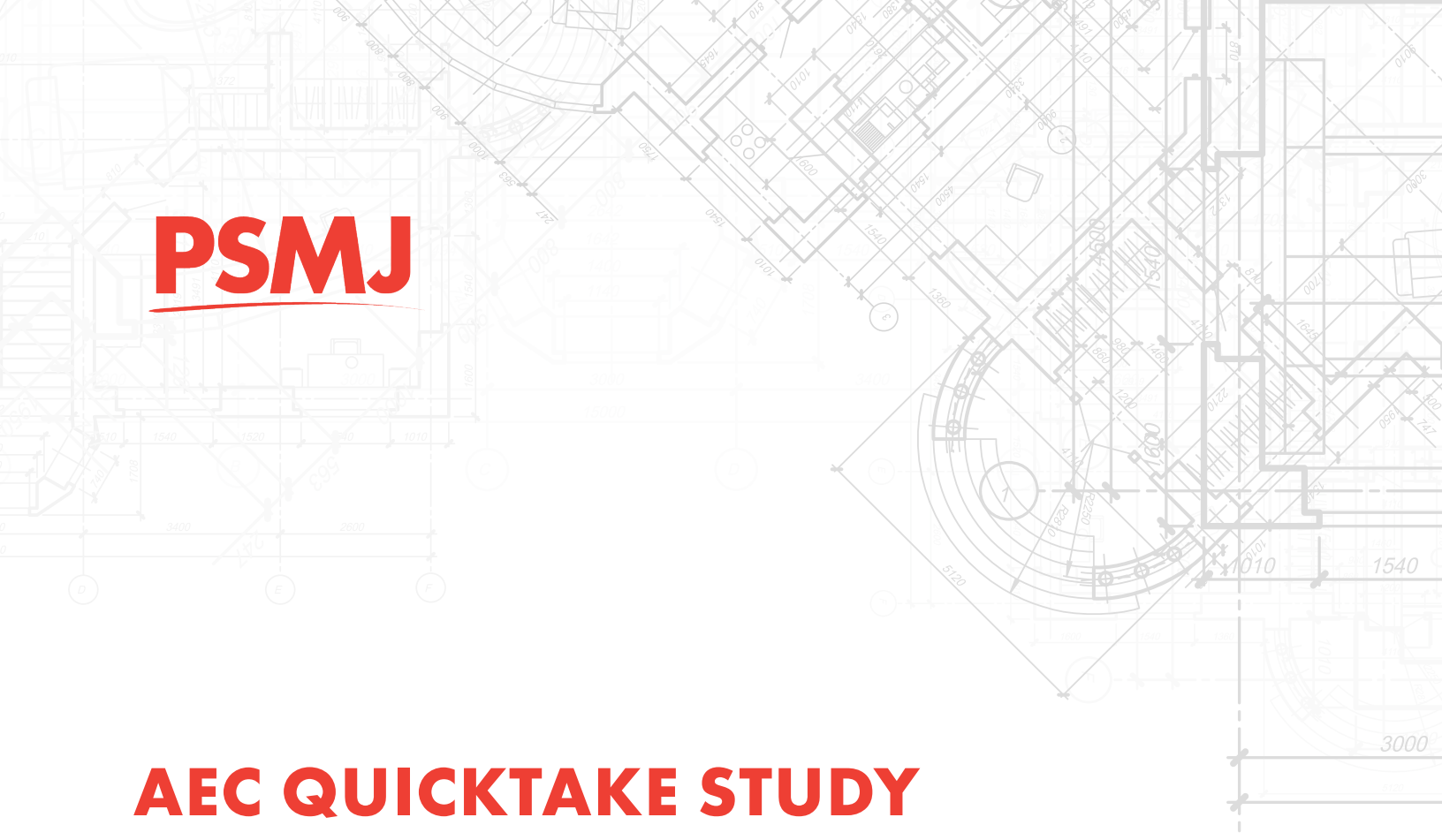


A detailed architectural floor plan of a building, showing various rooms, corridors, and structural elements. The plan is rendered in a light gray color, with dimensions and room numbers visible. It serves as a background for the top half of the page.

