests that debt is being used to sustain equity returns as operating efficiency declines, masking underlying pressure in core operating performance. Collection periods improved, providing a bright spot in cash flow management, but the broader financial trajectory points to an industry adjusting to a more constrained operating environment.

In 2025, A&E firms managed a transition from peak performance to normalization, sustaining solid results through pricing discipline and financial structure even as underlying efficiency pressures intensified.

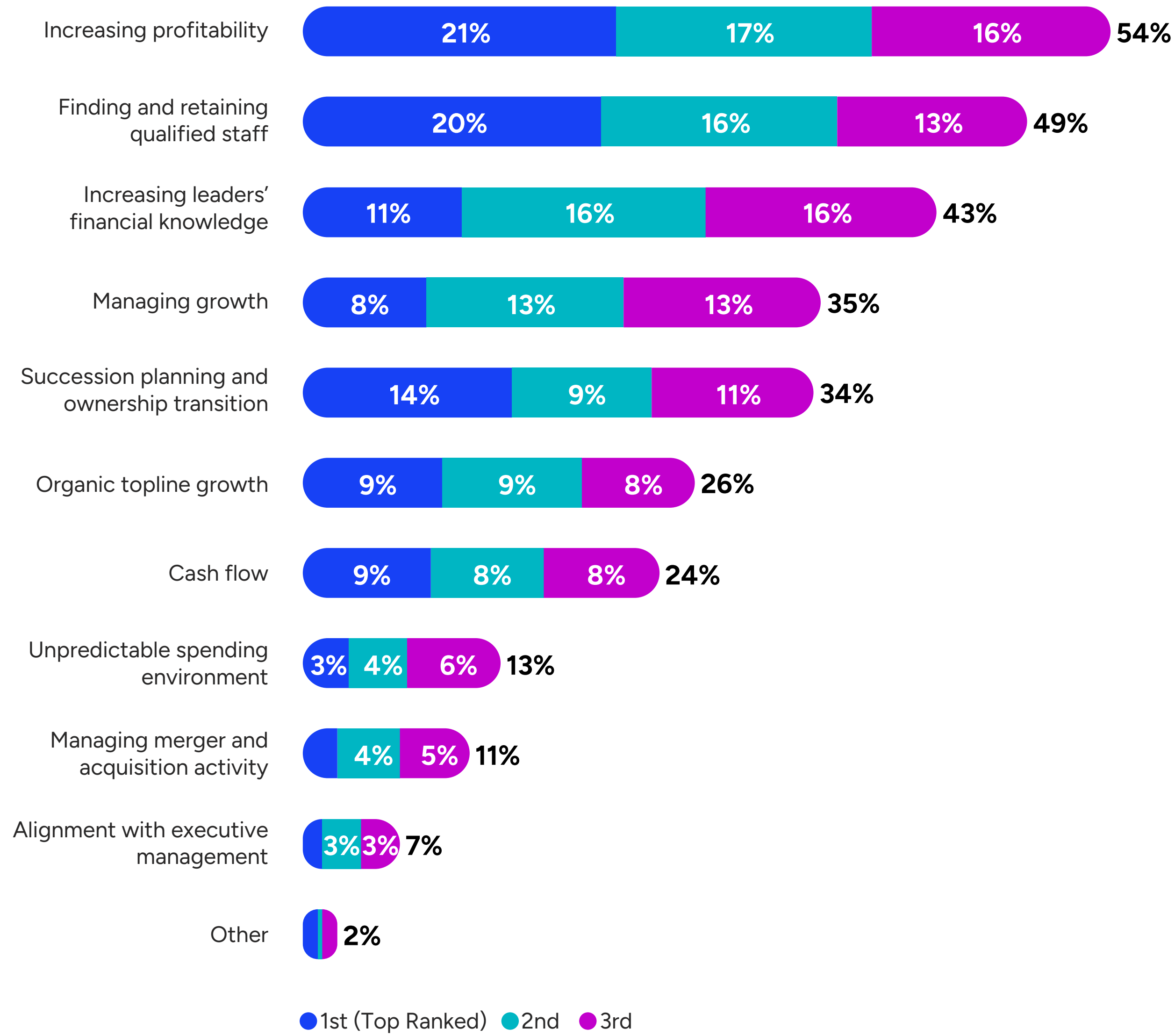
Top Financial Challenges

When asked to identify their top three financial challenges across the next three years, firms signaled a meaningful shift. Increasing profitability rose to the top spot, selected by 54% of firms, displacing finding and retaining qualified staff for the first time in several years. The shift reflects a broader pivot: after years of struggling with the financial impacts of talent challenges, firms are now focused on protecting margins as cost pressures build and key performance metrics soften.

Finding and retaining qualified staff fell to 49%, a 10-percentage point decline from the prior year. While still a significant concern, its move to second position suggests that talent pressures, while persistent, are receding as the dominant financial focus. Increasing leaders' financial knowledge held steady at 43%, continuing to underscore the need for stronger financial fluency among project managers and the ongoing challenge of building that capability across firms.

Succession planning and ownership transition was identified by fewer firms as one of their top concerns, but the number of firms ranking it as their top challenge increased slightly. That growing first-place urgency, even as the topic's overall ranking dropped from third to fifth, suggests that for the firms facing leadership transitions, the issue is becoming more pressing.

The reordering across these challenges tells a broader story: firms are moving from a growth-and-staffing mindset toward one centered on sustaining performance in an environment of rising costs, softening utilization and continued economic uncertainty.



Note: Respondents selected and ranked their top three options.

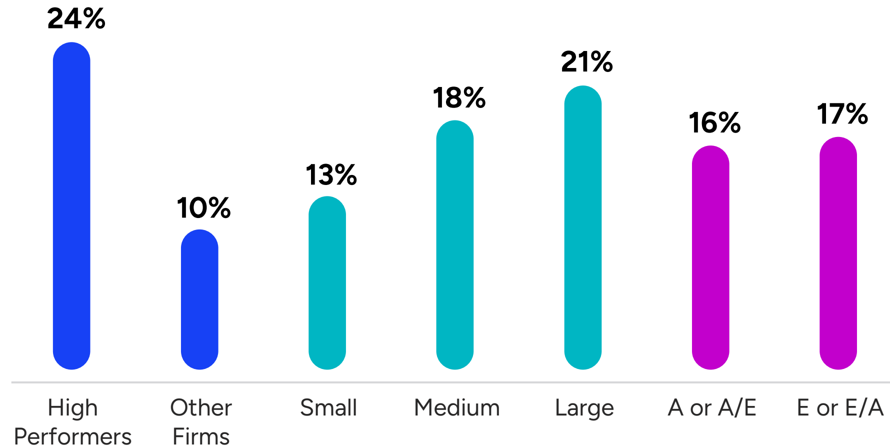
Operating Profit on Net Revenue

Median operating profit on net revenue declined to 16.7%, down from last year's decade-high of 21.4%. The decline was broad-based, affecting every firm segment and reinforcing the convergence of pressures described throughout this section: declining utilization, rising labor costs and shorter backlogs.

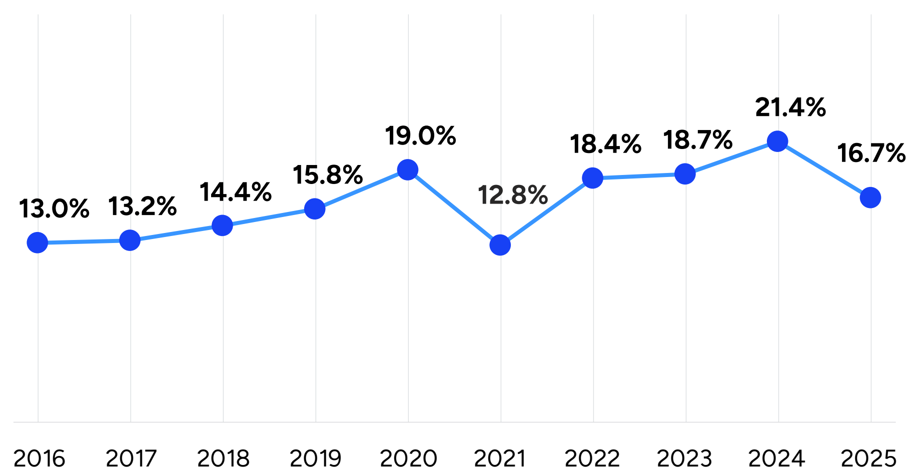
The sharpest drops occurred among large firms (down 12 percentage points to 21%) and small firms (down six percentage points to 13%). High performers also saw significant compression, falling from 31% to 24%. Medium firms were more resilient, declining just two percentage points to 18%. The steeper decline among small firms is notable, as it suggests that smaller firms may have less capacity to absorb the cost and efficiency pressures that are building across the industry.

10-Year Trend

Despite the pullback, 16.7% remains a solid result in historical context, above the levels reported in most years prior to 2022 and well above the 12.8% trough seen in 2021. The decline breaks a multi-year upward run that began in 2021 but is best understood as normalization following an exceptional year rather than a signal of fundamental deterioration. That said, the simultaneous softening across utilization, multipliers and overhead means the margin cushion built in recent years is thinning.



Operating Profit on Net Revenue: 10-Year Trend



16.7%

↓ **-4.7**

Top Quarter

25.2%

Bottom Quarter

8.7%

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

3.11

-0.04

Top Quarter

3.55

Bottom Quarter

2.71

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

Net Labor Multiplier

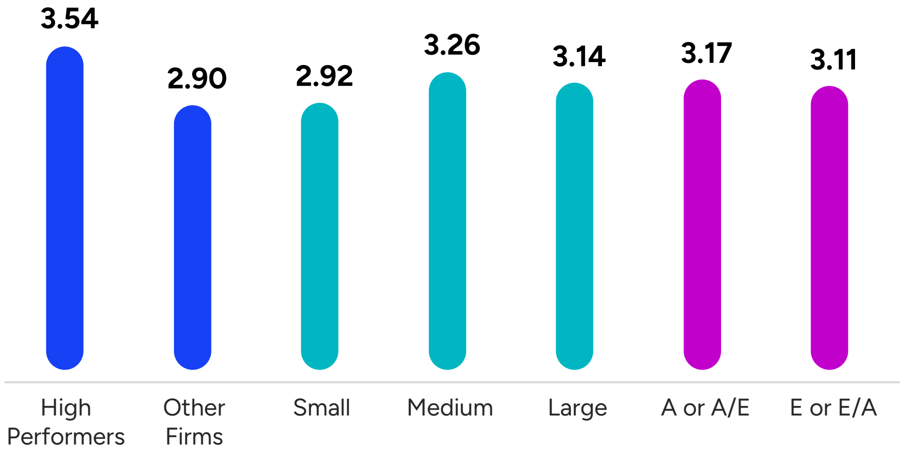
The net labor multiplier declined slightly to 3.11, down from 3.15 the prior year. The modest drop suggests that pricing discipline has largely held, even as utilization and other efficiency metrics softened. Firms are still generating roughly three dollars in net revenue for every dollar of direct labor, indicating that billing rates and project pricing have not eroded meaningfully.

Results were mixed across segments. Medium firms improved slightly to 3.26, while small firms saw the steepest decline, falling 0.11 to 2.92. High performers slipped from 3.62 to 3.54 but continued to maintain a substantial advantage over all other firms. Large firms and both architecture-and engineering-focused firms were essentially flat year over year.

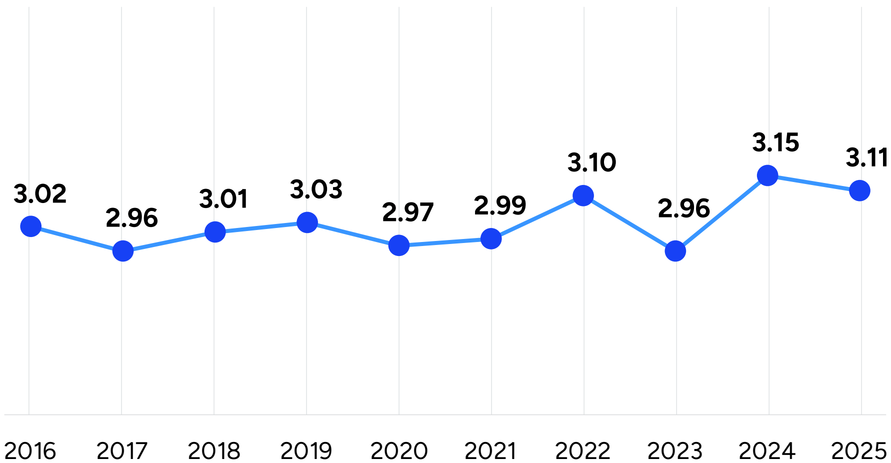
While stable pricing is a positive signal, the net labor multiplier alone does not tell the full story. Utilization declining more sharply than the multiplier indicates firms are maintaining their rates but applying them to a smaller base of billable labor. Pricing is holding, but it is not improving enough to offset the productivity decline reflected in utilization and rising labor costs.

10-Year Trend

At 3.11, the net labor multiplier remains near the top of its 10-year range, second only to last year's 3.15. Over the past decade, the metric has generally hovered around 3.00, with the results from 2022 and 2024 representing clear peaks. The slight pullback in 2025 is consistent with the broader reversion toward historical levels observed across financial metrics this year.



