Understanding Organizational Structure

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SUMMARY

Think of the way your firm is organized—its organizational structure—as a management tool that you use to leverage the talents and skills of your people, promote growth and profitability, and meet the needs of the clients and markets that you serve in the context of the geographic, economic, social, and political environment in which you operate. The way a firm operates reveals two important things about a firm:

- How it orients itself to its clients and its work
- Who reports to whom within the company (though often the chart is only intended to reflect the reporting structure)

HOW STRUCTURE EFFECTS OPERATIONS

In many design firms, the organizational structure evolves organically, simply reflecting how relationships in the firm have developed over time, rather than as the result of conscientious organizational decisions.

A firm's organizational structure has a pervasive effect on many vital items inside and outside the firm:

- The effectiveness with which the firm brings in work
- The focus it brings to clients
- The efficiency with which it executes the work (and, hence, its profitability)
- The level of collaboration; career paths, and even employee satisfaction within the firm
- An infrastructure for the potential growth of the firm

The organizational structure of a firm should facilitate the firm's long term goals and vision—not stand as an impediment.

COMMON ORGANIZATIONAL STRUCTURES

Regardless of whether the organizational structure was intentional or simply evolved over time, many design firms are organized in one of the following ways.

Organized Around Clients

A client-centered firm s organized from the outside in. There are a number of ways to organize a client-centered firm successfully.

A firm that organizes around its client-type markets can bring in specialized project expertise as each project demands. For example, an architecture firm that relates to its local government clients has a target market in community buildings, such as recreation centers and libraries, could bring in a library consultant for those specialized projects that warrant it.

A firm that designs office buildings could find itself serving several very different client-types. Consider a developer and a governmental entity. While they may each have office buildings as their common project-type, they typically have very different priorities. A developer of speculative offices, for example, wants to build as quickly and often as inexpensively as possible, the sooner to obtain revenue from the lease or sale of the building. governmental office-building client, for whom the office building is a permanent home, and who has to satisfy a much broader constituency, such as an elected executive, a legislative body, and ultimately the taxpayers.

Bear in mind that project type, such as education, healthcare, or justice facilities, is only one facet of a client-centered organization—and it may not even be the most important one.

Organized Around Project Types
Because of what's at stake in the construction of any project—a home or a hospital—clients understandably want to hire design firms that can demonstrate specialized experience in the kinds of projects that the clients pursue. Therefore, many firms organize themselves around the types of projects that they build. For example, an architecture firm might have one group specializing in office buildings for developers, and another in multi-family residential projects, each of which requires very different types of design expertise.

Organized Around Geography
When a firm has multiple offices to serve clients or produce projects in different locations, it often makes sense to organize around those geographic locations. If it is important to clients that services be delivered by a firm with local presence, visibility, and knowledge, then firms often open offices where their clients or their clients' projects are, or will be. While this may be applicable for some architecture firms, this is most common for civil engineering and surveying firms, especially those that serve residential and commercial developers. These firms typically place a local manager in each office—some of which may be very closely located in adjacent jurisdictions—to whom all employees in that office report, either directly or through intermediaries.

Organized Around Principals
Frequently, firms are led by a small group of principals, often co-founders of the firm who typically have known and worked with one another for a long time. When organized around the individual principals, each group will be strongly driven by each principal's personality. Over time, the principals develop their own clientele, with whom they have solid professional relationships and good personal chemistry. Their clients hire them again and again. For these clients, the principal is synonymous with the firm; the principal *is* the firm. As a result of relationships that have developed over time, each client gravitates toward a "favorite" principal.

There may be considerable overlap in the types of clients served and projects undertaken by the firm's principals as a group, but the common denominator is that each group of clients is part of a specific principal's personal and professional network. Often, these types of firms develop multiple small teams under each principal, each headed by a project manager who is in day-to-day contact with clients and develops relationships with his or her peers at their respective level in the clients' organization, thereby positioning himself or herself to become a principal with the group of clients.

