



AIA Best Practices: Pathways to Firm Ownership and Leadership

Contributed by Michael Strogoff, FAIA

Summary

What are the primary issues in architecture firms related to ownership models, leadership succession, and leadership development? How do younger architects understand leadership skills and the steps to becoming a leader within a firm? How do emerging professionals make decisions regarding becoming an owner, a leader, or both?

An architecture firm depends on strong leadership, arguably more than most professional service firms. It is a creative business tasked with improving the built environment, navigating a diverse set of client requirements, protecting public health, safety and welfare, collaborating with other design professionals, employing staff with myriad skills, and orchestrating projects from design inception through final punch lists.

To succeed as such, a firm must constantly evaluate its leadership development program to meet both short-term needs and mid- and long-term strategic goals, including how a succession framework will be implemented and how the firm is governed. Firms must continuously identify, train, and mentor the next generation of leaders, and groom some of them to assume ownership positions, while future leaders must expand their skillsets and stretch their comfort zones.

The situation

The leadership vacuum

Within the context of shifting demographics, architecture and other design professional firms struggle to fill a growing leadership vacuum. Every day in the United States, over 10,000 baby boomers—the generation born between 1946 and 1964—reach retirement age. Even considering the huge impact of baby boomers on the profession, today there are more millennials in the workforce than boomers. Meanwhile, attractive salaries in alternative professions such as technology, and the lure of early wealth in startups attract young people to other professions.

Within architecture, the outlook is even more formidable. The recession of the early 1990s and subsequent economic cycles caused many potential future leaders to leave the profession. The Great Recession of 2008 struck another blow, forcing many boomers to put their succession plans on hold as their firms were financially unable to buy them out, and they subsequently rebuilt their firms during the recovery. Now current

firm owners and leaders must focus on the more urgent need for future leaders despite a dramatic shortage of qualified and interested successors.

To address these challenges, firm owners must facilitate leadership development through targeted training, active coaching, and refinement of their own leadership and coaching skills. They must also develop ownership expansion and succession frameworks that appeal to a diminished pool of future leaders.

Resource: [Succession planning worksheet](#)

Opportunities for younger professionals

Younger professionals, including those on a licensure path, rank opportunities to acquire leadership skills as some of the most important factors in determining where they want to work. Some of the most ambitious also want to know that a clear path exists to potential ownership.

As many firms can attest, leadership training must be an integral part of a firm's talent retention and ownership expansion programs. This need is amplified in a strong economy, wherein the demand for architects often outpaces supply, and some of the most ambitious leaders leave secure positions to start their own firms. The message is clear: Firms must identify a stable of candidates with leadership potential and implement training that accelerates their advancement or risk losing some of their most talented staff.

Case study: Future leaders look elsewhere

By all apparent measures, Dunker Nash Architects was enjoying a successful period in its 36-year history. Founded in 1984 by Alan Dunker and Justin Nash, the firm had some initial success, then navigated several downturns. In 2013 the firm started its steady expansion from 12 to its current 28 staff as it received several regional and two national AIA awards, cultivated an impressive list of repeat clients, and attracted some of Chicago's top talent. Until two years ago, numerous graduates from some of the region's most admired universities applied for positions, several people who had left in 2009 returned, and architects with 7-12 years of experience in other firms regularly submitted resumes.

However, a wave of discontent was growing among the firm's most prized staff. For three years, Alan and Justin shared their intent to create a pathway to ownership with their four senior staff, but the initiative never gained traction. The usual distractions and time demands interfered, and Alan and Justin were simply too comfortable with the status quo. The four staff sensed that neither owner was ready to relinquish control.

Kristin, who was an Associate and passionate marketer, was the first to leave, accepting a position as a Design Principal in a competitor's firm. Within 18 months she became an owner and helped her new firm obtain some widely sought-after commissions. Shortly thereafter, the other three Associates started voicing their concerns about whether Alan and Justin were committed to creating new ownership positions.