PSMJ

AEC QUICKTAKE STUDY

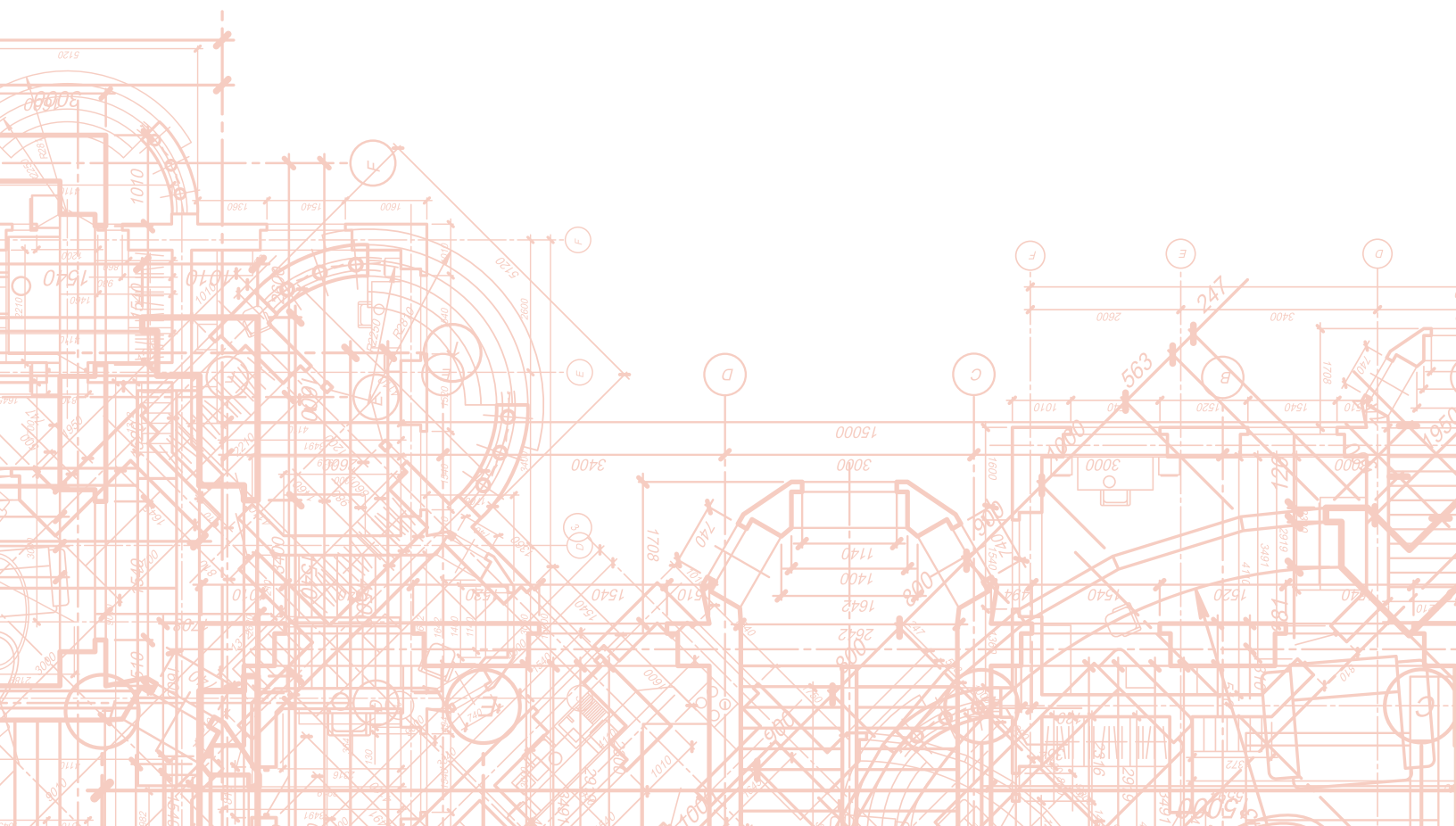
Tackling the Challenges of Ownership Transition

MARCH 2026



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Executive Summary

One of the most confounding questions facing AEC firm leaders is “who will run (and own) the firm tomorrow?” It may not be one of the most urgent questions, but it is certainly an important one that guides the firm’s future and legacy as well as the livelihoods of owners and employees. Unfortunately, mapping out a sustainable ownership transition or long-term ownership program is often pushed aside by busy AEC firm leaders as seemingly insurmountable challenges arise in creating a model that:

- Rewards existing owners with a fair return on investment.
- Creates an affordable and reasonable investment opportunity for incoming owners.
- Ensures the firm remains adequately capitalized to support future growth.