Net Labor Multiplier: 10-Year Trend



Total Payroll Multiplier

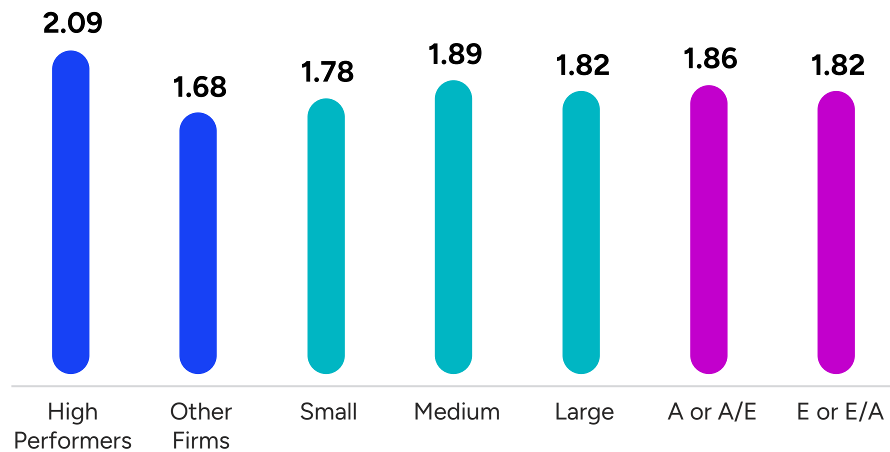
The total payroll multiplier declined slightly to 1.84, down from 1.86 the prior year. Because this metric combines utilization and net labor multiplier, the modest decline reflects the combined effect of lower productivity and relatively stable pricing power discussed in the preceding sections.

The most notable movement was among high performers, which dropped from 2.25 to 2.09. While still well above the median, the 0.16 decline represents a meaningful normalization from the elevated levels reported in 2024. Medium firms held relatively steady at 1.89, while small firms slipped from 1.83 to 1.78. Architecture firms were flat at 1.86, and engineering firms edged down from 1.86 to 1.82.

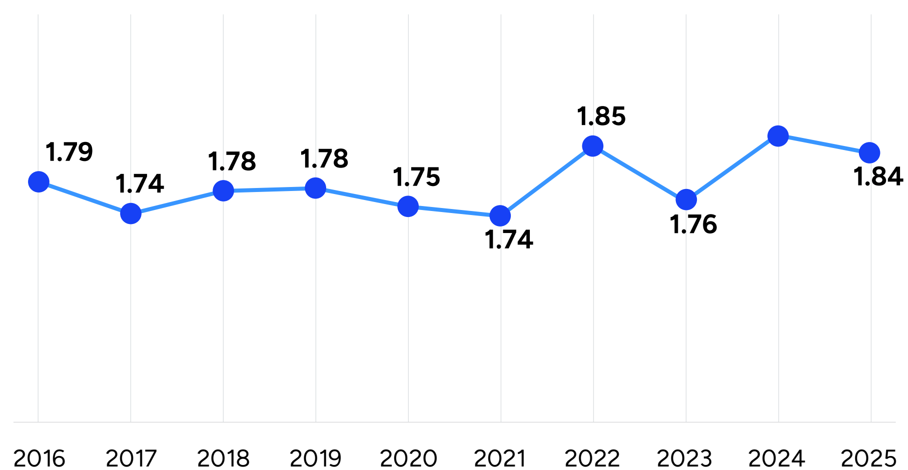
The pattern reinforces a consistent theme across this year's financial results: performance is softening broadly but not dramatically, with most of the pullback concentrated among firms that posted the strongest results the year prior. For the typical firm, the decline in total payroll multiplier translates to slightly less revenue generated per dollar of total payroll, a pressure point that becomes more consequential as labor costs continue to rise.

10-Year Trend

At 1.84, the total payroll multiplier remains the third highest result in the 10-year trend, behind 2024 (1.86) and 2022 (1.85). The slight pullback follows the same moderation seen in operating profit, utilization and net labor multiplier, with results stepping back from recent peaks but remaining well above the lower range observed earlier in the decade.



Total Payroll Multiplier: 10-Year Trend



1.84

↓ -0.02

Top Quarter
2.09

Bottom Quarter
1.64

Divide net revenue by total labor or multiply utilization rate by net labor multiplier

58.9%

↓ -2.2

Top Quarter
67.0%

Bottom Quarter
53.1%

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

Utilization Rate

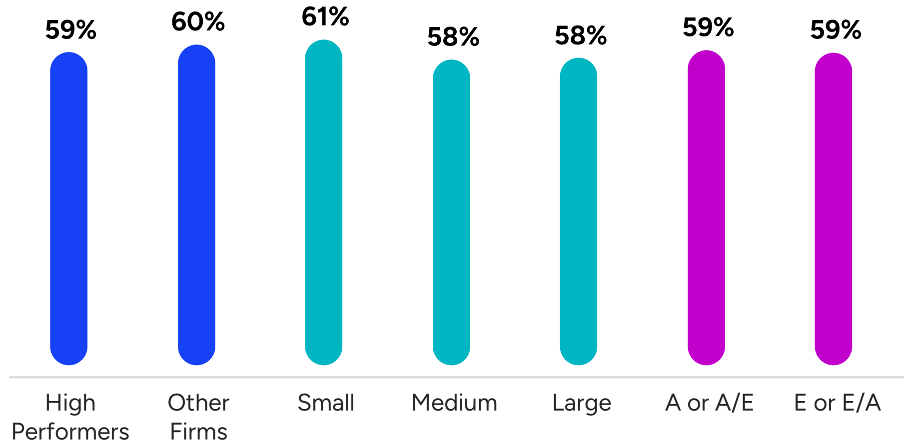
The median utilization rate among A&E firms declined to 58.9%, down 2.2 percentage points from 61.1% in the prior year. The drop was felt across all segments, with large firms experiencing the steepest decline, falling from 62% to 58%. High performers also declined from 61% to 59%.

Because utilization in this Study is measured in dollars rather than hours, the decline reflects a reduction in the share of labor cost directed toward billable work rather than simply fewer hours logged. This distinction is important as firms increasingly explore AI and automation tools that may compress the time required for certain tasks. Even if efficiency improves in terms of hours, the financial impact depends on whether firms can maintain billing levels relative to their labor costs.

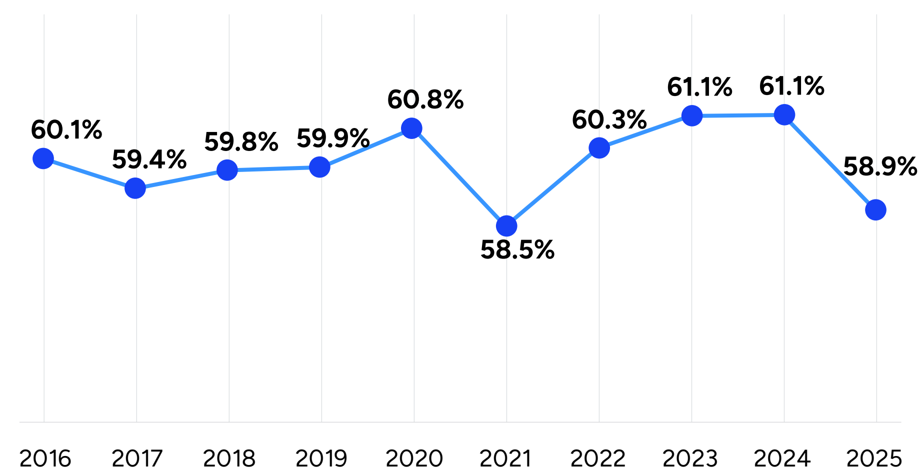
The decline in utilization is closely tied to the overhead and profitability pressures observed in the industry. Fewer billable dollars relative to total labor cost push more costs into overhead, compressing margins even when pricing holds steady. For firms already navigating rising labor costs and shorter backlogs, the utilization drop adds another layer of financial pressure.

10-Year Trend

After holding steady at 61.1% for two consecutive years, utilization fell to 58.9%, its lowest point since the 2021 dip to 58.5%. The decline reverses a multi-year upward trend that began in 2021 and suggests that the gains firms achieved in labor productivity over recent years may be normalizing as market conditions shift.



Utilization Rate: 10-Year Trend



Backlog in Months

Revenue backlogs contracted sharply, dropping from 9.00 months to 6.33 months across the Study. The decline was broad-based, affecting every firm segment, but the steepest drops occurred among the 'all other firms' segment (down 4.23 months) and engineering firms (down 3.05 months), a notable shift from engineering's historically stable backlog position.

Small and medium-sized firms saw particularly pronounced contraction, falling to 4.93 and 6.59 months respectively. These declines point to tightening work availability in the mid-market and reduced forward visibility, particularly for smaller firms. Large firms fared better at 8.52 months but still declined by nearly 1.4 months from the prior year.

Several factors likely contributed to the contraction. Projects are increasingly being broken into smaller projects, reducing the size and duration of contracts. At the same time, broader economic uncertainty and shifting funding dynamics may be compressing the planning horizon for clients and firms alike. The connection to business development is clear: firms appear to be responding by pursuing more proposals, though declining win and capture rates suggest that increased activity is not fully offsetting pipeline pressure.

As backlogs shorten, firms will need to manage staffing, pricing and pursuit strategy more tightly to maintain revenue stability.

6.33

-2.67

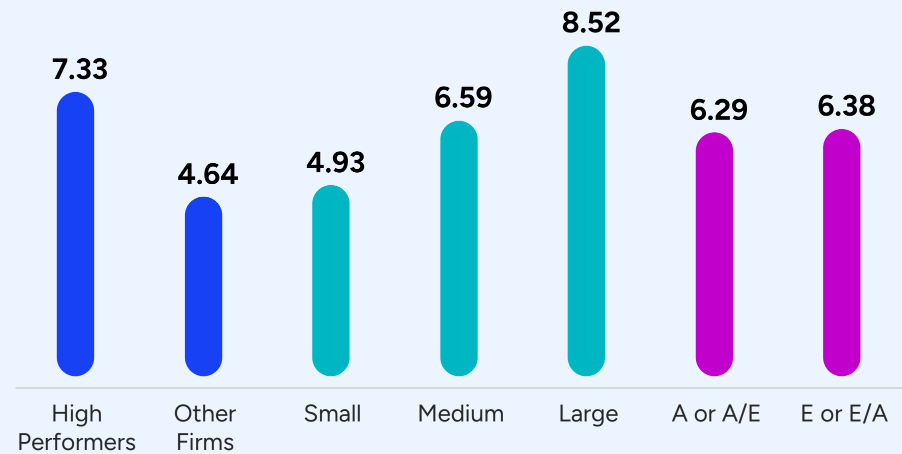
Top Quarter

10.84

Bottom Quarter

0.31

Divide backlog dollars by total revenue, then multiply by 12



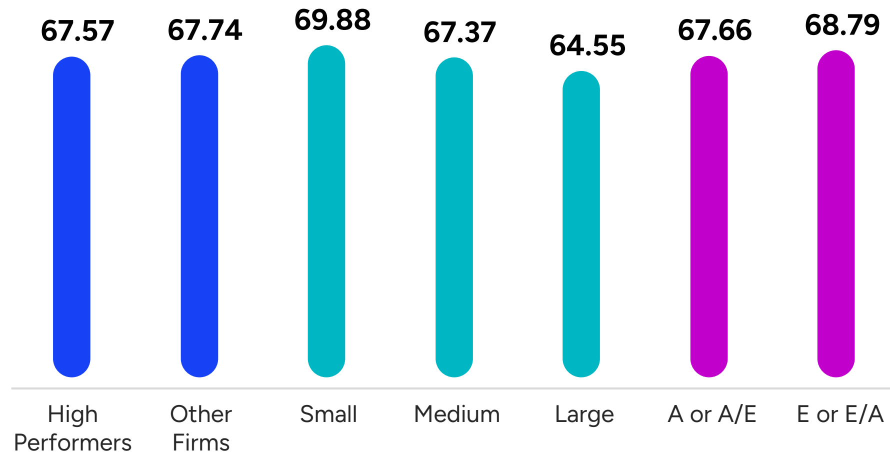
Average Collection Period (in Days)

The average collection period improved to 67.71 days, decreasing from 73.47 the prior year. The decline was broad-based, with every firm segment reporting faster collections. Large firms saw the most dramatic improvement, dropping 14.20 days to 64.55, while medium firms improved 6.51 days to 67.37 and engineering firms fell 7.10 days to 68.79. Small firms saw a more modest improvement of less than a day.

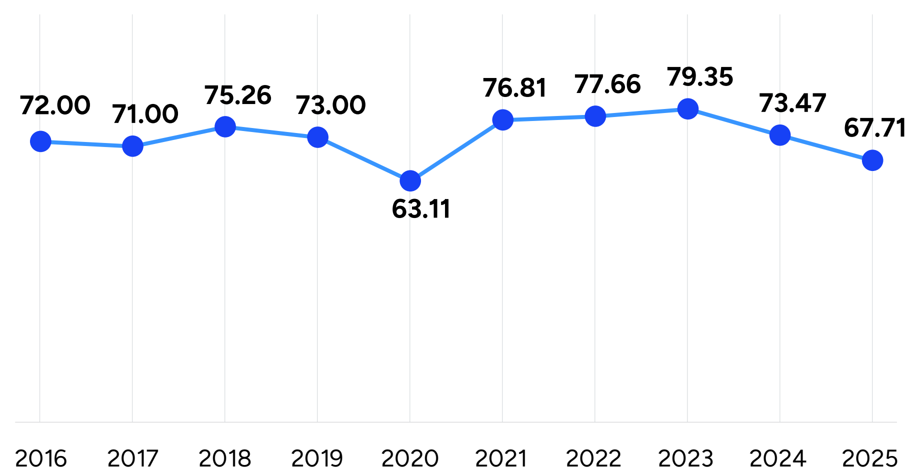
Faster collections are a bright spot in an otherwise challenging financial picture. Converting revenue to cash more quickly strengthens working capital and provides firms with greater flexibility to manage the cost pressures and backlog contraction observed elsewhere in this section. The improvement likely reflects a combination of more disciplined invoicing practices, tighter follow-up on receivables and potentially broader adoption of automated billing processes.

