

It's Pruning Time: The Benefits of Downsizing

Adapted from an article by Mark Zweig in the *AIA Practice Management Digest*

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SUMMARY

It's not always a bad thing to layoff less effective employees. The author breaks down two separate hypothetical workgroups to show that average efficiencies can have a big impact on a firm's bottom line.

PRUNING FOR PRODUCTIVITY

Turnover is not always so bad. Sometimes people just don't keep up with the firm. There are all kinds of reasons for it. Maybe they got tired. Maybe they got turned off. Maybe they weren't the right people for the job in the first place. It doesn't matter. The bottom line: It's a good time to think about doing some pruning. And we're not talking about pruning the trees in your yard!

Some people working in planning, design, and environmental firms clearly excel in the performance of their duties. Others are acceptable (even if not outstanding) performers. And some people fail to meet expectations entirely. Some pruning of these last two groups will help a firm grow and prosper.

The difference between high performers and low performers can be illustrated by the following example. Consider Workgroup A. With a team leader or department head and eight additional staffers, this workgroup has an average raw labor rate of \$28 per hour and an effective multiplier of 3.0 on all work it performs. It is 72 percent billable. It creates an annual income for the firm from its output of 9 people x 2,080 hours x 0.72 x \$84 = \$1,132,185. Another way to look at it is \$125,798 per employee.

Now let's assume that the firm does not have problems finding work for these people. But by most standards, its use (as a group) is low. Perhaps the manager is someone who is so busy managing that he or she isn't working on jobs. Or perhaps the manager is strictly a 9-to-5 person and, therefore, no one else works harder than that. Or perhaps the manager is a great doer and a quite billable individual but does not hold his or her people to the same standard and many of them are slackers. In

any case, someone is not (or some people are not) doing what they need to do.

Let's look at Workgroup B. This group also has a team leader or department manager and eight additional staffers. But this group's leader is highly motivated. She loves her work. It's not a chore; it's a way of life. Her people believe they are winners. They love what they do as well and challenge one another to see who can put out the most. The entire team looks for ways to do things faster and better. This workgroup has an average pay rate of \$30 per hour. It has an effective multiplier of 3.07 on its work. It is 80 percent billable. It creates an annual income from its output of 9 people x 2,080 hours x 0.80 x \$92.10 = \$1,379,290, or \$153,254 per employee.

The difference between Workgroup A and Workgroup B in this case is \$27,456 per employee per year in income, or \$247,108 total annually. And this is just for a single nine-person workgroup! You can argue with me if you want about the numbers in my example, but I can assure you that this kind of difference in performance between similar workgroups inside planning, design, and environmental firms is something we witness every day. It can be attributed directly to the people—the leader and the worker bees.

That brings us right back to pruning. If you don't push yourself and your managers for excellent performance, you will have all kinds of workgroups performing at Workgroup A levels when what you really want are workgroups performing at Workgroup B levels. Why are you tolerating this mediocrity? How long will you tolerate it? Are you too nice? Are you letting friendships get in the way? Do you have warped ideas about human resources management that say all turnover is bad? Do you want to run a country club or a company that grows and makes profits? Do you really care about the people who are killing themselves trying to make the firm successful, or do you care more about those who say the right things but don't act the right way?

Maybe now is the time to finally do something about your marginal or poor performers and take a chance on finding some new, energized, committed, passionate people.

RESOURCES

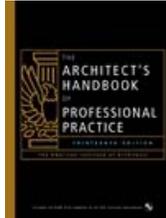
More Best Practices

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

- 07.05.02 A Sample Exit Interview
- 07.05.09 The Architect's Handbook of Professional Practice as a Training Guide
- 07.04.02 Employee Wage Status: Exempt or Non Exempt

For More Information on This Topic

See also "Termination, Layoff, and Performance Issues," by Laurie Dreyer-Hadley, Kathleen C. Maurel, Assoc. AIA, and Jennifer L. Taylor, *The Architect's Handbook of Professional Practice*, 13th edition, Chapter 9, page 251.



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

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- Personnel management
- Employee termination