So, what are the firm leaders doing differently to achieve success in ownership transition? Where are the biggest hurdles? Where can firm leaders make the greatest strides in getting ownership transition right? The purpose of this study was to provide clarity and guidance on these and other AEC ownership transition questions.

For this AEC QuickTake Study, PSMJ collected responses from 90 AEC firm leaders between January 29, 2026 and February 5, 2026. The study revealed some surprising and not-so-surprising findings:

- 1** Ownership transition is a top strategic priority for AEC firm leaders in 2026, but that does not mean it is easy.
- 2** Transition gets easier across generations, with firms beyond their first generation of ownership reporting significantly greater ease in executing transitions.
- 3** Broader ownership correlates with easier transition as capital formation becomes recurring and internal and cultural attachment shifts from founder-centric to institution-centric.
- 4** The biggest transition challenges are structural, not generational. Contrary to popular belief, lack of interest in ownership is not the primary barrier.
- 5** Firms that succeed in ownership transition use a broad, affordable, transparent, and systematic framework.

In short, ownership transition may not always be simple, but it can be a whole lot easier when AEC firm leaders and owners take the right steps early to lay the groundwork and build an intentional path forward.

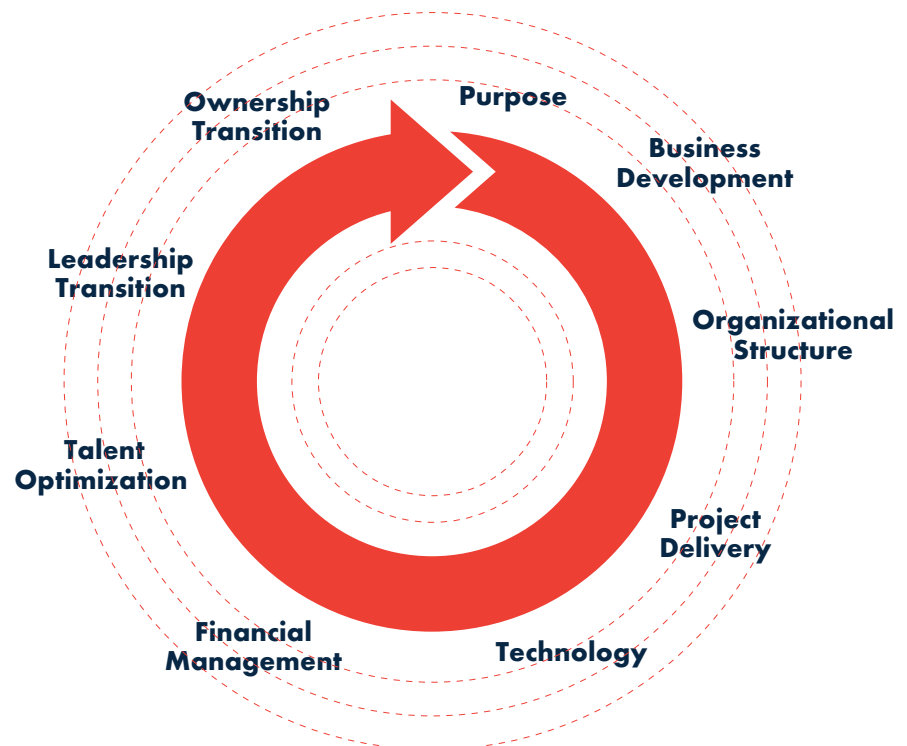
The Challenges for Today's AEC Firm Leaders

To first understand and calibrate where ownership transition fits in the order of near-term priorities and challenges for AEC firm leaders, we asked respondents to rank aspects of their firms they intended to focus on in 2026. According to PSMJ Founder and CEO, Frank Stasiowski, FAIA "Leading an AEC firm in 2026 presents unique opportunities and challenges. With disruptive change coming from so many different angles, it has never been more critical for firm leaders to be intentional and focused on their top strategic decisions and investments."