After a second Associate left in frustration, Alan and Justin realized that they were jeopardizing the firm's future and their own ownership transition and succession plans. They placed renewed importance on creating a tangible pathway to ownership, brought in experienced advisors, and focused in earnest on implementing an ownership expansion framework. Through a year of candid discussions and the development of a tangible transition framework, the other two senior staff along with a recent key hire

accepted ownership offers, and the wave of discontent has been replaced with an atmosphere of optimism and excitement.

Ownership, leadership, and governance

Within an architecture firm is a strong relationship between ownership, leadership, and governance. Let's start with some basic definitions:

- **Ownership** entails an equity interest in a firm. In a partnership, each partner owns a specific number of units. In a corporation, each shareholder owns a specific number of shares. And in a firm with an employee stock ownership program (ESOP), each eligible employee owns a number of shares, although often with the voting rights that partners and non-ESOP Shareholders retain. In all three entity types, ownership with a firm is purchased or earned through a vesting program, and new owners become signatories on a series of legal documents. In some cases, firms offer small amounts of ownership interest in exchange for non-financial contributions.
- **Leadership** is a broader term that refers to those spearheading specific initiatives or operational areas within a firm, and to those assuming roles in the community that closely relate to a firm's strategic direction.
- **Governance** is comprised of day-to-day governance (projects to pursue, contractual decisions, staffing decisions, administrative decisions, daily financial, and operational decisions, etc.), which is usually led by firm leaders, and strategic governance (strategic direction, ownership frameworks and offers, market sectors to pursue and locations in which to practice, large investments, long-term affiliations, etc.), which is usually led by a Board of Directors or Management Committee.

While there is a strong relationship and varying degrees of overlap between ownership, leadership, and governance, participation in each is often flexible and depends on the size of the firm and the specific skills and interests of the people. For example, not every owner needs to participate in every governance decision. In fact, when a firm passes a certain size threshold, streamlining governance decisions to a subset of the ownership and leadership group is desirable.

Similarly, not everyone involved in firm-wide governance needs to be an owner. While owners might have ultimate governance powers, day-to-day governance often includes leaders and managers who have no ownership equity but who bring important marketing, operations, and financial perspectives.

However, every owner does need to possess strong leadership skills. While an owner might participate in only specific leadership aspects of the firm, each owner must command respect, be comfortable representing the firm, and master a wide variety of leadership skills.

Leadership for some, not for all

Ownership versus leadership: Which path is best for you?

Within the realm of owning an architecture firm, three primary options exist: starting one's own firm; becoming an owner and principals (or partner) of an established firm; or participating in an ESOP. Owning your own firm or becoming an owner and principal of an established firm entails specific financial and legal

responsibilities and obligations, and strong expectations of involvement in the governance and leadership of that firm. On the other hand, becoming an ESOP participant usually entails limited, if any, governance and leadership responsibilities and a limited amount of financial and legal risk.

Many options exist for operating as a leader and not as an owner. These include client leadership, design and project leadership, leadership of firm-wide initiatives, and community leadership (often referred to as “Citizen Architect”).

Evaluating ownership opportunities

When presented with an ownership opportunity or offer, start by considering the following:

- Why do I want to be an owner?
- How would my new role and responsibilities differ from my current role?
- Does firm ownership fit into my life and other interests?
- Is my vision of the firm’s future compatible with those of the current owner(s)?
- Do my values align with the values of the firm?
- Can I have a significant role in shaping the firm?
- Am I compatible with the current owners who will remain in the firm?
- Who else is being offered ownership, and am I compatible with them, my future partners?
- How much financial risk am I comfortable assuming?
- Do I have a large enough comfort zone to successfully navigate the risks, responsibilities, and ambiguities entailed in being an owner?

When a specific offer is presented, then dive into even greater detail, including financial considerations.

