

Adding Value for Today's Business Environment

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SUMMARY

Juxtapositions in the architecture market between the instability of the economy, architecture services on the uptick, and drastic changes in the profession have caused many firms to question what direction to take or more importantly, what direction not to take. In times of changing tides it is important to not lose direction but maintain core firm beliefs to propel a firm ahead of the pack.

QUESTIONING YOUR DIRECTION

It makes sense to be uneasy about what's coming around the bend, despite the current robust marketplace, evidenced by many firms having more work than they say they can handle—yet taking on additional projects anyway. Further evidence is the extreme difficulties some firms are encountering in their efforts to find and recruit talent, compounded by competitors' efforts to recruit away people already in place. Some of the uneasiness can be based on

- Unknowns about the economy, although it's reasonable to anticipate a decline some time in the next three years
- Continually increasing intrusions into the marketplace by nontraditional providers of design services
- Concerns about evolving technologies and delivery methodologies
- Questions about the capability of the next generation of practitioners

Take your pick or add to the list. Having said all that, wise leaders are thinking about and positioning their firms for the future.

A HUGE DILEMMA

What is interesting about the current phenomenon of an incredibly robust market is that architects—more than any other profession—are so strongly inclined to give away the financial strength a robust economy creates. Specifically, architects like to consider the value they provide, but when it comes time to contract their services, they too frequently price

services on the basis of cost rather than the value of the result.

Something about the genetics of architects leads to an incongruous conclusion: Let's pay more for the talent we need to recruit today, let's pay more for the technology to do our work, and let's cite the increased value in what we do...and then let's reduce our fees to get the work. Absurd is a kind assessment of that logic. Self-destructive is more accurate. If more value is provided, a higher fee is warranted.

What is even more amazing is the number of practitioners who hastily resort to fee cutting to get work in a strong market. It's bad enough to do it in a weak market, but doing it in a strong market makes no sense at all...no matter how hard the architect tries to rationalize it.

A GOOD TIME TO REINVEST IN THE PRACTICE

Many firms, some of which are regarded by peers and clients as being very good practices, are engrossed with dealing with current clients, projects, and staff; while others, in virtually the same market environment, are aggressively positioning themselves for what might come next. The profession is reaping higher profitability than ever before and public awareness about design and architecture is at an all-time high, so what better time to propel a practice into tomorrow? But that won't happen without taking action.

As examples, more than one West Coast firm has opened offices in New York City, whose inhospitality to outside design firms is legendary. At least one has recruited successfully—and without paying exorbitant salaries—at the same time that some native New York City firms have unsuccessfully pursued those same people. The key may well be the sense of professional opportunity the newcomer can provide. Other firms are capitalizing on their current profitability to reinvest in the way they practice, with particular emphasis on evolving delivery approaches, most significantly “integrated practice” and delivery technologies such as building

information modeling (BIM). (With respect to the latter, practices not already getting involved are probably behind the eight ball.)

Other firms are looking at shifts in demographics, public policy, and the economy at multiple levels (local, regional, national, and international) to gain a better understanding of what to expect for themselves and for their clients. Clients value the perspective of those who work with them—their architects, advisors, consultants, and other outside experts—in fact most instances of long-term client-architect relationships occur when the architect has a deep understanding of the client’s market.

THE SOLUTION HAS SEVERAL FACETS

Moving your firm forward can be achieved through a multi-pronged approach:

1. Price services on the basis of value provided.
2. Avoid working with clients who are unwilling to pay for the value of the results and let them know why.
3. Serve clients well, thereby continually reinforcing the notion of the high value you provide.
4. Continually reinvest in the firm—in talent, professional growth, project related skills, technology, etc.—so that clients always get high value.
5. Recognize that the economy will have a downturn eventually and that individual practices will have their own ups and downs. It is unwise to squander profit by holding in place excessive capacity when a firm experiences a downturn.
6. Make appropriate adjustments to mitigate financial stress on the firm to limit the need to lower fees.

That said, one final piece of advice is for firms to speculate on a three- to five-year horizon about what is in store for its clients and for the firm. Assessing your clients’ market can be achieved through an environmental scan which will help the practitioner to form an ongoing dialogue with clients about their future and strategies. It is important to plan strategically for the firm’s future success, a firm may want to consider conducting an in depth Strengths, Weaknesses, Opportunities, Threats (SWOT) analysis to better formulate ideas and direction.

About the Contributor

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RESOURCES

More Best Practices

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

- 06.05.01 Organizational Peer Review
- 06.03.01 Forming Strategic Alliances
- 06.01.01 Architecture Firm Renovates Office for Sustainability

For More Information on This Topic

See “Firm Identity and Expertise” by Ellen Flynn-Heapes in *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 6, page 71. *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.



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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Key Terms

- Practice
- Business planning
- Business plans
- Firm workplace planning