To provide a framework for this understanding of current challenges and priorities facing AEC firm leaders, we looked to PSMJ's Strategic Planning Wheel. Built from more than 50 years of helping AEC firms to develop strategies for long-term success, this wheel represents the engine that powers sustainable firm performance and growth...from establishing purpose at the top of the wheel and working clockwise through to ownership transition. When leading a growing firm can seem overwhelming, PSMJ's Strategic Planning Wheel serves as the critical roadmap and compass for triaging and focusing on key executive priorities in an AEC firm:

With this as a backdrop, we asked which "spokes" of PSMJ's Strategic Planning Wheel are priorities in 2026.

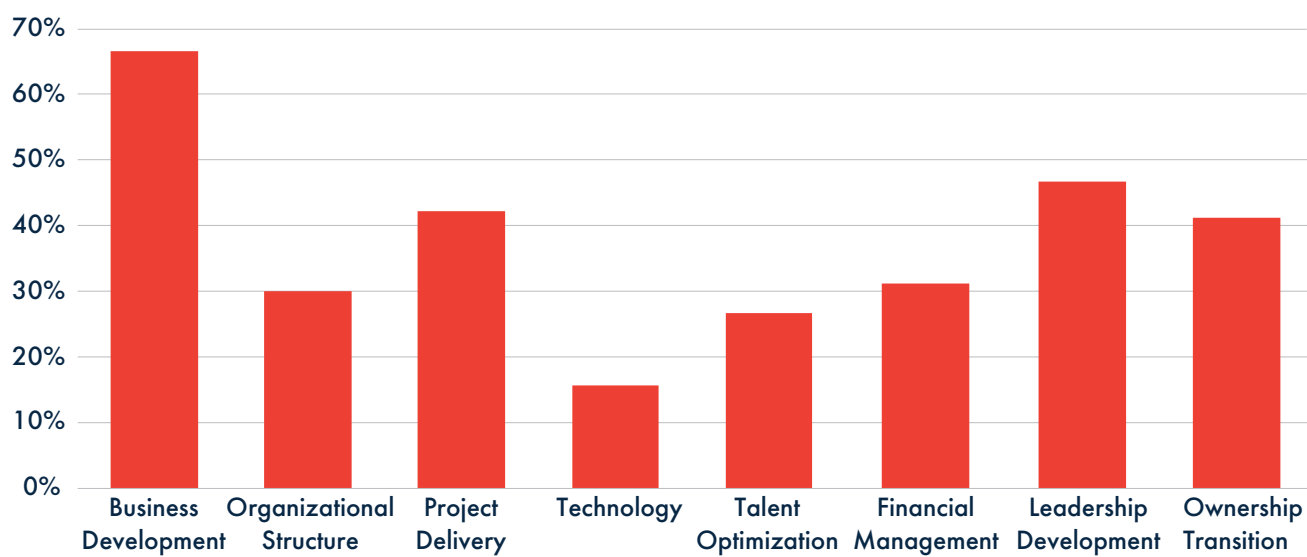
PSMJ'S STRATEGIC PLANNING WHEEL



The following graph shows the percentage of respondents that ranked the following topics of one of their top three issues they planned to focus on in 2026. As the table below shows, while Business Development topped the list in an increasing dynamic operating

environment, it was clear that ownership transition is a top priority with 41% of identifying Ownership Transition as a top 3 issue for 2026 and the closely-related topic of Leadership Development was also identified as a top 3 issue by 47% of firms.

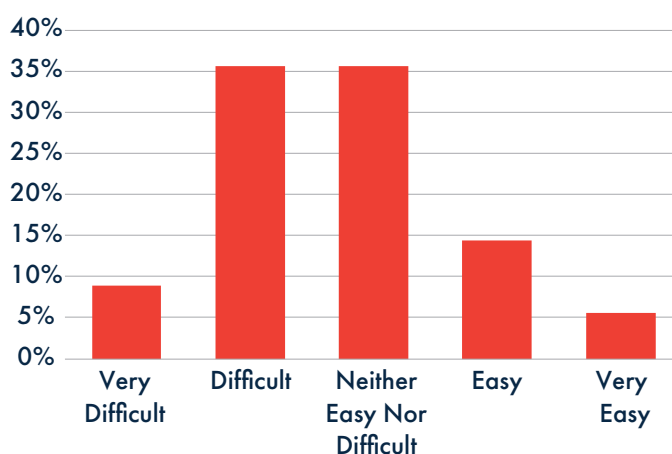
PERCENTAGE OF FIRMS IDENTIFYING OWNERSHIP TRANSITION AS TOP 3 ISSUE



This data tells us that ownership transition clearly is a significant strategic priority for many AEC firm leaders. But, what exactly are they doing about it? To dig deeper into this, we asked how difficult respondents believed it was to achieve their ownership transition goals. Only 20% of those surveyed believed that it was “easy” or “very easy” to achieve their ownership transition goals.