Sidebar: Financial considerations for prospective firm owners

Among the concerns often expressed by people being considered for ownership positions:

1. Is the ownership offering attractive and affordable?
2. What is the long-term succession plan, and how do I fit into it?
3. Will being a minority shareholder limit my influence, and how would that change over time?
4. What risks do ownership entail, and what liabilities would I incur?
5. What about my own financial security? Will I make more money?
6. How much is the firm worth, and how do I know that the offering price is fair?
7. How much can the valuation fluctuate from year to year?
8. What options exist for purchasing shares of the firm?

9. What is the firm's financial outlook?
10. What is the potential return on my investment?
11. Does my time horizon between now and my retirement allow me to recoup my investment?
12. What if I invest in the firm and the firm is less profitable or loses money?
13. If it doesn't work, how do I get out? What if I decline the offer?

When offering ownership, firms should anticipate these questions and develop a framework that balances the potential rewards of ownership with these concerns.

It is in a firm's long-term interest not to pressure staff to accept an ownership offer, even if the offer is considered highly attractive and affordable. Rather, firms should reassure staff that valuable non-ownership positions will remain available to those who contribute to their firm's strategic goals and support their firm's culture.

Evaluating leadership opportunities

The choice of which leadership path(s) to pursue is highly personal. Architects considering leadership paths should ask themselves:

- What is my primary motivation for practicing architecture?
- Where do my passions lie?
- What is my current skillset, and for what does it best position me?
- Which path(s) most appeals to my innate personality?
- How do various paths align with my personal and family life?

In a 2018 article for AIA, Je'Nen Chastain, Assoc. AIA, a key organizer behind AIA's Leadership Institute, posited, "There are as many different routes to leadership as there are definitions, and organizational involvement is a way young people can refine their ability to lead early in their careers." Chastain, a former national American Institute of Architecture Students president, has dedicated her spare time to growing the AIA Center for Civic Leadership (CCL) and carving a unique path through service to the members of AIA.

The CCL's mission is to advance leadership among architects to ensure livable, healthy, sustainable, and quality-design environments for future generations, and provide training and encouragement for "[Citizen Architects](#)." "When I started with the Center for Civic Leadership, I wanted to become a leader, but I wasn't able to flex that leadership muscle in my work," Chastain said. "Now I know that once I get licensed and understand how to work on architectural projects, I have the capability of being a really great leader in my career. When the time is right, I'll move into these different leadership opportunities more confidently."

Alternatives to ownership and leadership

Not everyone is naturally suited or wants to become an owner or firm-wide leader. Some highly skilled professionals are quite satisfied, and highly valued, leading a small team or focusing on a technical aspect of architecture. Others might not have the desire to lead new initiatives or to accept the inherent risks of

ownership. Some might simply be content to focus on tasks and are not motivated by the rewards that accompany the responsibilities of leadership and ownership. Many firms can point to examples of offering ownership or elevating staff to leadership positions, and then realize that those staff were more productive and content in their prior roles.

Pathways to leadership and ownership

Sidebar: Ownership and leadership traits and behaviors

Although each firm will have different criteria for becoming a firm leader, the following have been identified through discussions with hundreds of firms nationwide:

Leadership traits

1. shared values and belief in the firm's vision
2. passion for delivering quality services
3. commitment to the firm's interest above the individual's interest
4. ability to think strategically about the future
5. client-centric focus and ability to nurture client relationships
6. ability to market services and close sales
7. grit and willingness to persevere
8. exceptional design, technical, and/or management capabilities
9. commitment to assume a broad set of leadership responsibilities
10. leadership, delegation, and team-building skills
11. interpersonal skills (collaboration, listening, conducting difficult conversations, and acting on constructive feedback)
12. commitment to nurture other staff members
13. commitment to foster diversity and equity
14. decisiveness and confidence
15. tolerance for, and willingness to assume, significant risks
16. trust and integrity
17. discretion and sound judgment
18. personal financial stability
19. contributions toward ongoing profitability (short- and long-term)

Leadership behaviors

1. Communicate a strong, consistent vision.
2. Inspire and motivate others.
3. Demonstrate ongoing fairness, consistency, and transparency.
4. Demonstrate and insist on honesty and integrity.
5. Share the credit, accept the blame.
6. Hold others accountable.
7. Demonstrate energy, enthusiasm, and optimism.
8. Embrace open, healthy conflicts.
9. Seek improvement and feedback.
10. Actively listen and provide feedback.
11. Demonstrate and emphasize empathy.
12. Surround oneself with great talent.
13. Master mentoring skills.
14. Model work/life balance.