10-Year Trend

At 67.71 days, the average collection period declined for the second year in a row and reached the second-lowest point in a decade, apart from the low of 63.11 days recorded in 2020. The result marks a sharp reversal from the elevated levels seen between 2021 and 2023, when collection periods hovered near 80 days. The sustained improvement over the past two years suggests that firms are making lasting gains in cash flow management, a positive development that helps partially offset the margin and efficiency pressures building elsewhere.



Average Collection Period: 10-Year Trend



67.71

↓ -5.76

Top Quarter

46.55

Bottom Quarter

89.59

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

Net Revenue per Employee

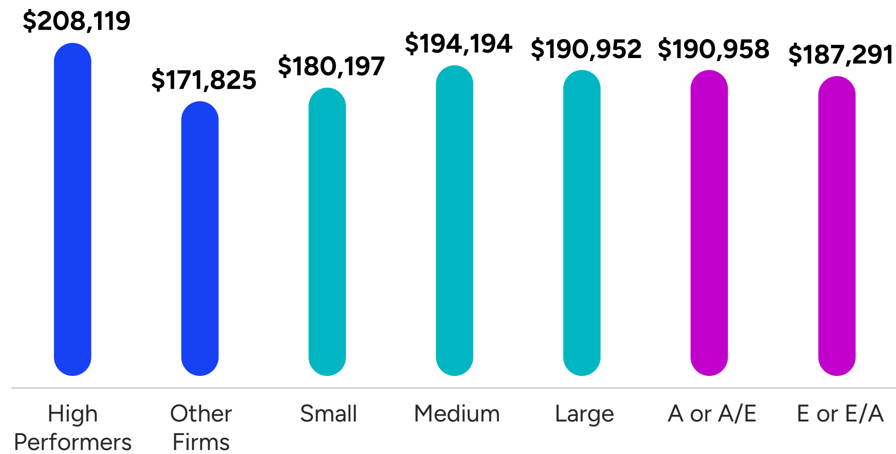
Net revenue per employee rose to $186,681, up $5,829 from the prior year. All firm segments posted gains, with the largest increases among large firms (+$11,000), medium firms (+$9,100) and architecture-focused firms (+$8,900).

The continued rise suggests firms are generating more value per employee. However, the increase should be read alongside this year's decline in utilization. Because firms are converting less of their total labor cost into billable work, the revenue gains are likely being driven more by pricing power and project mix than by expanded delivery output. In other words, firms are generating more revenue per unit of work rather than producing more of that work.

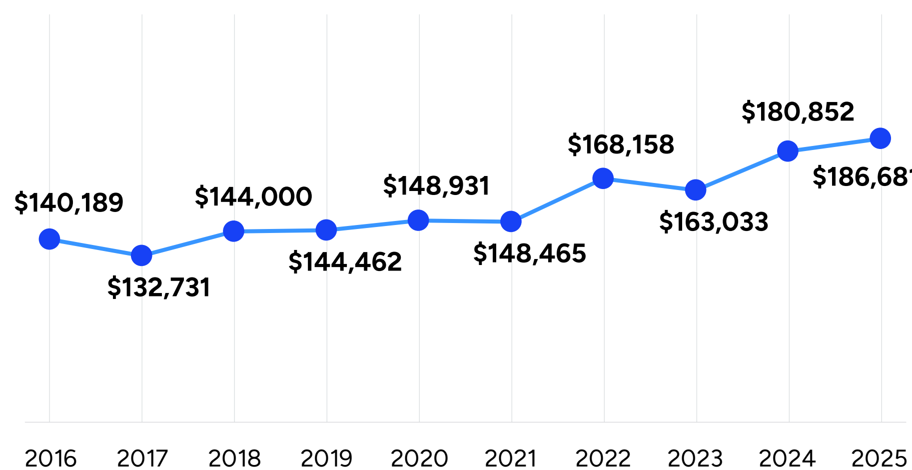
This distinction matters. Revenue growth driven by volume and throughput tends to be more sustainable than growth sustained primarily through rate increases and favorable project selection. As labor costs continue to rise and backlogs contract, firms will need to evaluate whether current pricing levels can hold, and whether the mix of work they are pursuing supports long-term revenue stability.

10-Year Trend

Net revenue per employee reached a new 10-year high at $186,681, continuing an upward trajectory that accelerated beginning in 2022. The sustained climb reflects several years of revenue gains outpacing headcount growth. Whether this trend can continue will depend on firms' ability to maintain pricing discipline amid shorter backlogs and increasing competitive pressure.



Net Revenue per Employee: 10-Year Trend



$186,681

↑ **$5,829**

Top Quarter
$216,378

Bottom Quarter
$154,071

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

Total Labor Cost per Employee

Total labor cost per employee increased to $119,511, up 3.6% from the prior year. While the overall increase was moderate, the distribution across segments varied significantly. Large firms saw the most pronounced jump at 14.2%, followed by medium firms at 5.8% and high performers at 5.7%. Small firms, by contrast, were essentially flat with just a 0.4% increase.

The large firm increase is particularly notable given that this segment also reported significant gains in gross wages per FTE. Higher compensation, benefits costs and shifts in workforce composition are all likely contributing factors.

When viewed alongside this year's utilization decline, the rise in total labor cost per employee reinforces the core tension in this year's financial results. Firms are spending more per employee while converting less of that spending into billable work. Net revenue per employee is still rising, but the gap between revenue and labor costs is compressing. Whether revenue gains driven by pricing and project mix can continue to outpace labor cost growth will be a defining question for firms in the year ahead.

$119,511

↑ **$4,099**

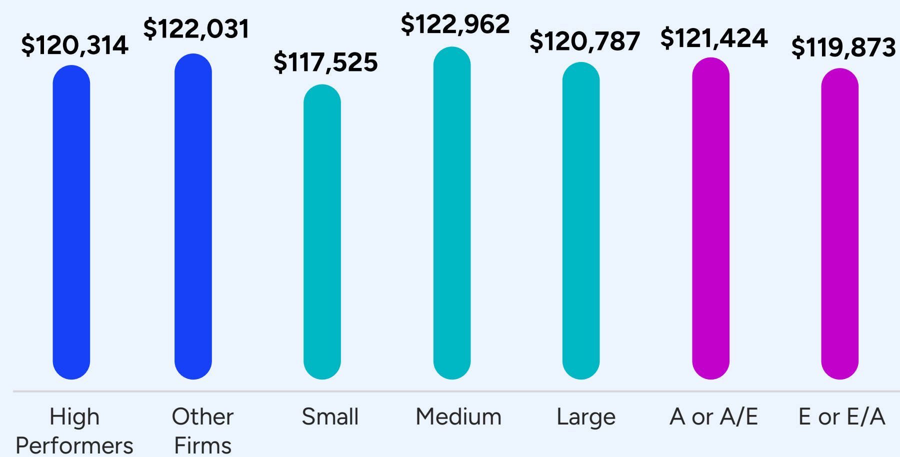
Top Quarter

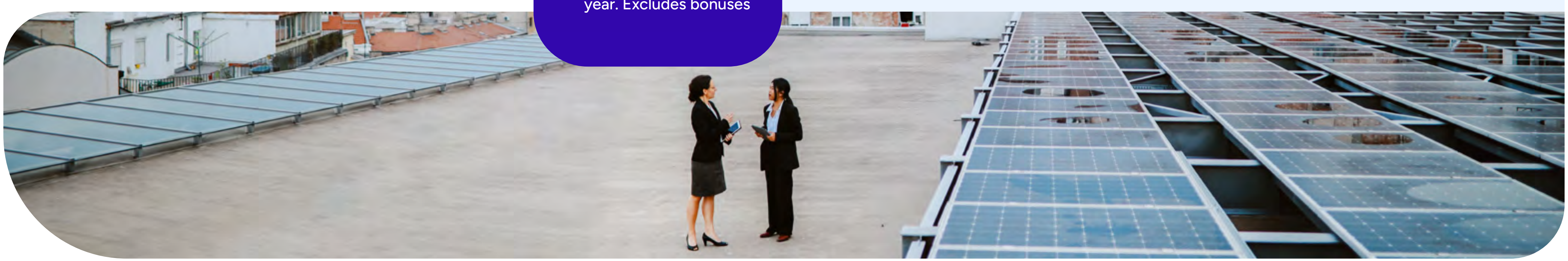
$136,409

Bottom Quarter

$102,581

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





Gross Wages per FTE

Gross wages per full-time equivalent rose to $99,893, approaching $100,000 per FTE. The 5.1% year-over-year increase was broadly distributed, with architecture firms (+7.1%), large firms (+6.8%) and high performers (+6.7%) posting the largest gains.

Combined with the utilization decline, the wage increase completes the pressure picture on labor unit economics. Firms are paying more per employee while directing a smaller share of that labor cost toward billable work, compressing productivity per labor dollar. Even as net revenue per employee continues to rise, the cost side of the equation is growing more rapidly.

Several forces may be contributing to the increase. Competitive labor markets continue to push compensation higher, particularly for experienced professionals. At the same time, as firms increasingly leverage technology and AI for lower-complexity tasks, workforce composition may be shifting toward more senior, higher-cost roles. Backfilling departures with more experienced hires rather than entry-level staff would also push this metric upward, independent of any change in pay scales.

$99,893

↑ **$4,822**

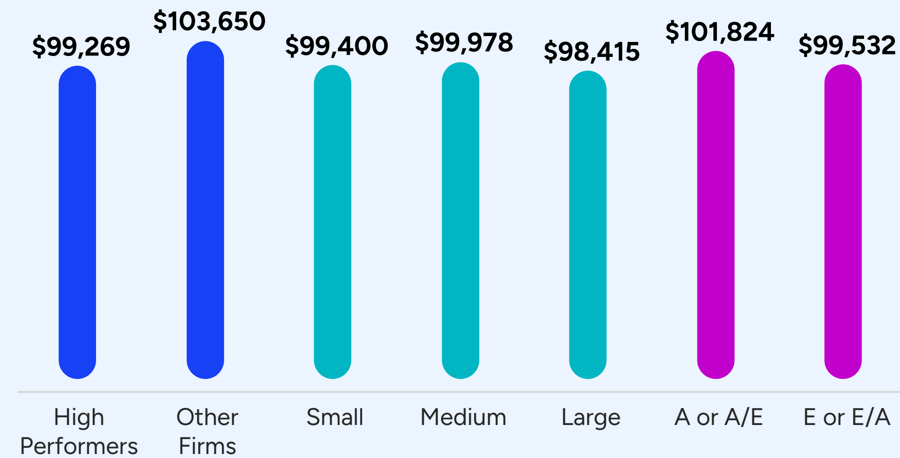
Top Quarter

$112,499

Bottom Quarter

$85,862

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



161.3%

↑ 1.3

Top Quarter
193.4%

Bottom Quarter
129.7%

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

Overhead Rate

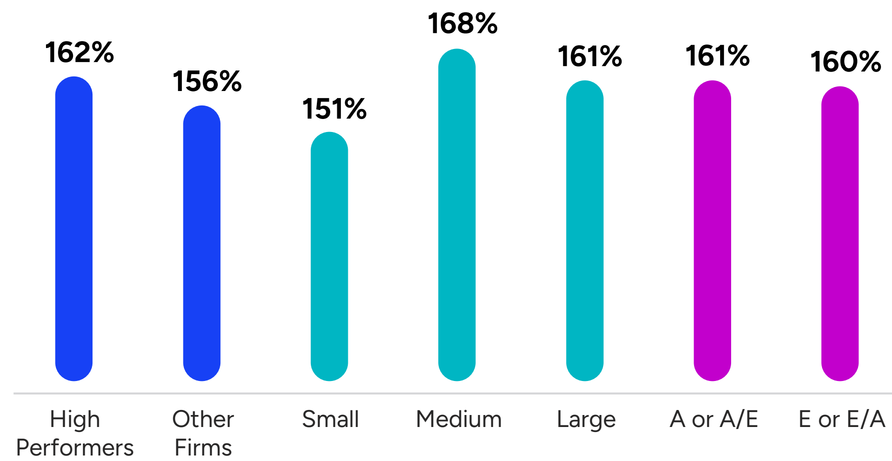
The median overhead rate rose slightly to 161.3%, up 1.3 percentage points from the prior year. The increase is closely linked to the decline in utilization: as fewer labor dollars are directed toward billable work, a larger share of total cost is absorbed into overhead.

Segment results were mixed, with some notable swings driven in part by sample size shifts. Small firms reported a 10-percentage-point decline to 151%, while large firms saw a 32-percentage-point increase to 161%. Medium firms held steady at 168%, and high performers ticked up three percentage points to 162%.