This data lays the groundwork for deeper analysis to understand who is finding ownership transition to be “easy” and why? Additionally, for firms that are finding it “difficult”, where are the specific friction points?

DIFFICULTY MEETING OWNERSHIP TRANSITION GOALS



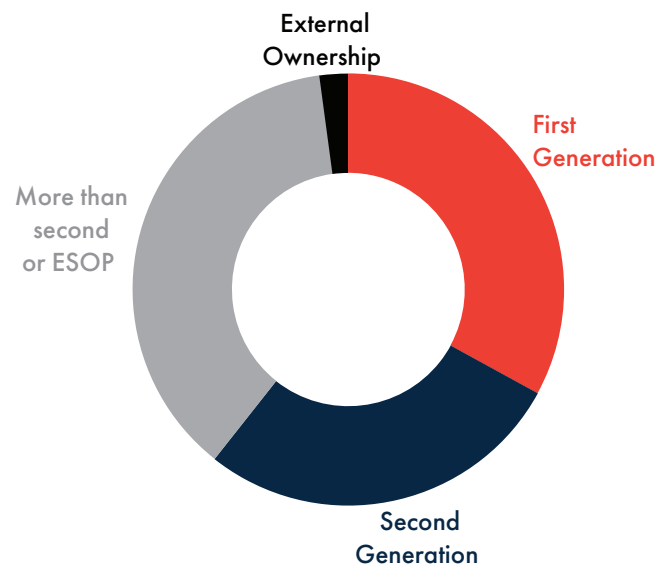
The Impact of Firm Generational Cycle on Ownership Transition

Respondents indicated that their firms were in various stages of ownership. 34% of those that participated were in their first generation of ownership, 1/3 were in their second generation, and about another 1/3 were beyond their second generation of ownership.

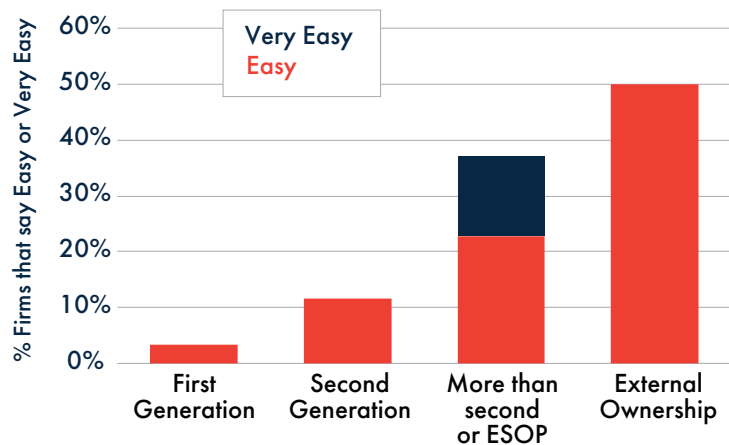
The good news is that, while always challenging, the data revealed that the ownership transition challenge gets easier as firms move through generations of ownership. The percentage of respondents who believed it was “easy” or “very easy” increased as they got beyond their first generation of ownership transition. The more generations of ownership transition they have experienced, the easier future transitions became to execute. To this end, firm leaders who reported ownership transition as “easy” tend to view it as a system whereas those that find it difficult tend to view it as an explicit event.

