Seven Tips for Emerging Firms

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SUMMARY

Owners of emerging firms who thoughtfully plan for success have a higher likelihood of remaining in business three years after inception. A firm's ability to thrive depends, in part, on the principal's ability to define the firm's purpose, seek compatible clients and projects, listen well to clients, obtain quality risk management services, develop the ability to say "no" tactfully, build a systematic database, and create a stable financial foundation.

MASTER OF YOUR OWN DOMAIN

Starting a firm is a long-held ambition for many architects. The decision to finally make the leap may be spurred by downsizing by an employer, frustration with your career path, or simply to fulfill your dream of being your own boss. Whatever the reason may be, architects, like all entrepreneurs, must make enough money to stay in business and prosper. All business owners must have a clear set of goals, sufficient training and capital, and tangible business prospects.

According to data collected by the AIA, nearly 1,000 new architecture firms are started each year. An estimated 25 percent are still in business three years later. Making thoughtful decisions when a firm is first founded vastly increases the likelihood of success. The following seven tips may be helpful in making such decisions.

Decide what kind of firm you want to be. Determine what type of clients and projects you are most qualified to execute and most want to pursue, and the scope and type of services you plan to offer. Focus your marketing efforts accordingly, emphasizing the resources and skills that distinguish your firm.

Seek out clients and projects that can help you achieve your goals. The temptation for new firms is to take any project that comes along. The surety of income from a project—any project—may cloud your judgment as to its desirability. Soon, you may find yourself encumbered with work you do not enjoy and so burdened with contractual obligations that you are unable to pursue the work that most interests you.

Listen well to your clients. Repeat what clients say to you to confirm that you have understood them correctly. Refrain from making judgments, offering solutions, or solving problems until you have listened carefully. Successful projects are those in which the solution meets or exceeds the client's expectations. To achieve this outcome, you must invite the client to do the talking.

Obtain quality risk-management information and act on it. Empower yourself out of a sense of capability and a clear understanding of risk, rather than avoiding opportunities out of fear of liability. Think of your professional liability insurance broker and underwriter as partners who help you manage your firm's risk and educate you about risk-management issues. Most liability insurers offer extensive risk-management services and educational materials. Take full advantage of them.

Learn how to say "no" diplomatically and intelligently. By listening actively to your clients from the outset, you will have a more open mind, a greater willingness to see things from the client's point of view, and increased facility for finding common ground. If clients or any other party ask for terms you feel are unreasonable, learn to say "yes" conditionally rather than replying "no" outright. Agree to the basic request, condition, or term, provided that certain quid pro quos are met, such as an adjustment in schedule, independent testing or estimates, additional expert consultants, additional insurance to reduce your risk, or additional information—whatever would make the terms equitable.

Build your own database. Your own historical knowledge of your clients, your markets, and your social, business, and cultural environment is your best source of information when planning a new project, negotiating with a new client, or educating your clients. Develop a way to systematically document information about existing and prospective clients and construction cost, as well as the time it takes to complete a drawing, task, or

project. Keep it simple enough to be manageable but sufficiently organized to be useful.

Mind the money. The primary reason new firms fail is insufficient capital. Here are some common strategies to combat a lack of capital:

- Regard profit as a business expense—an obligation that must be met. Working toward breaking even leaves no reserve for unexpected expenses, which should always be expected.
- Regard loss leaders skeptically. Before agreeing to do something for nothing or for less than cost, consider carefully and realistically the overall financial benefit to the firm and the likelihood of realizing these benefits.
- Request retainers. Many clients expect to pay a retainer at the start of a project, but will not offer to do so if you do not ask.
- Do not work on a lump-sum basis for those projects or portions of projects for which you are unable to limit the scope or duration.
- Invoice clients early and often, at least monthly. Clients find it much easier to make small payments more frequently than large payments less frequently.
- Do not love your current work so much that you fail to market. When a project is finished or nearing completion, do not overwork it because you have nothing else to do; force yourself to go out and seek another project.

RESOURCES

More Best Practices

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

04.01.01 Starting a Firm: Essential Resources

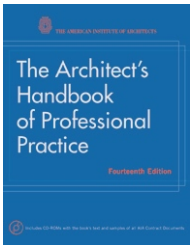
04.01.02 Starting a Firm: Lessons from Failure

04.01.04 New Firms Grow with a Marketing Plan

For More Information on This Topic

See also "Starting a Firm," by Elena Marcheso Moreno, *The Architect's Handbook of Professional Practice,* 13th edition, Chapter 6, page 115.

See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org.



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Keywords

- Practice
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