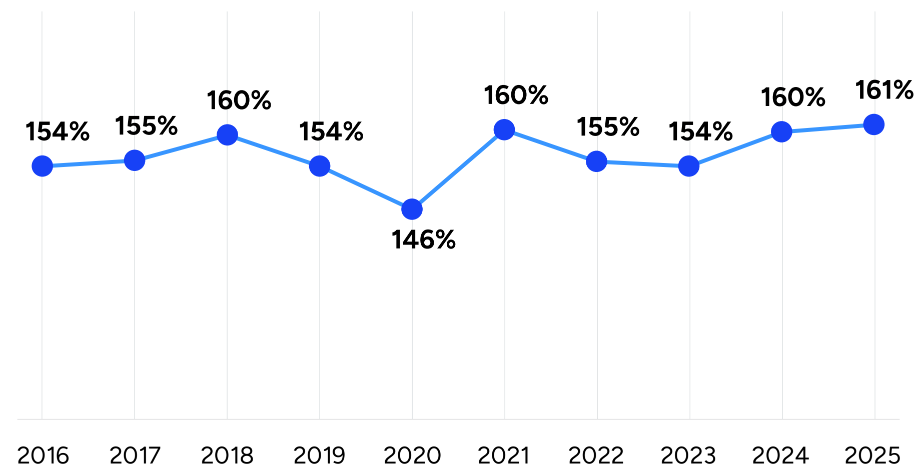
While the overall median increase was modest, the direction matters. Higher overhead rates compress the margin available for profit even when pricing holds steady. For firms already contending with rising labor costs and declining utilization, incremental overhead growth adds another layer of pressure to an increasingly tight financial equation.

10-Year Trend

At 161.3%, the overhead rate reached a new 10-year high, surpassing the peaks previously observed in 2018 and 2021 (both 160%). Over the past decade, overhead rates have generally hovered around 155%, with the recent uptick consistent with the broader pattern of declining utilization and rising indirect costs observed across this year's results.



Overhead Rate: 10-Year Trend

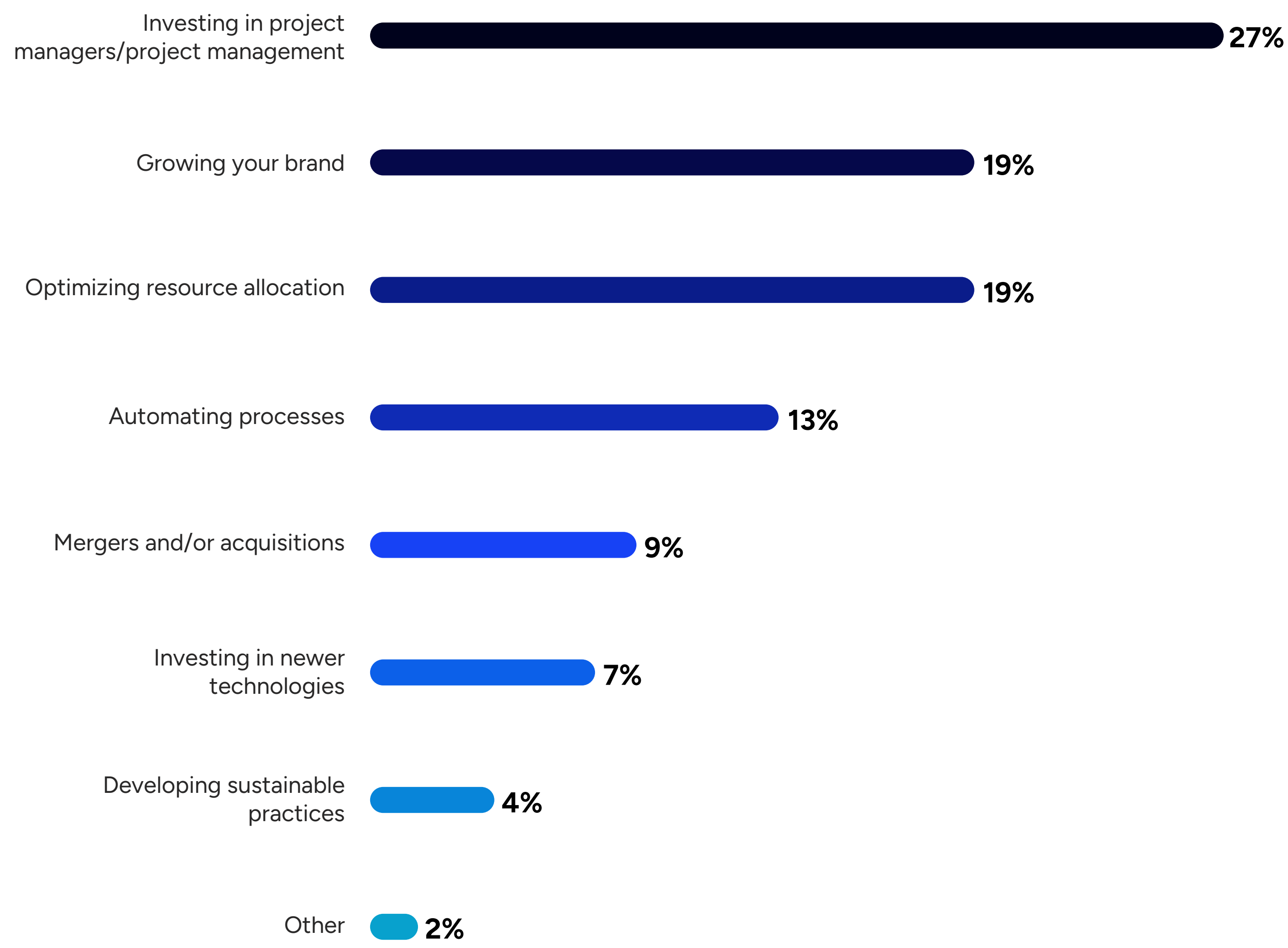


Greatest Growth Opportunities

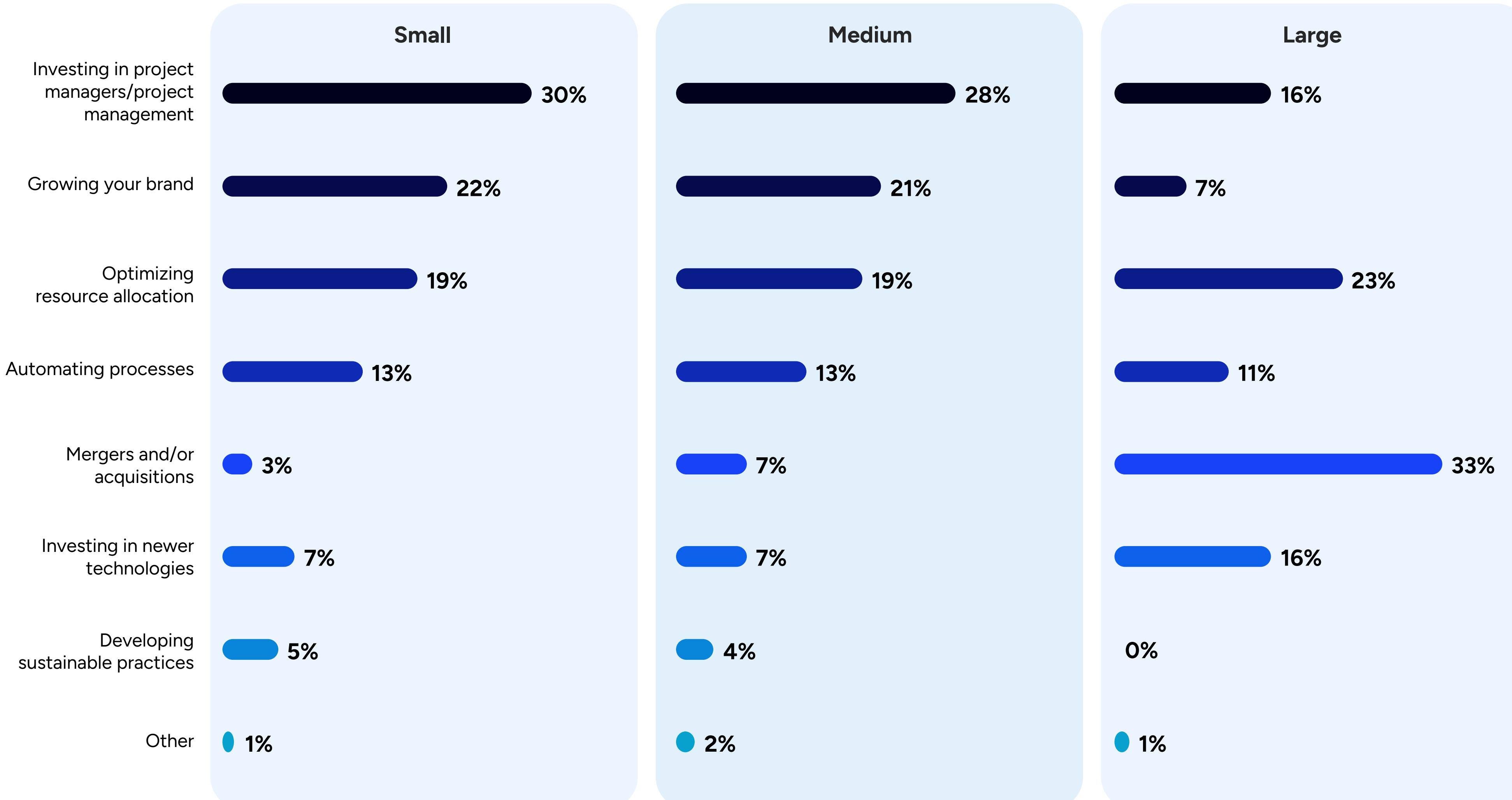
When asked to identify their greatest growth opportunity in the next year, firms ranked investing in project managers and project management first at 27%, followed by growing your brand and optimizing resource allocation, each at 19%. Automating processes ranked fourth at 13%, while mergers and/or acquisitions were mentioned by 9% of responses.

The firm size breakout reveals strikingly different growth strategies, however. Small and medium-sized firms prioritized investing in project managers at 30% and 28% respectively, reinforcing the emphasis on PM capability that appears throughout the Study's financial and project management findings. Large firms, by contrast, identified mergers and acquisitions as their top growth opportunity at 33%. This divergence reflects the different levers available at each scale: smaller firms see growth through building internal capabilities, while larger firms are looking to grow through strategic acquisitions.

Optimizing resource allocation was consistent across all firm sizes, though, ranging between 19% to 23%, suggesting broad recognition that doing more with existing capacity is a priority regardless of scale. Investing in newer technologies was more prominent among large firms (16%) than small (7%) or medium-sized firms (7%), consistent with the technology investment patterns described in the technology trends section.



Greatest Growth Opportunities in Next Year by Firm Size



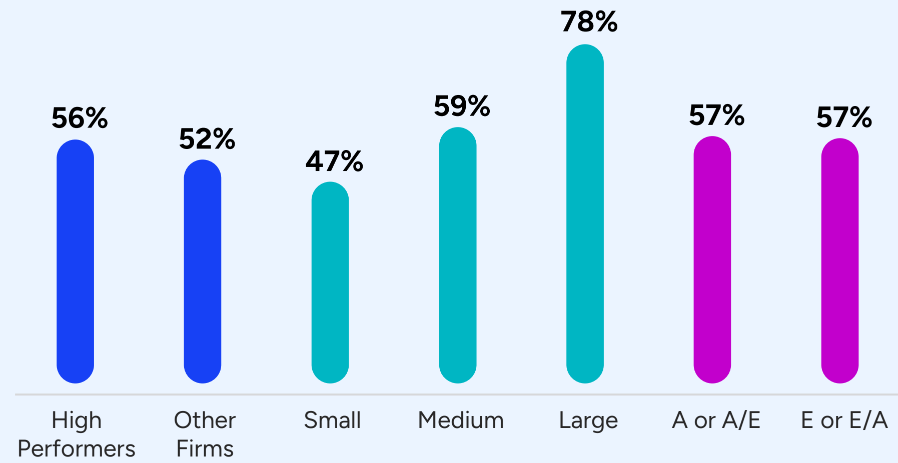
Firms with a Completed Firm Valuation

The share of firms that have completed a valuation in the past two years rose to 57.0%, up 6.5 percentage points from 50.5% the prior year. The increase was broad-based, with every segment reporting higher valuation activity. Large firms saw the most significant jump, rising 19 percentage points to 78%. Small firms and engineering firms also posted notable gains, each climbing seven to eight percentage points.

The uptick in valuation activity aligns with the growing prominence of succession planning and ownership transition as a financial challenge. As firm demographics shift and M&A activity continues across the industry, more firms appear to be taking proactive steps to understand their market position and prepare for potential ownership changes. In particular, the increase among large firms reflects a more active M&A environment at the upper end of the market.