In addition to viewing ownership transition as more of an ongoing system, PSMJ’s experience working with a wide range of AEC firm leaders on ownership transition over more than 50 years, tells us that there are several tangible reasons why ownership transition gets relatively “easier” through the generations:

OWNERSHIP OF PARTICIPATING FIRMS



EASE OF TRANSITION BASED ON OWNERSHIP TYPE



1

Governance is institutionalized and less personality-driven. While firms beyond their first generation of ownership may not have an optimized Board of Directors and corporate governance model, they tend to have a more “institutionalized” governance model that is less founder-driven. They are also more likely to have transition-supporting assets that make transactions more of a repeatable process rather than a negotiated event, such as:

- Clear shareholder or “buy/sell” agreements that dictate how, when, and where ownership is bought and sold (including the valuation method).
- Documented eligibility criteria for ownership whether it is tenure, experience, role, etc.
- A more “built out” leadership team that is less dependent on one or a small group of individuals. Mature governance, with an effective Board of Directors, usually develops.

2

The internal capital mechanisms are built. Early transitions often struggle with funding sources, such as large down payments, founder notes, potential bank financing, and cash flow stress. Because later-generation firms usually have structured stock redemption plans, mandatory capital contributions, and vehicles such as company-assisted financing programs, they have engineered liquidity into the business model. As a result, transition financing becomes planned, not improvised.

3

Leadership development is embedded. Founder-led firms frequently depend on one dominant rainmaker or visionary who may primarily hire those that are strong implementers, presenting challenges for the first generation of leadership transition. By the second or third generation, leadership pipelines exist, Principals are developed earlier, and business development responsibility is distributed. In other words, future shareholders are groomed well before liquidity discussions begin. Risk perception decreases. Confidence in next-gen capability increases. That makes senior owners more willing to transition.

The “Right” Ownership Recipe?

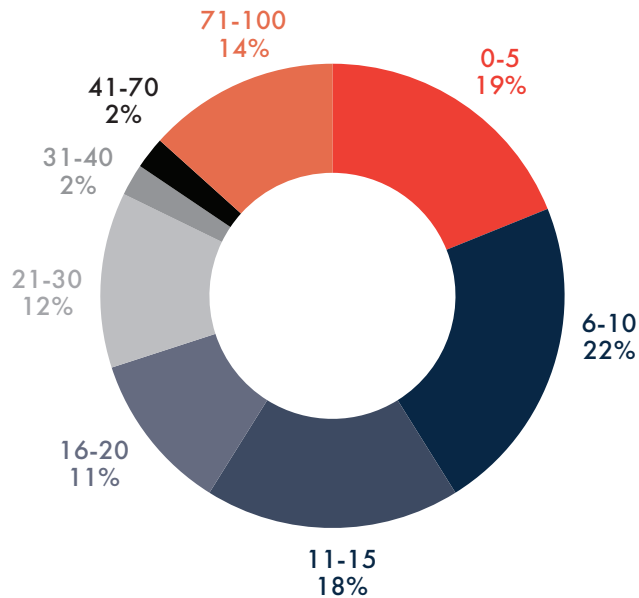
Getting ownership in the hands of a sufficient number of employees can bring significant upside (e.g. affordability, less concentrated redemption liabilities, etc.) and potential downsides as well (e.g. dispersed accountability if ownership and leadership are not aligned correctly).

The level of ownership of the firms that participated in this study varied significantly. The overall median percentage of employees who were owners among the firms that participated in the survey was 13% but the range was broad.

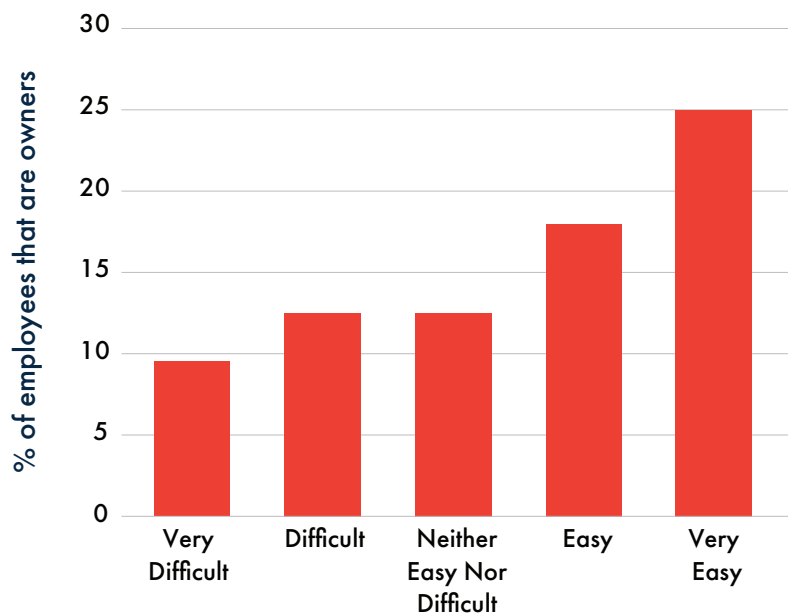
When we look for a correlation between transition difficulty and ownership breadth, we find that ownership transition tends towards becoming “easier” as ownership becomes broader.