What future leaders might have accepted a generation ago—simply being content to know that leadership positions might be available and inferring what the criteria might be—is no longer adequate. These days, ambitious young people want to know the specific pathway that includes how, when, and by whom leadership advancement decisions will be made.

Firms should also consider developing the equivalent of a [Leadership Program/Advancement Ladder](#) that illustrates expectations, responsibilities, and selection criteria. In the following example, expectations and responsibilities are shown for key leadership positions (Associates, Senior Associates) and ownership positions (Principals, Senior Principals) for three key operational areas: “Getting” the Work, “Running” the Business, and “Doing” the Work. Depending on how a firm is organized, a matrix could be developed by functional title (Studio Director, Design Director, Technology Director, Management Committee, etc.) and by different operational areas (Marketing, Design, Quality Control, Administration, etc.). The key is to make the program tangible and transparent but not so specific that it becomes a checklist implying entitlement for advancement, and thereby undermines the current owners’ discretion and judgment.

Developing future leaders

Effective leadership training programs

Architects and related design professionals are highly educated and adept at learning, but a design-focused or technical education is typically void of leadership theory or training. Even architectural curricula

containing a professional practice course do not venture into leadership skills. Furthermore, training acquired on the job requires decades of practice to develop the necessary skills to lead a firm and, even so, may not “stick” for all employees.

Many large firms have the resources and scale to develop structured training programs, often called in-house “universities.” These are generally taught by the firm’s more experienced subject matter experts and cover myriad topics: marketing, client leadership skills, methods and materials, project delivery methods, project management and budgeting, BIM, and other knowledge areas specific to market sectors. Other firms bring in trainers and are large enough to attract other design professionals and collaborators—engineers, landscape architects, specialty design professionals—or leadership coaches to lead in-house seminars. However, smaller and mid-sized firms often lack the in-house knowledge or resources, or simply cannot afford to fund this level of leadership development opportunities.

Even with access to structured training programs, younger design professionals have generally focused more on doing the work, less on getting the work, and even less on running the business, thereby limiting leadership development opportunities. In all cases, future leaders will benefit from a well-planned program, whether funded primarily by the firm and participated in on company time, or simply made available to those who want to bear the cost and participate on their own time.

Designing an effective leadership development program should include a variety of learning modalities: collaborative learning, mentoring and coaching, structured peer training, professional training, and, perhaps most importantly, independent study. When combined, these learning approaches form the basis of a self-perpetuating and lasting leadership development culture.

Collaborative learning

Operating a business, leading clients and project teams, and designing and delivering responsive projects require that design professionals closely collaborate with each other and with clients. While seasoned professionals may have taken many years to become highly skilled collaborators, younger professionals tend to more readily embrace collaboration as a natural core value. This generational value can be leveraged to bring about potent learning experiences that foster a sense of comradery, healthy competition, and incentive to achieve common goals.

Collaborative learning opportunities include:

- seeking diversity in learning partners
- demanding both personal and group accountability
- writing with others—marketing materials, project briefs, business letters, articles, blogs, etc.
- attending lectures and training seminars with learning partners and discussing conclusions
- sharing articles and books with colleagues, and discussing how concepts relate to current workplace situations
- seeking advice from colleagues related to specific leadership issues that arise in daily practice
- debating alternative approaches to resolving problems

- developing collaborative forums and groups of learning partners outside of one's organization

Sidebar: Modeling leadership behavior

Architects study how precedents inform and inspire future design decisions. Similarly, leadership requires evaluating precedents by observing and modeling such behaviors in others.