57.0%

↑ **6.5**



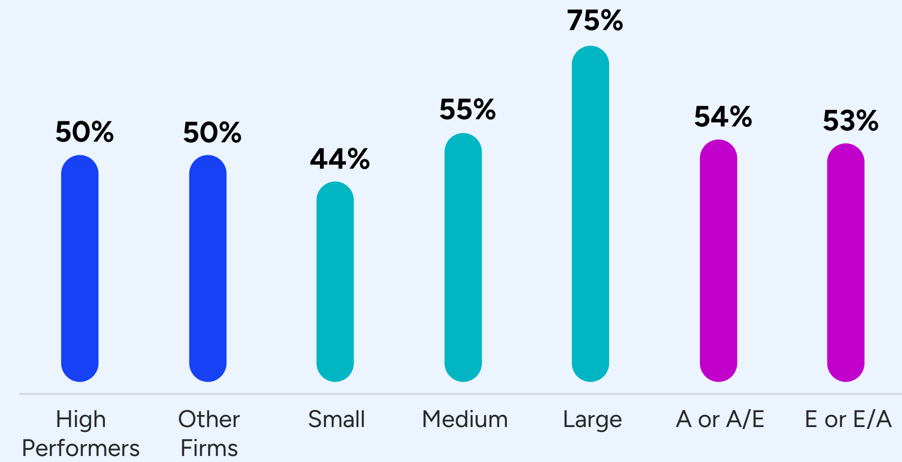
Firms that Plan to Complete a Valuation

More than half of firms indicated plans to complete a valuation in the coming year, up 3.7 percentage points from 50.0% the prior year. Large firms again led with 75% planning a valuation, up 16 percentage points, while architecture firms saw the largest gain among firm-type segments, rising nine percentage points to 54%.

Taken together, the two valuation metrics suggest that firms are increasingly treating valuations as a strategic planning tool rather than a purely transactional step. In an environment of softening financial performance and rising succession planning urgency, understanding firm value provides a foundation for decisions around ownership transition, growth strategy and potential acquisition activity.

53.7%

↑ 3.7



Net Fixed Assets per Employee

Net fixed assets per employee was essentially flat at $6,030, down just $163 from the prior year. The stability at the median, however, masks divergent trends across segments. High performers increased their fixed asset investment by 4.1% to $9,981, while other firms saw a sharp decline of 38.0% to $4,524. Small firms also dropped notably, down 28.9% to $3,640, and engineering firms fell 20.7% to $6,387.

The contrast between high performers and the rest of the industry is worth noting. Firms that are investing in fixed assets, whether technology infrastructure, equipment or office environments, may be better positioned to support productivity as labor pressures intensify. The decline among other firms and small firms may reflect tighter capital budgets, a shift toward leasing or subscription-based technology models, or simply fewer resources available for investment after absorbing rising labor and overhead costs.

At the industry level, the relatively flat result suggests that most firms are not significantly expanding their capital investment to offset the labor productivity pressures observed elsewhere in this section. Whether that reflects a deliberate strategy of lean operations or a constraint driven by tightening financial conditions likely varies by firm.

$6,030

↓ **-$163**

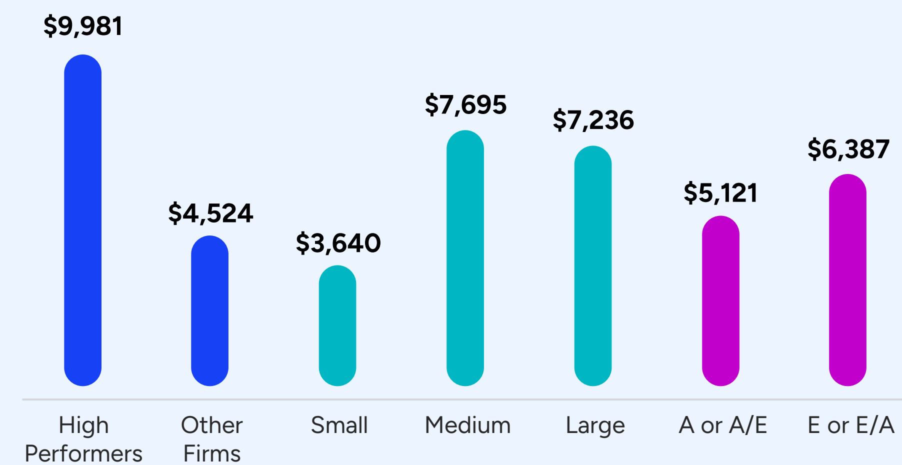
Top Quarter

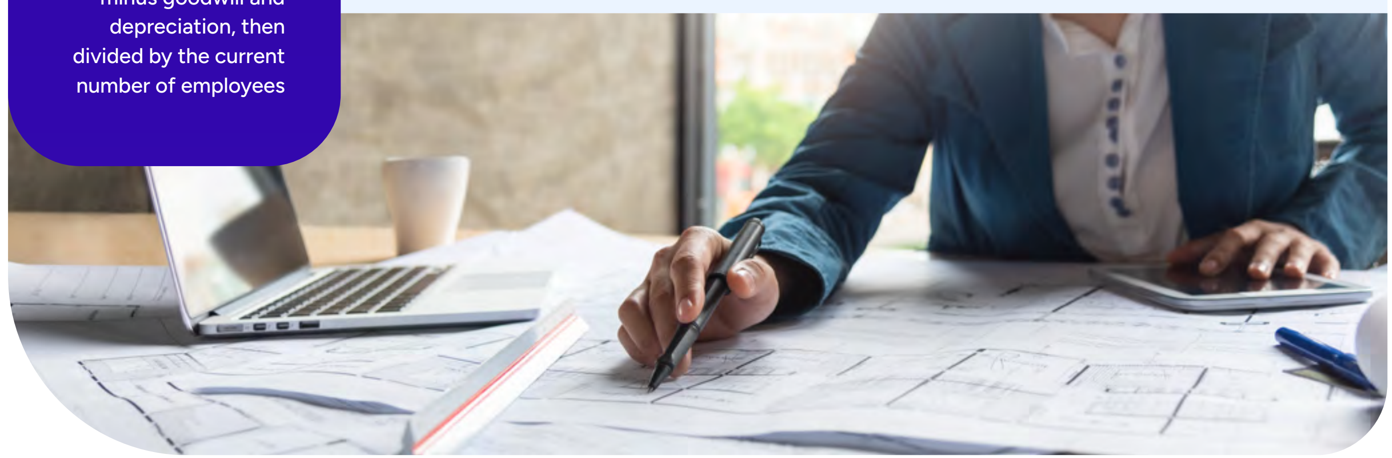
$16,551

Bottom Quarter

$1,196

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





Return on Assets

Return on assets declined to 14.6%, down 3.9 percentage points from the prior year. The drop indicates that firms' ability to generate income relative to their asset base weakened in 2025, consistent with the broader pattern of softening operating efficiency observed across this year's results.

The decline was widespread. High performers fell from 33.9% to 27.6%, and engineering firms dropped five percentage points to 15.5%. Small firms declined 2.8 percentage points to 13.1%, while medium firms and architecture firms were nearly flat.

ROA reflects how effectively firms convert their invested assets into profit. The year-over-year decline, when viewed alongside the relatively stable return on equity discussed next, points to a widening gap between operational efficiency and financial structure. Firms are generating less value from their assets, but leveraging debt to maintain returns to equity holders, a dynamic that can sustain short-term results but may not be sustainable if operating fundamentals continue to soften.

14.6%

↓ **-3.9**

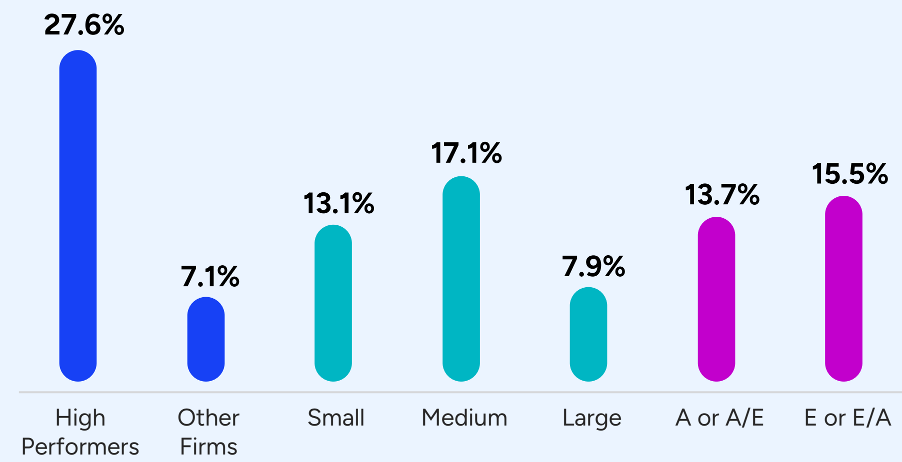
Top Quarter

31.4%

Bottom Quarter

3.2%

Divide pre-tax, pre-distribution income by total assets



Return on Equity

Return on equity declined modestly to 27.26%, down just 1.09 percentage points from 28.35% the prior year. The relatively small drop stands in contrast to the sharper decline in return on assets (down 3.9 percentage points) and is one of the more telling data points in this year's financial results.

The gap between ROA and ROE movement suggests that firms are increasingly relying on financial leverage to sustain equity returns. As the debt-to-equity ratio rose from 0.63 to 0.73 this year, firms appear to be using debt to finance operations and bridge the gap left by declining operational efficiency. The result is that returns to equity holders are holding relatively steady even as the underlying asset productivity weakens.

Segment results were mixed. Medium firms and architecture firms improved, rising 3.1 and 4.5 percentage points respectively. Small firms and engineering firms each declined roughly three percentage points. Large firms reported a dramatic drop of 30.2 percentage points.

While leverage can sustain returns in the near term, it also introduces financial risk. If operating performance continues to soften, firms carrying higher debt loads will have less flexibility to absorb further margin compression or revenue volatility.

27.26%

↓ **-1.09**

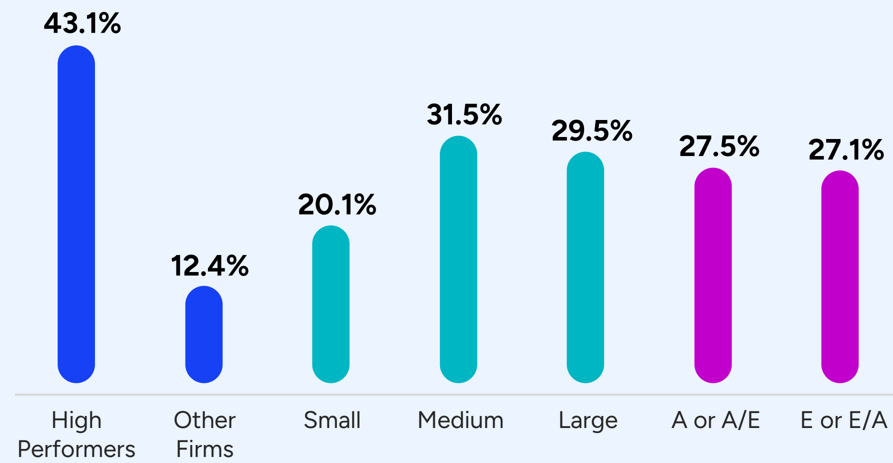
Top Quarter

52.7%

Bottom Quarter

4.5%

Divide pre-tax, pre-distribution income by total equity



Current Ratio

The current ratio declined to 3.03, down from 3.30 the prior year. The decrease suggests that short-term liquidity tightened across the industry, as current liabilities grew relative to current assets.

The most significant declines were among small firms (down 0.99 to 3.66) and large firms (down 0.66 to 2.27). Small firms had reported the highest current ratio in the prior year at 4.65, so the decline, while notable, still leaves them above the median. Medium firms at 2.93 saw a modest decline of 0.06, and architecture firms held steady at 2.30.

A current ratio above 2.0 generally indicates adequate short-term liquidity, and all segments remain above that threshold. However, the downward trend is worth monitoring. As backlogs decrease and operating margins compress, firms have less cushion to absorb unexpected costs or delays in receivables. Maintaining sufficient liquidity will be increasingly important as firms navigate a more uncertain revenue environment.

3.03

↓ **-0.27**

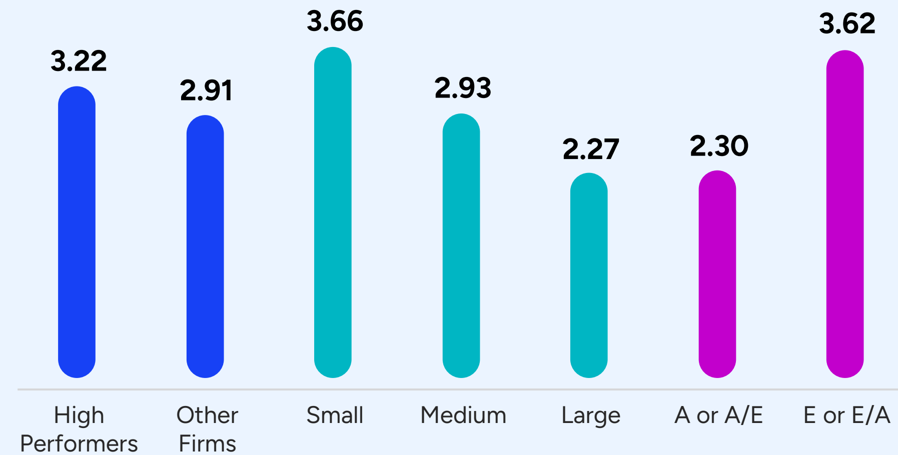
Top Quarter

5.17

Bottom Quarter

1.98

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



Debt to Equity Ratio

The debt-to-equity ratio rose to 0.73, up from 0.63 the prior year. The increase was universal, with every firm segment reporting higher leverage year over year. This is a meaningful shift and reinforces a key theme in this year's financial results: firms are taking on more debt to support operations as operating efficiency softens.