While there may not be a “right” answer on the percentage of employee owners in the firm, the correlation is clear that broader ownership makes transition “easier”.

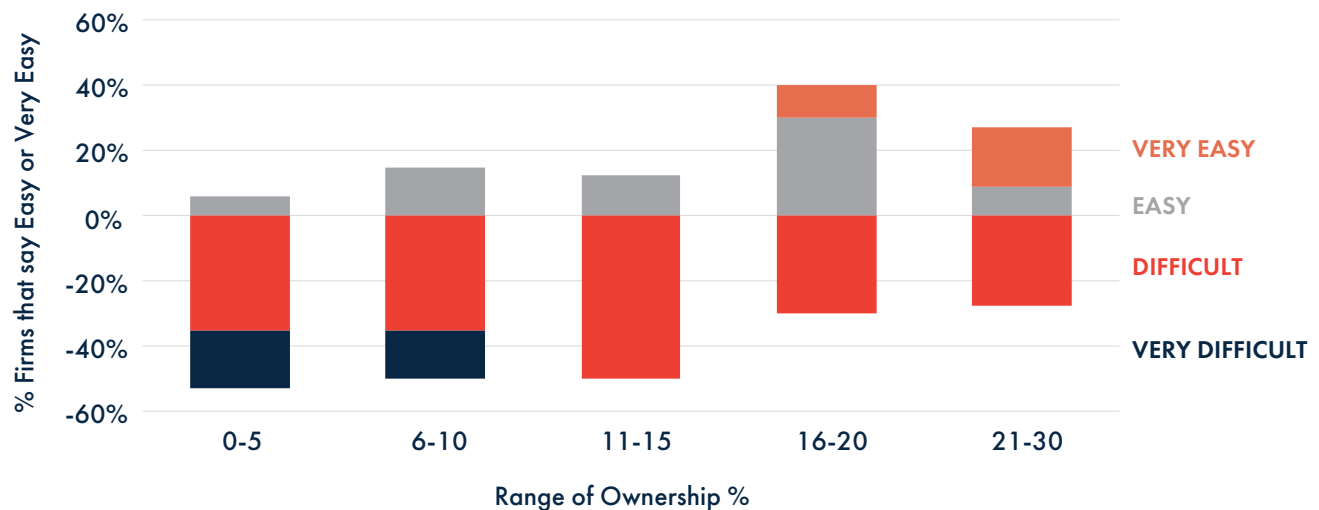
PARTICIPATING FIRMS PERCENTAGE OF OWNERS



EASE OF TRANSITION BASED ON MEDIAN % OWNERS



EASE OF TRANSITION BASED ON % OWNERSHIP



Why is this? According to PSMJ's AEC ownership transition experts, it comes down to risk, capital flow, and alignment:

1

Capital formation is internal and recurring. When ownership is broadly distributed (ESOP or multi-shareholder model), the firm builds a self-funding buy-sell ecosystem:

- Smaller blocks of shares change hands more frequently
- Future principals are already financially invested
- Redemption obligations are spread across many transactions instead of one "big exit"

Instead of a single liquidity cliff (founder retires → massive buyout), transitions occur as a series of manageable internal recapitalizations.

2

There is a built-in buyer pool. In a narrow ownership firm, the biggest risk is: "Who can afford to buy me out?". In a broad-ownership structure, there is already a bench of emerging shareholders, financial literacy tends to be higher, and equity is normalized as part of career progression

3

Cultural alignment reduces transaction friction. Ownership concentration often creates emotional transition friction through founder identity risk, control relinquishment anxiety, and "Will they ruin what I built?" syndrome. However, broader ownership distributes psychological attachment. The firm's identity shifts from founder-centric to institution-centric.