Two approaches to modeling leadership behavior are:

- Carefully observe the behavior of leaders you admire and record it in a journal to which you periodically refer. Apply your creativity to integrate those behaviors to fit your current situation.
- Study the behaviors of leaders that have resulted in failed outcomes, then apply these lessons to developing behavioral strategies that will result in positive outcomes for you.

Exposure and experience

Similar to parenting, owners and senior leaders often have an impulse to jump in and provide support for young professionals instead of letting them learn by making mistakes or by struggling to solve problems, thus foregoing what could have been a lesson in resiliency and self-sufficiency.

One way to instill confidence and train leaders to assume increasing responsibility and take smart risks is provide them opportunities to, according to a commonly cited aphorism, “fail early, fail often, and fail forward.” Leading in-house meetings, scripting interview presentations, and making decisions on minor purchases have tolerable risks. Other decisions, specifically those that affect issues of health, safety, and welfare, require intervention. Recognize the difference and instead of rescuing or criticizing provide encouragement and constructive input. This enables upcoming leaders learn through their own experience.

Case study: Letting leaders learn

As a young project manager in a large firm, Peter was given the opportunity to lead a consultant kickoff meeting on a complex health care project. A few days ahead of the meeting, Peter confidently developed an agenda, assembled key project information, and listed potential obstacles to success. The Studio Director, 20 years his senior, flew to San Diego with Peter for the meeting.

As Peter sat at the head of the table and looked around at the team of Associate Architects and engineers—all at least 10 years older and more experienced—he froze. And not just for a few seconds. For an awkward two or three minutes, with all eyes focused on him, he could not get beyond a few words. He glanced toward the Studio Director, who sat there watching and knowing that Peter would overcome this.

Finally, Peter regained enough composure to present an overview of the project goals. His preparation, combined with a few encouraging nods, enabled him to lead the rest of the meeting and gain the respect of his colleagues and collaborators. Flying home, Peter and the Studio Director talked about the first few minutes of the meeting, with the Studio Director reassuring Peter that this will be one of many opportunities to assume increasing levels of responsibility and that gaining experience is a lifelong journey.

Training and development methods and tools

Professional training

A broad range of options in the field of leadership training includes in-house workshops, seminars, webinars, and training videos by well-respected institutions. Consultants with extensive A/E industry experience are uniquely qualified to provide relevant training with immediate and long-term results. Professional training is an efficient, focused, and cost-effective learning approach. Additional opportunities include developing long-term relationships with A/E industry strategic advisors and retaining one-on-one professional executive coaches for emerging leaders.

Best Practice: [How to create an in-house university](#)

Mentoring and coaching

Mentoring and coaching are complementary and more personal components of an effective leadership development program and serve distinctly different purposes. Mentoring is a long-term and often informal process that provides advice, guidance, and support regarding a mentee's professional career. It takes a broad view of the person and their professional growth. Coaching, on the other hand, is more structured and focuses on achieving specific and immediate goals within a fixed timeframe.

Best Practice: [Formal mentoring goals and guidelines](#)

Even the most senior leader benefits from working with an experienced mentor and coach to outline clear objectives, desired outcomes, and timelines. Mentoring and coaching programs often entail regular check-in meetings, structured assignments, and a curriculum tailored to each trainee's career goals.

Best Practice: [The many rewards of successful mentoring](#)

Case study: Internal training program

K12 Design Group, located outside Seattle, specializes in the design of public and private K–12 schools. Its staff of 22 comprises 12 licensed architects, 6 professionals on their licensure paths, and 4 marketing and administrative professionals. The two owners, both in their mid 50s, started thinking about leadership and transition plans almost a decade ago.

Wanting the option to retire in their early to mid 60s, Melinda and Taylor decided to implement a leadership training program. They quickly realized that doing this in a vacuum might be counterproductive since they had developed most of their leadership skills through trial and error as the firm evolved. They knew that the next generation of leaders within the firm wanted a more tangible training program. This was reinforced during an office meeting when two of their senior staff pointed to similar firms that were investing in leadership programs as both a retention and advancement tool.