The largest increase was among large firms, which rose 0.27 to 1.09, crossing above 1.0 for the first time. Small firms increased 0.15 to 0.57, and medium firms rose 0.11 to 0.85. Architecture firms saw a modest increase of 0.06 to 0.92, while engineering firms rose 0.07 to 0.64.

When viewed alongside the return on equity and return on assets results, the picture becomes clear. ROA declined sharply while ROE held relatively steady, and increased leverage is the bridge between the two. Firms are borrowing more to sustain returns to equity holders, even as the underlying operational performance weakens. This approach can work in the near term, but it narrows the margin for error. If profitability continues to soften, higher debt levels will limit firms' financial flexibility and increase exposure to economic downturns or revenue disruption.

0.73

↑ **0.10**

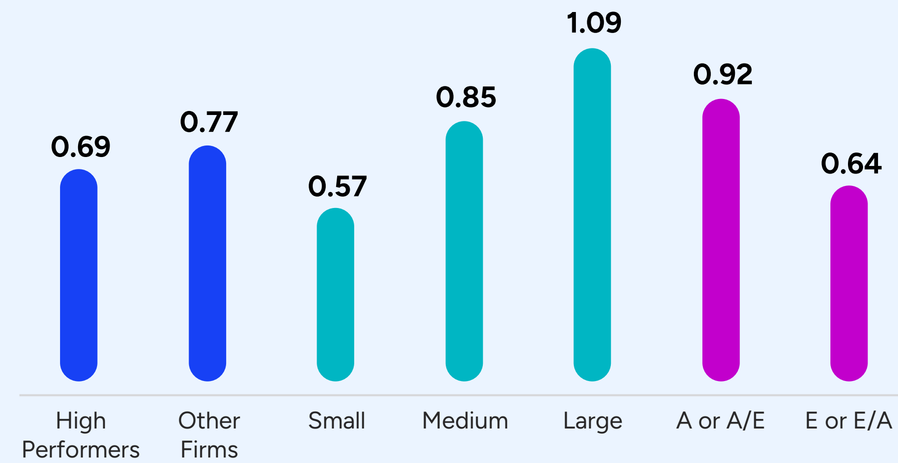
Top Quarter

1.51

Bottom Quarter

0.28

Divide total liabilities by stockholders' equity

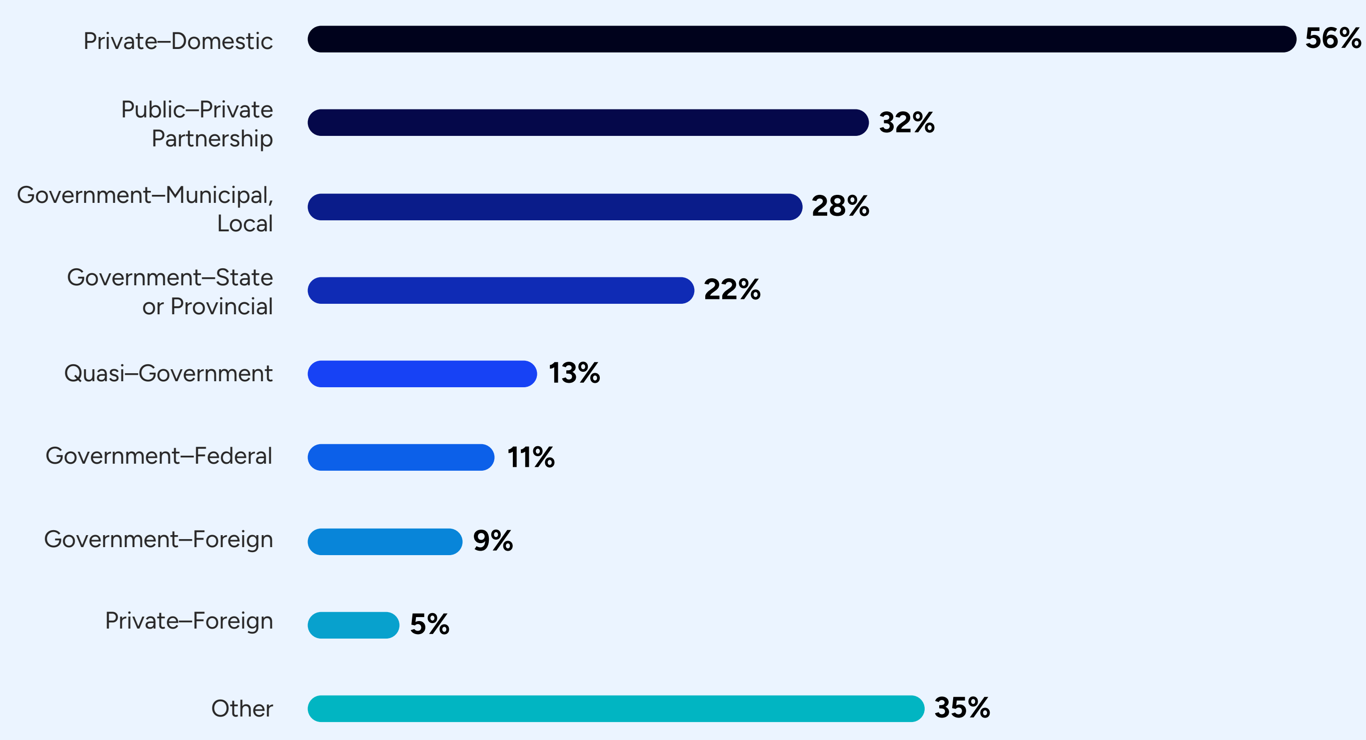


Total Annual Revenue by Client Type

Private-domestic clients continued to generate the majority of A&E firm revenue, accounting for 56% of total revenue, essentially unchanged from the prior year. The most significant shift was in public-private partnerships, which rose six percentage points to 32%, continuing a trend that has been building across the industry for more than a decade. Government-Municipal and local revenue held steady at 28%, and state or provincial work ticked up one percentage point to 22%.

Federal government revenue declined four percentage points to 11%, a shift consistent with broader uncertainty around federal funding and a growing focus on state and local markets. Private-foreign revenue also dropped notably, from 14% to 5%, reflecting a downturn in foreign investment domestically.

The “other” category, which includes nonprofits, utilities and medical facilities, increased from 22% to 35%. This shift, combined with the growth in public-private partnerships and steady municipal revenue, suggests firms are gravitating toward more structured public and quasi-public funding sources while the mix of non-traditional client types has increased. Overall, client diversification remains broad, but the movement toward public-private models and away from federal mirrors the sector shifts reported in business development, where data centers, energy/power and water/wastewater/stormwater have emerged as the top growth areas.

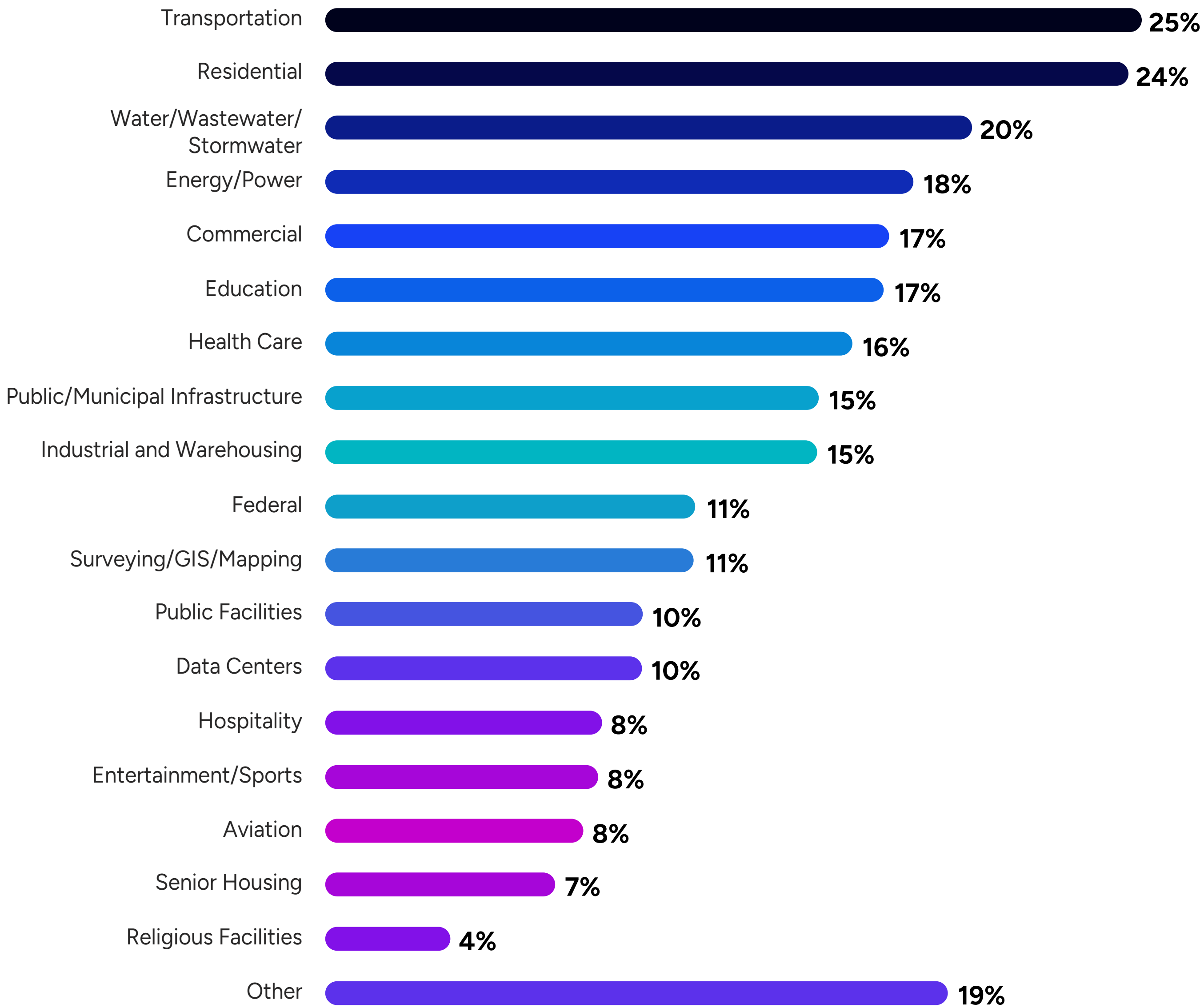


Net Revenue by Project Type

The project revenue mix is shifting, with declines in several traditionally large categories and growth in more specialized segments. Transportation remained the top revenue category at 25%, up one percentage point. Residential fell two percentage points to 24%, and water/wastewater/stormwater declined five percentage points to 20%. Commercial also dropped three percentage points to 17%.

Energy and power rose two percentage points to 18%, and data centers appeared as a new category at 10%, reflecting the surge in demand driven by AI infrastructure and rising energy consumption. Together, these two categories underscore a broader shift in where project activity is concentrated. Public/municipal infrastructure, also new this year, debuted at 15%.

Several other new categories were added this year, including entertainment/sports (8%), aviation (8%), senior housing (7%) and religious facilities (4%), providing more granularity into project types that were previously grouped under “other.” The expanded category list, combined with declines in residential, water/wastewater and commercial, paints a picture of an increasingly diversified and fragmented project landscape. This fragmentation aligns with the observed contraction in backlogs, as smaller and more varied projects can contribute to reduced pipeline visibility and less predictable revenue streams.

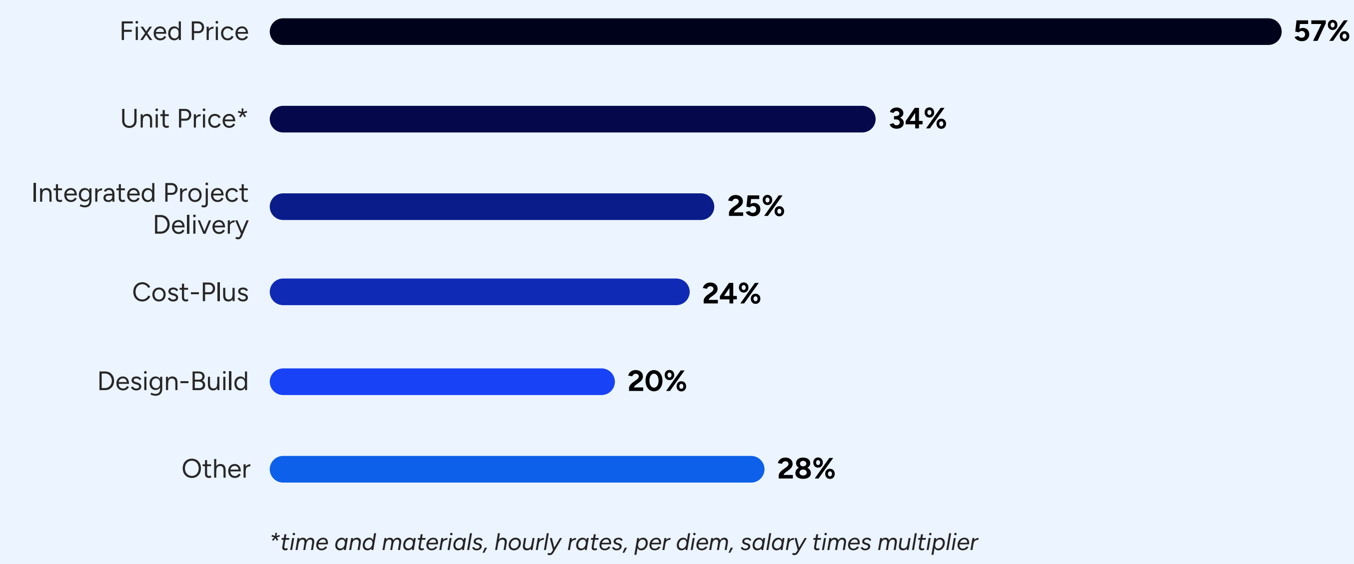


Percent of Revenue by Contract Type

The contract type mix remained largely stable in 2025. Fixed price contracts continued to account for the largest share of revenue at 57%, down one percentage point from last year. Unit price contracts, which include time and materials, hourly rates and per diem arrangements, accounted for 34%, also down slightly. Integrated project delivery edged up one percentage point to 25%, and cost plus rose one percentage point to 24%. Design-build declined two percentage points to 20%.