Organized Around Studios
Architects often organize their firm around "studios," a term also used in architecture schools, and implying a reference to design. The studio organization generally means that the resources to complete a certain type of project, such as K-12 schools, are organized into a "studio" or self-contained group or team that focuses on that work. A studio is really a universal and non-descriptive word that may also reflect an organization by geography, by client type, or by principal. Therefore, a closer look may be required to determine exactly what "studio" really represents in different firms.

Organized Around Services
Some multi-discipline A/E firms organize around the services they provide. These firms organize around discipline-driven departments, such as architectural design, architectural production, structural engineering, mechanical engineering, electrical engineering, site/civil engineering, and construction administration. Each discipline comprises a department that provides services—often sequentially—to projects, and that is led by a discipline director. Even in firms that have multiple offices, each employee may report to his or her discipline director, regardless of location, and not necessarily to the local office manager.

The Matrix Organization
When a firm is large or diverse, it often has to reconcile how to manage a variety of services, project types, client types, and office locations. For example, a firm might have an education group, a healthcare group, and a corrections group, with staff of each group spread across several offices throughout the country. These firms sometimes adopt a matrix structure or organization.

The matrix structure has two lines of reporting, and the firm's organizational chart looks more like a table (a matrix) than the customary up and down—often pyramidal shaped—

hierarchical arrangement of boxes and lines. The rows of the matrix might represent project or client types, and the columns might represent the physical location of the firm's offices…or vice versa.

An immediately evident drawback of a matrix structure, as seen on paper, is that an employee in the middle of the matrix has two bosses. Poorly implemented matrix structures can be confusing, because each employee actually does have two supervisors. For example, in a multiple office firm, an employee may report to the director of his or her discipline department, who is in another office as well as to the local manager of their own office, to where that employee reports for work every day. This kind of ambiguity can be counterproductive.

A matrix organization is more likely to be successful if there is a dominant direction of reporting: one or the other "vectors" of the matrix must take precedence. Depending on the situation, the location might be the dominant vector, or the project type, or something else. One way to determine which reporting vector is most appropriate, imagine a piece of lumber with its grain running in one direction. It is always easier to cut with the grain than against it. Now apply this metaphor to the matrix structure: the firm must define the dominant "grain" of the firm's business, which, ideally, should be decided from the client's point of view, and make that the dominant direction of reporting.

YOUR FIRM'S ORGANIZATIONAL STRUCTURE

Changing a firm's organizational structure is not a strategy to be taken lightly. If undertaken at all, it can be one of the most challenging aspects of a firm's strategic planning process. After all, changing the way a firm is organized, and to whom each employee reports, may change every aspect of the experience of working for and in that firm. The change is bound to push some employees—and even managers—out of their comfort zones. Change inevitably breeds anxiety, even when the change is positive, as they should be if a firm implements them as a result of a thoughtful strategic planning process.

START WITH A CLEAN SLATE

If the strategic planning process determines that your firm needs some level of reorganization, the strategic planning group should begin with a "clean piece of paper" rather than be burdened by legacy issues or the firm's current organization. While it is inherently difficult to accomplish this without considering the people in your firm, the most effective way is to set aside personalities and internal politics, and resist the temptation to "put names in boxes." By first designing your firm's organization the way it would work the best, you can then assess who the best person is for each position, *or* where you may have to bring people up from within or even from outside the firm to make the new organization "sing."

As with any change that your firm makes in strategic planning, a new organizational structure can't be imposed upon a firm. The people responsible for implementing it have to support it and believe in it in order to make it work, and they must communicate that support so that it permeates the rest of the firm.

About Our Contributor

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RESOURCES

More Best Practices

The following AIA Best Practices provide additional information related to this topic:

04.01.08 Business Plans: The Executive Summary

04.01.01 Starting a Firm: Essential Resources

04.02.02 Legal Structure of Architecture Firms

For More Information on This Topic

See also "Strategic Planning for the Design Firm," by Jack Reigle, in *The Architect's Handbook of Professional Practice,* 14th edition, pp. 103–115.The *Handbook* can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by sending an e-mail to bookstore@aia.org.

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Key Terms

- Practice
- Business structures
- Business planning
- Practice management
- Firm organization