Melinda, Taylor, two senior staff, and an outside consultant started designing a leadership program by posing a simple question: What do we need to do to make every person in the office redundant? Through a series of individual and group exercises, the team listed each person's leadership contributions, areas of specialty, and what gaps might exist if that person left. They also brainstormed about what leadership areas had never been addressed. The outside consultant implemented two types of leadership assessment tests to provide team members with additional insights about their individual leadership behaviors and how different personalities interact within a group setting.

With this information, the team developed the foundation of a leadership training program that included in-house seminars led by both firm members and outside consultants, a more formalized mentoring program and an onboarding program. This was supplemented by opportunities for staff to move between project teams, a stipend for outside seminars, and, for senior staff, access to a leadership coach. After presenting the proposed leadership training program to the entire office, the team further refined it to include a “shadowing program” that enabled staff members to attend most meetings in the office as well as some client presentations, and to include more in-depth training on project budgeting, client presentation skills, and interview training. Staff members were encouraged to design independent leadership study programs and to solicit feedback from peers as they embarked on their own leadership journeys.

Two years in, the original team along with two additional senior leaders evaluated the program. They again asked the question: What do we need to do to make every person in the office redundant? This time there was strong consensus that if any person left, others could assume most of that person’s firm-wide leadership responsibilities. The team continued to refine the program, understanding that the demands on the profession continue to change.

Best Practice: [Fostering multiple talents in architecture firms](#)

Independent study

Emerging leaders and future owners cannot rely solely on a firm to provide training opportunities. Rather, they must supplement this training with their own independent study programs.

Over the past few decades, a considerable body of leadership research has developed. Emerging leaders must invest the time to assimilate the information most applicable to their situation and to apply what is learned to daily practice. Elevating a complex skillset like leadership requires periods of intense personal exploration.

Many resources are available: books and articles, executive programs, focused seminars, online courses, outside coaches, peer groups, and learning organizations. An independent study program might include such topics as:

- workplace and organizational behavior
- change management
- communication skills
- negotiation skills
- marketing and business development skills
- management techniques
- business sector expertise
- finance and business operations
- profitability and project delivery

Often, independent leadership study done in conjunction with a coach, mentor, or small group of peers can provide encouragement, discipline, access to resources, and learning from other people's journeys.

Sidebar: A quote by one firm's key leader upon being offered an ownership position

"As an integral part of this firm for the past 12 years, I am ready to step up and assume more responsibility as a partner and to help ensure the company's ongoing success and brand. I look forward to the challenges and rewards. The idea of having a formal stake in the firm is such an honor, and I can assure you that I will continue to uphold our high standards in design and client satisfaction!"

Leaders as future owners

Determining to whom to offer ownership buy-in opportunities is among the most significant decisions in a firm's evolution. While offering opportunities to buy into the firm is often needed to ensure an orderly leadership succession plan and to retain ambitious younger professionals, it also changes the dynamics of a firm and influences its future direction.

The process also surfaces issues, both tangible and intangible. Problems such as making an offer affordable and attractive can usually be resolved if a firm is profitable and a transition can be executed over several years.

However, less tangible considerations often require soul-searching and candid discussions. Are the current owners ready to relinquish some control? Do current and future owners share a common vision, and can they successfully collaborate? Can those being considered for ownership make the shift from what might benefit them as individuals to what will benefit the firm regardless of its impact on oneself? Can a potential owner navigate the challenges and competing demands of ownership?

Architects, by nature and by training, are critical thinkers and creative problem-solvers, and many possess natural leadership abilities. With the seismic demographic shift now underway from boomers to millennials, younger architects who want to assume wider leadership and ownership responsibilities have what may be an unprecedented opportunity. Firms that recognize this and nurture upcoming leaders can set themselves up to prosper through many generations of ownership or firm-wide leaders.

About the contributor

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