The overall stability is notable given the shifts occurring elsewhere in the financial landscape. Despite contracting backlogs, declining utilization and rising cost pressures, firms have not materially adjusted their contracting strategies. This may reflect the reality that contract type is often driven by client preference rather than firm choice, particularly in public-sector work where procurement rules dictate the available structures. It also suggests that firms have not yet felt enough margin pressure to actively renegotiate terms or pursue different contract models.

As cost pressures continue to build, firms may benefit from evaluating whether their current contract mix adequately protects against the efficiency and margin risks highlighted in this year's results.



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

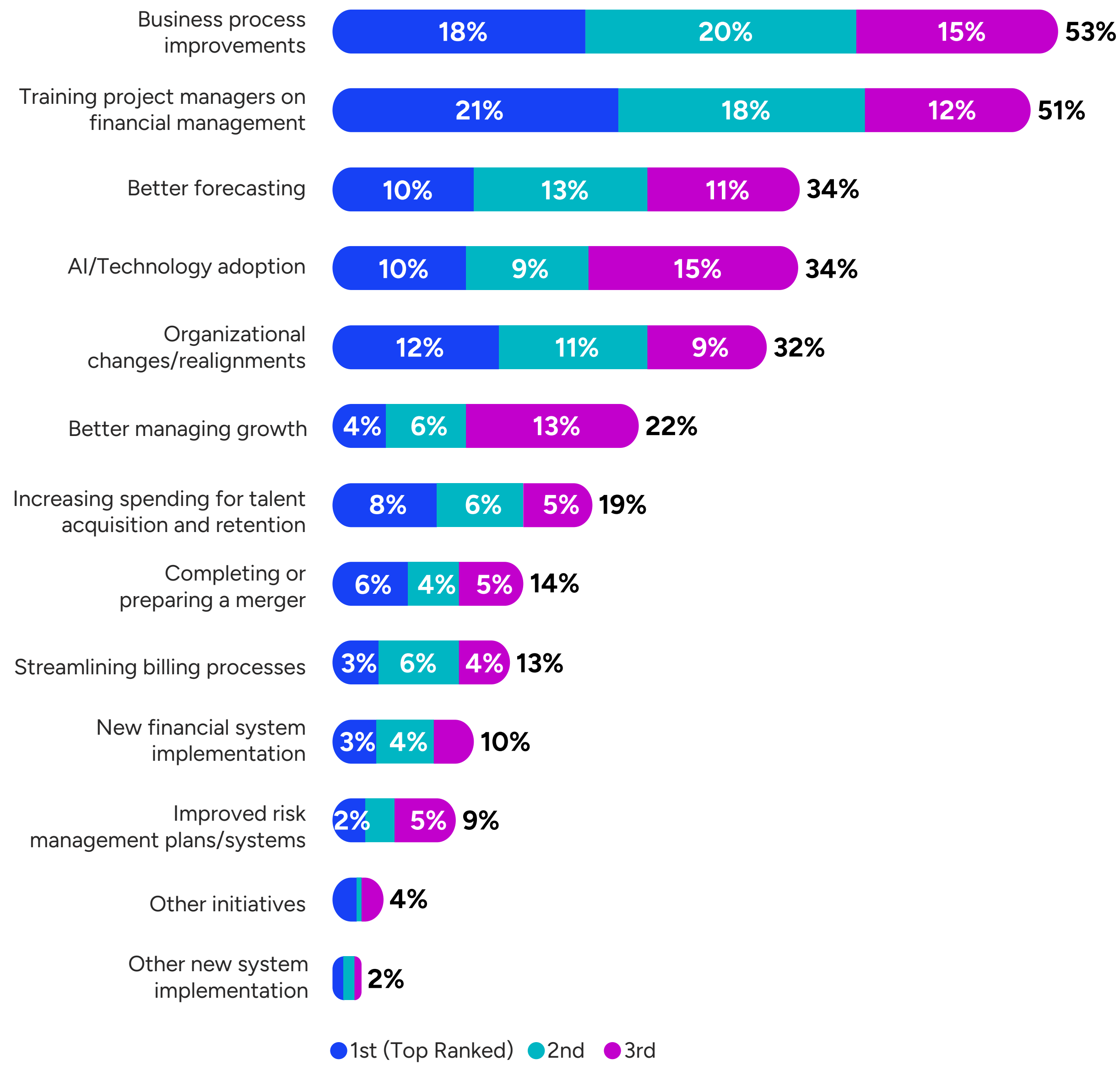
Top Financial Initiatives

When asked to identify their top three financial initiatives over the next three years, firms continued to prioritize operational fundamentals. Business process improvements remained the top financial initiative for 53% of firms, down slightly from 55% the prior year. Training project managers on financial management slipped to second with 51% identifying it as a key initiative, down six percentage points from 57%, though its continued prominence reflects the persistent gap between the recognized need for financially literate PMs and firms' ability to deliver on that priority amid continued delivery demands.

The most notable shift was the debut of AI and technology adoption as a new response option, which immediately tied for third at 34% alongside better forecasting. The strong showing in its first-year signals that firms are increasingly viewing technology as a lever for improving financial performance, consistent with the broader emphasis on efficiency and productivity seen across this year's results, though the impact of those investments is still emerging.

Several initiatives declined year over year. Better managing growth fell five percentage points to 22%, and increasing spending for talent acquisition and retention dropped five percentage points to 19%, both reflecting a shift in focus from growth and staffing toward profitability and operational discipline. Streamlining billing processes and new financial system implementation also declined, each falling five percentage points.

The overall pattern reinforces the theme emerging throughout this section: firms are pivoting from expansion-oriented priorities toward initiatives aimed at protecting margins, improving efficiency and building the internal capabilities needed to sustain performance as operating conditions tighten.



Note: Respondents selected and ranked their top three options.

05

CLARITY OUTLOOK

Financial Management

As the industry moves from a period of peak performance into a more constrained operating environment, firms that act early to strengthen operational efficiency, sharpen financial visibility and build adaptive capacity will be best positioned to sustain performance and capture opportunity in the years ahead.

The financial results in 2025 represent a transition point for the industry, and the firms that perform best in the coming years will be those that respond proactively rather than reactively. With utilization declining and labor costs rising, the most important lever available to most firms is improving the productivity of their existing workforce. Increasingly, growth is constrained by execution capacity rather than demand, making better resource allocation, stronger project management discipline and more effective use of technology critical.

Backlog contraction demands a more strategic approach to building and managing the pipeline to keep the backlog strong. Firms should be evaluating not just the volume of work they pursue but the quality and alignment of that work with their delivery capacity. Being selective about which opportunities to chase, investing in go/no go discipline and strengthening client relationships in high-growth sectors will be more valuable than simply increasing proposal volume.

Financial fluency across the organization, particularly among project managers, remains one of the highest-impact investments firms can make. PMs who understand how their decisions affect project margins, utilization and cash flow can serve as the front line of financial performance, catching issues before they become problems and making better tradeoffs in real time.

Finally, firms should approach AI and technology adoption with clear financial objectives in mind. Rather than treating technology as a general efficiency aspiration, firms that tie specific tools and investments to measurable business outcomes, whether in billing accuracy, forecasting precision or resource optimization, will be more likely to realize returns that have so far remained elusive for much of the industry.

At the same time, firms should be mindful of the balance sheet dynamics emerging in this year's data. Rising leverage can sustain near-term returns, but firms that allow debt levels to climb without a corresponding improvement in operating efficiency will have less flexibility to respond if conditions continue to soften.

SUMMARY

Firms are navigating a more demanding environment, where strong fundamentals alone may not be sufficient to sustain performance. Greater focus on execution, investment in people and more effective use of technology are emerging as key priorities for the year ahead.

A&E firms closed 2025 in a fundamentally solid position, but findings across this year's Study indicate that the conditions that produced record performance over the past two years are moderating. Firms are increasingly focusing on strengthening internal capabilities to support more consistent performance.

With backlogs declining, utilization softening and labor costs continuing to rise, the margin for error on project selection and delivery is becoming narrower. These conditions are increasing the importance of disciplined project selection, proactive cost management and the use of data to inform financial decisions.

Technology continues to play an increasingly important role across all areas of the business. For many firms, AI has moved from exploration to early-stage deployment. Firms are placing a greater emphasis on integration, training and clearly-defined use cases to improve the likelihood of realizing value from these investments. On the project management side, process maturity and accountability infrastructure are advancing, but the gap between intent and consistent execution remains a central challenge.

Across project delivery, technology adoption and business development, the quality and continuity of the workforce remain critical factors. Firms are increasing their focus on building capable, well-supported and development-oriented workforces to support execution across priorities. At the same time, limited workforce growth and mildly elevated turnover continue to constrain capacity, reinforcing the need to improve productivity and retention.

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
KPIS/BALANCE SHEET DETAILS								
KEY PERFORMANCE INDICATORS								
Net Revenue Per Employee	$186,681	$208,119	$171,825	$180,197	$194,194	$190,952	$190,958	$187,291
Total Revenue Per Employee	$236,848	$263,526	$216,487	$232,001	$246,328	$228,458	$274,635	$219,320
Operating Profit on Net Revenue	16.7%	24.1%	10.3%	12.7%	18.3%	20.9%	16.5%	17.1%
Operating Profit on Total Revenue	12.8%	18.9%	7.4%	9.8%	14.1%	17.8%	11.4%	14.3%
Utilization Rate	58.9%	58.9%	60.3%	61.3%	57.5%	57.8%	59.3%	58.8%
Net Labor Multiplier	3.11	3.54	2.90	2.92	3.26	3.14	3.17	3.11
Total Payroll Multiplier	1.84	2.09	1.68	1.78	1.89	1.82	1.86	1.82
Overhead Rate	161.3%	161.8%	155.9%	150.5%	167.5%	161.0%	161.1%	159.9%
Staff Growth/Decline	1.2%	2.6%	0.0%	0.0%	3.1%	6.1%	0.0%	2.6%
Employee Turnover	13.8%	12.0%	14.3%	13.8%	14.7%	12.0%	14.0%	13.7%
Total Labor Cost Per Employee	$119,511	$120,314	$122,031	$117,525	$122,962	$120,787	$121,424	$119,873
Net Fixed Assets Per Employee	$6,030	$9,981	$4,524	$3,640	$7,695	$7,236	$5,121	$6,387
Average Collection Period (Median)	67.71	67.57	67.74	69.88	67.37	64.55	67.66	68.79
Win Rate	49.0%	53.6%	50.0%	50.0%	48.1%	42.4%	44.9%	49.5%
BALANCE SHEET RATIOS								
Work-in-Process per Employee	$2,176	$2,367	$2,146	$72	$2,839	$7,959	$933	$3,583
Total Assets per Employee	$104,628	$118,652	$98,416	$93,709	$111,118	$105,338	$115,426	$101,953
Total Liabilities per Employee	$37,737	$42,557	$37,373	$27,474	$46,321	$40,339	$50,072	$31,770

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
KPIS/BALANCE SHEET DETAILS								
BALANCE SHEET RATIOS (CONTINUED)								
Total Liabilities per Employee	$49,734	$63,106	$43,683	$49,877	$52,720	$41,366	$49,633	$49,899
Return on Assets	14.6%	27.6%	7.1%	13.1%	17.1%	7.9%	13.7%	15.5%
Return on Equity	27.3%	43.1%	12.4%	20.1%	31.5%	29.5%	27.5%	27.1%
Backlog - End of Year per Employee	$122,815	$170,542	$79,285	$86,957	$136,230	$184,097	$145,071	$111,650
Backlog in Months	6.33	7.33	4.64	4.93	6.59	8.52	6.29	6.38
Current Ratio	3.03	3.22	2.91	3.66	2.93	2.27	2.30	3.62
Debt to Equity Ratio	0.73	0.69	0.77	0.57	0.85	1.09	0.92	0.64
INCOME STATEMENT DETAIL (PER EMPLOYEE)								
TOTAL REVENUE								
Total Revenue per Employee	$236,848	$263,526	$216,487	$232,001	$246,328	$228,458	$274,635	$219,320
DIRECT EXPENSES								
Consultants per Employee	$27,260	$38,462	$27,405	$26,044	$29,118	$20,885	$78,115	$16,825
Bad Debt per Employee	$604	$500	$1,000	$1,708	$502	$176	$1,038	$516
All Other Direct Expenses per Employee	$4,204	$4,558	$3,601	$3,744	$4,196	$5,179	$4,254	$3,824
Total Direct Expenses per Employee	$42,025	$50,249	$39,149	$45,617	$43,968	$32,762	$92,275	$27,235
NET REVENUE								
Net Revenue per Employee	$186,681	$208,119	$171,825	$180,197	$194,194	$190,952	$190,958	$187,291