Tackling the Most Significant Ownership Transition Challenges

The study asked respondents what the biggest challenges are in meeting their ownership transition goals. Interestingly, only around 10% of the firms identified lack of ownership interest, risk aversion among employees, or generational shifts as a challenge. In fact, respondents that reported ownership transition to be “easy” or “very easy” rarely mentioned this as a concern.

“Anecdotally, we hear from so many AEC firm leaders that there doesn’t seem to be much interest in ownership in the firm from the next generation,” states PSMJ Senior Consultant Jared Jamison. “In reality, the issue isn’t really a lack of interest in ownership, it is a lack of interest in the opportunity as it is presented to them. Future owners want to invest in meaningful opportunity and growth not just ‘ownership’ per se.”

One CEO of an AEC firm that has grown through many acquisitions over years recently commented that he often hears from the CEOs of selling firms that “nobody is interested in ownership” and that is why they are selling the firm. Surprisingly, he consistently finds that an overwhelming number of those employees turn out to be very interested in ownership of the acquiring firm after the transaction. Why? Because they see the clear opportunity for growth and an ownership program that has a more meaningful upside.

At a fundamental level, ownership transition may not be as much of a generational issue as some say it is. It is a structural issue. The two largest challenges cited by respondents were:

- **Leadership pipeline.** Respondents noted challenges with identifying, developing, and preparing the next generation of leaders. As noted previously, Leadership Development was the 2nd highest strategic priority that firms identified behind Business Development.
- **Affordability and financing.** Respondents noted that high firm valuations were exacerbating affordability and financing challenges for the next generation of buyers.

The survey also asked respondents what has been most effective to help achieve their ownership transition goals. While many firm leaders identified tackling the two big challenges identified above as effective, there were other specific tactics that respondents were deploying to facilitate ownership transition. The most effective strategies (identified by least 10% of respondents) are identified below, with the most common themes listed first.

- **Leadership development** – incorporating leadership development and succession programs.
- **Structured planning** – Formal succession, transition, and strategic planning.
- **Open communication** – Open communication about ownership and financial transparency.
- **Financial planning** – Improving financial management processes and performing financial modeling of the transition.

- **Broadening ownership** – Offering ownership to more employees and striving to lower buy-in thresholds and increase affordability.
- **Professional support** – Utilizing outside consultants and advisors.

If we analyze the responses for those who responded that meeting their ownership transition goals was either “easy” or “very easy”, these firm leaders put a greater emphasis on some of these strategies than those that found meeting those goals “difficult” or “very difficult”. The two items that the “easy” firms focused on more than the “difficult” firms were:

- **Broadening ownership, and**
- **Creating transparent communication and simple ownership systems.**

Both groups of firms find that leadership development is certainly a challenge. One key difference was that the “difficult” firms mentioned struggling to find leaders in their ranks while “easy” firms struggled more with the timing of developing their people into leaders. Perhaps the “easy” firms recognize building leaders is hard work that takes time – leaders are mostly made, not born.

Firm leaders who find ownership transition to be “difficult” are often struggling to address structural issues like leadership development and financial considerations. On the other hand, the firm leaders who have an easier time with ownership transition have already addressed these structural issues and are able to focus more on execution.

Key Takeaways

If you are struggling with meeting your ownership transition goals, you can steal a page from the playbook of the firms that find ownership transition to be relatively “easy”. These firm leaders tend to approach ownership differently than those that find ownership transition to be “difficult”.

The firms that have figured out how to make ownership transition easier have done so by incorporating the BATS framework to ownership transition:

- B** **Broad** with widely distributed ownership models (including Employee Stock Ownership Plans), that typically have a tiered ownership structure.
- A** **Affordable** with assistance for buyers in obtaining financing and lowering barriers to entry.
- T** **Transparent** with clear valuation methods and predictable rules.
- S** **Systematic** with planning for generations of transition and succession as an ongoing system and not a one-time event.

Wherever you are in the ownership transition process, many AEC firm leaders have been down this road before you. Take advantage of their lessons learned and experiences through this AEC QuickTake study and other AEC ownership transition resources available from PSMJ Resources, Inc.

Learn more about AEC ownership transition at www.psmj.com.