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
DIRECT LABOR								
Direct Labor per Employee	$59,574	$59,443	$60,294	$61,684	$57,084	$59,567	$59,574	$60,493
GROSS PROFIT								
Gross Profit per Employee	$124,635	$149,262	$111,269	$113,999	$132,043	$130,639	$125,591	$125,200
INDIRECT LABOR								
Vacation, Holiday, Sick & Personal per Employee	$9,880	$10,202	$9,634	$8,997	$10,137	$10,952	$9,936	$9,888
Marketing per Employee	$3,326	$4,440	$3,200	$2,500	$4,188	$3,663	$5,000	$3,028
All Other Indirect Labor per Employee	$22,929	$22,827	$25,044	$20,939	$23,374	$24,330	$21,484	$24,070
Total Indirect Labor per Employee	$40,271	$41,185	$39,885	$37,217	$41,822	$41,531	$41,398	$40,062
LABOR-RELATED EXPENSES								
Statutory Taxes per Employee	$7,246	$7,527	$7,213	$6,980	$7,443	$7,833	$7,146	$7,470
Workers' Comp. per Employee	$178	$200	$197	$174	$187	$145	$169	$200
GroupHealth, Life, Etc. per Employee	$7,491	$8,889	$6,719	$6,331	$8,646	$7,685	$6,806	$7,880
401(k) Match, Pension Plan, Etc. per Employee	$3,030	$3,431	$2,737	$2,871	$3,098	$3,450	$3,028	$3,107
All Other Labor-Related Expenses per Employee	$291	$398	$255	$142	$374	$817	$415	$248
Total Other Labor-Related Expenses per Employee	$20,103	$22,272	$19,225	$18,105	$21,958	$21,667	$19,564	$20,556
OTHER STAFF EXPENSES								
Professional Licenses, Registrations, Dues, per Employee	$818	$971	$793	$757	$915	$876	$915	$793

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
MARKETING EXPENSES (NON-LABOR)								
Marketing Expenses (marketing and business development expenses including materials, conference expenses, travel, etc.)	$1,342	$1,859	$1,181	$1,628	$1,266	$1,055	$2,049	$1,067
CORPORATE EXPENSES								
Professional Liability Insurance per Employee	$2,041	$2,305	$2,191	$2,297	$2,086	$1,513	$2,493	$1,917
Other Business Taxes per Employee	$111	$258	$132	$132	$100	$124	$134	$121
All Other Corporate Expenses per Employee	$3,901	$4,136	$4,266	$5,499	$4,662	$2,147	$3,762	$4,180
Total Corporate Expenses per Employee	$4,868	$5,459	$5,316	$5,987	$5,006	$3,380	$4,917	$5,012
TOTAL OVERHEAD								
Total Overhead Expenses per Employee	$91,378	$95,590	$91,181	$90,170	$95,954	$87,554	$95,590	$89,362
OPERATING PROFIT								
Operating Profit (Loss) per Employee	$28,849	$50,853	$17,615	$20,229	$31,690	$34,606	$28,896	$30,265
INTEREST, BONUS, OTHER								
Interest-Net per Employee	$22	$69	$7	$0	$59	$218	$2	$61
Bonuses per Employee	$5,693	$11,389	$3,248	$3,064	$6,962	$8,393	$4,588	$6,412
Other (Income) or Expense per Emp. (Median)	$0	$0	$0	$0	$0	$14	$0	$0
PRE-TAX INCOME (LOSS)								
Pre-Tax Income (Loss) per Employee	$16,392	$35,863	$8,778	$13,039	$19,469	$18,394	$15,807	$16,842
TAXES								
Taxes per Employee	$284	$239	$279	$151	$373	$327	$281	$252

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
NET PROFIT								
Net Profit (Loss) per Employee	$8,965	$25,083	$5,610	$8,004	$10,802	$7,549	$6,346	$9,444
BALANCE SHEET DETAIL (PER EMPLOYEE)								
CURRENT ASSETS								
Cash per Employee	$13,723	$17,832	$10,788	$16,667	$10,788	$13,694	$16,667	$13,314
Accounts Receivable per Employee	$43,381	$46,892	$40,663	$42,048	$44,305	$40,984	$52,948	$40,652
Work-In-Process per Employee	$2,176	$2,367	$2,146	$72	$2,839	$7,959	$933	$3,583
Prepaid Expenses per Employee	$2,400	$2,996	$1,725	$829	$2,882	$3,398	$1,820	$2,637
Other Current Assets per Employee	$804	$743	$685	$1,800	$650	$989	$1,578	$721
Total Current Assets per Employee	$75,107	$86,181	$68,705	$75,174	$76,868	$65,568	$92,208	$68,693
FIXED ASSETS								
Fixed Assets (except Goodwill) per Employee	$21,280	$30,030	$18,341	$16,444	$28,488	$17,647	$21,713	$21,118
Depreciation per Employee	-$11,154	-$19,251	-$8,534	-$7,783	-$15,065	-$6,967	-$12,365	-$10,817
Goodwill (net of amortization) per Employee	$4,088	$2,637	$2,440	$3,984	$3,587	$4,588	$4,929	$3,888
Total Fixed Assets per Employee	$8,925	$12,382	$6,500	$4,683	$12,090	$17,206	$6,982	$9,714
OTHER LONG-TERM ASSETS								
Long-Term Notes/Loans Receivable per Employee	$4,233	$4,440	$4,686	$6,735	$3,625	$1,293	$4,233	$4,373
Other Long-Term Assets per Employee	$8,948	$12,261	$4,814	$4,012	$11,979	$12,891	$10,696	$7,423
Total Other Long Term Assets per Employee	$0	$708	$0	$0	$533	$5,022	$0	$135

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
TOTAL ASSETS								
Total Assets per Employee	$104,628	$118,652	$98,416	$93,709	$111,118	$105,338	$115,426	$101,953
LIABILITIES & STOCKHOLDER'S EQUITY								
ACCOUNTS PAYABLE								
Accounts Payable - Consultants per Employee	$2,769	$4,284	$3,274	$2,222	$3,582	$2,638	$14,856	$1,005
Accounts Payable - Vendors per Employee	$764	$1,001	$702	$224	$1,038	$807	$664	$792
Total Accounts Payable per Employee	$6,323	$7,760	$6,226	$5,859	$6,741	$5,604	$19,433	$4,487
ACCRUED EMPLOYEE EXPENSE								
Accrued Employee Salaries per Employee	$876	$1,363	$15	$0	$1,380	$1,991	$0	$1,453
Accrued Employee Vacation, Sick, Etc. per Employee	$0	$1,525	$0	$0	$1,525	$2,389	$0	$514
Other Accrued Employee Expense per Employee	$1,100	$2,039	$728	$500	$1,373	$3,004	$1,103	$1,097
Total Accrued Employee Expenses per Employee	$3,696	$5,123	$3,103	$2,403	$5,445	$5,542	$2,281	$4,939
OTHER CURRENT LIABILITIES								
Line-of-Credit and Short-Term Notes Outstanding per Employee	$4,201	$3,452	$5,182	$5,178	$4,026	$4,074	$4,580	$4,195
Current Taxes per Employee	$284	$239	$279	$151	$373	$327	$281	$252
Other Current Liabilities per Employee	$1,371	$2,028	$989	$253	$2,024	$7,383	$746	$1,461
Total Other Current Liabilities per Employee	$5,080	$5,842	$3,647	$2,079	$6,094	$11,051	$4,420	$5,556
TOTAL CURRENT LIABILITIES								
Total Current Liabilities per Employee	$20,155	$24,409	$19,411	$17,566	$21,803	$21,421	$31,109	$16,663

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
LONG-TERM LIABILITIES								
Long-Term Debt per Employee	$0	$767	$0	$0	$3,509	$4,511	$0	$2,354
Deferred Taxes per Employee	$4,010	$6,289	$6,012	$6,737	$5,774	$922	$5,764	$2,787
Other Long-Term Liabilities per Employee	$12,347	$14,239	$10,616	$7,842	$15,732	$15,530	$29,112	$9,873
TOTAL LIABILITIES								
Total Liabilities per Employee	$37,737	$42,557	$37,373	$27,474	$46,321	$40,339	$50,072	$31,770
STOCKHOLDERS' EQUITY								
Stock & Additional Paid-In Capital per Employee	$73	$242	$41	$21	$133	$3,700	$12	$589
Distribution/Dividends - Current Year Only per Employee	-$9,710	-$18,613	-$4,236	-$15,941	-$10,690	-$3,052	-$17,188	-$6,717
Principal's Equity - Long-Term Notes per Employee	-$1,014	-$124	-$1,897	-$2,333	-$1,870	-$760	-$3,224	-$1,014
Previous Years Retained Earnings per Employee	$36,136	$49,627	$34,282	$39,923	$41,944	$20,431	$36,219	$36,084
Current Net Profit (Loss) per Employee	$8,965	$25,083	$5,610	$8,004	$10,802	$7,549	$6,346	$9,444
Other per Employee	-$671	-$504	-$1,094	$223	-$1,621	-$875	$182	-$2,637
Total Stockholders' Equity per Employee	$49,734	$63,106	$43,683	$49,877	$52,720	$41,366	$49,633	$49,899
Total Liabilities & Stockholders' Equity per Employee	$93,095	$115,394	$84,694	$89,907	$99,041	$76,824	$112,925	$86,083

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
SECTION METRICS								
BUSINESS DEVELOPMENT METRICS								
Net Revenue Growth Forecast	9.5%	7.5%	9.9%	10.1%	8.4%	11.3%	7.3%	10.1%
Win Rate	49.0%	53.6%	50.0%	50.0%	48.1%	42.4%	44.9%	49.5%
Capture Rate	44.4%	59.0%	48.1%	45.6%	48.6%	34.4%	38.3%	48.6%
Percentage of firm's net revenue contributed by Top Client	15%	15%	18%	21%	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%	5%
Percentage of firm's net revenue contributed by Top Three Clients	30%	30%	40%	43%	30%	18%	41%	28%
PROJECT MANAGEMENT METRICS								
Percentage of firm's projects are on or under budget	75.0%	78.0%	75.0%	70.0%	75.0%	75.0%	62.0%	75.0%
Percentage of firm’s projects are on or ahead of schedule	59.5%	60.5%	59.3%	56.6%	63.8%	56.5%	55.1%	61.9%
Firms completing internal project performance evaluations	62.4%	54.3%	67.9%	57.8%	60.7%	78.8%	63.6%	61.1%
Firms measuring client satisfaction	41.6%	37.7%	35.8%	35.0%	38.3%	67.3%	42.7%	41.6%

Statistics at a Glance

	ALL PARTICIPANTS	HIGH PERFORMERS	ALL OTHER FIRMS	SMALL (1-50 EMP)	MEDIUM (51-250 EMP)	LARGE (251+ EMP)	ARCHITECTURE OR A/E	ENGINEERING OR E/A
HCM METRICS								
Staff Growth/Decline	1.2%	2.6%	0.0%	0.0%	3.1%	6.1%	0.0%	2.6%
Employee Turnover	13.8%	12.0%	14.3%	13.8%	14.7%	12.0%	14.0%	13.7%
Voluntary Turnover	7.0%	4.0%	3.0%	2.0%	11.0%	37.0%	4.0%	9.0%
Involuntary Turnover	2.0%	1.0%	1.0%	1.0%	3.0%	13.0%	1.0%	3.0%
Average Time to Fill Position	31-60 days	61-90 days	31-60 days	31-60 days	31-60 days	61-90 days	31-60 days	61-90 days
FTE BREAKDOWN BY CATEGORY								
Technical and Professional	54	41	30	20	78	342	33	67
Marketing and Business Development	3	2	2	1	4	13	2	3
Financial/Accounting	3	2	1	1	4	15	2	3
Technology/IT	2	2	1	0	2	9	1	2
Human Resources	1	1	1	0	2	7	1	2
Administrative or Clerical	3	2	2	1	4	18	2	4
Other Executives	3	3	2	2	4	7	3	4
Other Employees	3	1	2	1	3	9	1	4

Deltek

About Deltek

Deltek is the intelligent platform for high-stakes work, powering the project lifecycle with speed, clarity, and control at every stage.

Built for project-driven industries such as architecture & engineering, consulting, construction, and government contracting, Deltek brings together purpose-built ERP, industry-tuned intelligence, and embedded governance in one secure, audit-ready platform.

Unlike generic tools or heavily customized point solutions, Deltek is designed around how project-based teams actually operate. Every application is connected through the Deltek Native Architecture (DNA), our secure foundation that unifies data, compliance, and control across the organization. At the center is Dela™, Deltek's AI orchestrator, which delivers intelligence across the project lifecycle — surfacing insights, reducing manual effort, enabling more informed, accountable decision-making.

From pursuit to closeout — win, plan, execute, analyze — Deltek helps enterprises streamline workflows, strengthen governance, eliminate silos, and deliver projects with greater predictability and profit. Trusted by more than 30,000 organizations worldwide, Deltek empowers the people and teams delivering the world's most consequential work.

Learn more about Deltek's solutions for architecture & engineering firms.

READY TO TALK WITH A DELTEK SPECIALIST?

Contact Us Today →