Charting Your Course

Master strategies for organizing and managing architecture firms

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The search for the best ways to organize and manage architecture firms has occupied more and more attention over the past generation. The goal is always simple: Find the format that will enable the architecture firm to provide excellent service to the client, do outstanding work recognized by peers, and receive commensurate rewards in professional satisfaction and material returns. The answers, as the observation quoted above reflects, have not been so simple to find.

As management consultants with the opportunity to analyze literally hundreds of architecture firms, we have found the search for ideal management methods challenging. Each time we've observed a format that appears to work well for some or many firms, an exception has soon appeared, contradicting what looked like a good rule to follow. For example, some firms do outstanding work organized as project teams, others are very successful with a studio organization and still others get good results from a departmentalized project structure. One of the major puzzles for observers has been finding a relationship between the project delivery system used by firms (that is, "how we do our work") and how the organization itself is operated (that is, "how we structure and run the firm").

After years of study, and trial and error, a model has begun to emerge that holds promise for making some order out of these issues. At the heart of this new model is the recognition that although no one strategy fits all firms, there is a group of understandable principles with which almost any firm of architects can devise its own best strategy.

The model derives from observing that two key driving forces shape the operation, management and organization of every architecture firm: first, its choice of *technology*, and second, the collective values of the principals of the firm.

Technology, in this sense, refers to the particular project operating system or process employed by the firm to do its

work. The choice of technology resolves such questions as: Are we going to work in teams or departments? Will we have one design director or do we all design our own work? Values refers to the personal goals and motivation of the principals in charge of the firm. The choice of values answers these questions: Why do we do what we do? What do we want to receive for our efforts?

Technology Shapes the Delivery Process

Recognition of the importance of technology in shaping architecture firms is particularly derived from work conducted by David Maister during his years as professor at the Harvard Business School. In studying other professional firms generally--especially law and accounting firms--Maister recognized a pattern in the key technologies they all use. He defines these technologies as:

Brains (expertise) firms, which provide service to clients who wish to retain "the smartest kid on the block"--at almost any cost. These firms give their clients new ideas.

Gray-hair (experience) firms, which customize ideas, but rarely are positioned at the cutting edge. Clients of these firms recognize that the problems they themselves face have probably been dealt with by other companies; the client therefore seeks an organization that can offer know-how based on past experience.

Procedure (execution) firms, which service clients who know that their problems can be handled by a broad range of firms and who are seeking a professional firm that can give them a prompt start, quick disposition and low cost.

The impact of different technologies on the shape of an architecture firm is profound. For example, a firm where the partner-in-charge directly executes the project uses a technology different from that of a firm where the partners hand the execution of projects over to project managers. Similarly, a firm that organizes projects around a single design director has a technology different from one that allows each project team to make its own design decisions.

Applying this work specifically to architecture-firm technology, three categories--similar to the generic categories above--emerge:

Strong-idea (brains) firms, which are organized to deliver singular expertise or innovation on unique projects. The project technology of strong-idea firms flexibly accommodates the nature of any assignment, and often depends on one or a few outstanding experts or "stars" to provide the last word.

Strong-service (gray-hair) firms, which are organized to deliver experience and reliability, especially on complex assignments. Their project technology is frequently designed to provide comprehensive services to clients who want to be closely involved in the process.

Strong-delivery (procedure) firms, which are organized to provide highly efficient service on similar or more-routine assignments, often to clients who seek more of a product than a service. The project technology of a delivery firm is designed to repeat previous solutions over and over again with highly reliable technical, cost and schedule compliance.

It is important to recognize that there is nothing judgmental being implied about the architectural quality of any of these technologies. At their most successful, firms specializing in each technology still exhibit strength in all areas of design, service and delivery. It is the emphasis that makes the difference. This emphasis may be shifted by the preference (strengths) of the architects in the firm, or by the marketplace.

Take the hospital market, for example. The modern hospital was first the province of hospital specialists (strong-idea firms). As the ideas these specialists developed were understood across the hospital industry and the architectural profession, the center of the hospital market shifted to strong-service firms, whose strength was the ability to offer close, experienced attention throughout the very complicated process of building or rebuilding the modern hospital. After proprietary health-care clients entered the market in recent years, a share of hospital work has gone to strong-delivery firms, which specialize in adapting the standard specifications of the proprietary owners to different situations.

Obviously, these technologies often overlap. Clients frequently want a kind of service that incorporates some aspects of more than one technology, and some architecture firms, similarly, deliver services that do not clearly fall within just one of these groups. Nevertheless, it is worth noting that there is a general progression in the way technologies evolve in every firm and every market. New ideas originate in strong-idea firms.

As the ideas become understood and accepted in the marketplace, they are then widely applied by strong-service firms. Eventually, when the ideas can be routinized and are in demand by client after client, some or all the work will move on to strong-delivery firms, where repetitive projects are turned out and efficiency is the key. Thus, it is important for firms to pay attention to how their technology matches the evolving market.

The different technologies, when they are working best, require notably different project-operating organizations, staffing patterns, decision structures, etc. Technologies in architecture firms influence:

- Choice of project process

- Project decision-making

- Staffing at the middle of the firm and below

- Identification of the firm's best markets

- What the firm sells

- What the firm can charge

- Best management style

Technology is the fundamental driving force that shapes the professional design process of the firm, and it is becoming recognized that all really successful firms have a clear and consistent project process. Those firms that try to be all things to all types of clients tend to have the most difficulty optimizing their work and/or their organization.

One immediate example is in staffing. Strong-idea firms will hire the best and the brightest right out of school and expect turnover after a few years. Strong-service firms seek career-oriented professionals and try to retain them so their experience is available to future clients. Strong-delivery firms, on

the other hand, will hire paraprofessionals and use computers to apply standard details and procedures over and over again at the most efficient cost.

The senior partner in charge project manager of a strong-service firm, who is accustomed to giving individual attention to each aspect of complex projects, is rarely geared to provide the fast, efficient, routinized service desired by the strong-delivery client. Thus, the difference in staffing models makes each technology so distinct that it would be difficult to have all three models operating in top form in the same firm. The tables that accompany this article illustrate similar contrasts in strategies for all the different areas of the firm influenced by its choice of technology.

Values Also Shape Management Styles

The second driving force that shapes architecture organizations is the values of the professionals leading the firm. The fundamental differences in values become evident if one examines the word "practice," which is so often used by professionals to describe their organizations, in contrast to the word "business."

Practice, as defined by Webster, is "the carrying on or exercise of a profession or occupation as a way of life." *Business*, on the other hand, is defined as a "commercial or mercantile activity customarily engaged in as a means of livelihood."

When the two definitions are compared from a management perspective, what stands out is the contrast between "a way of life" and "a means of livelihood." What is becoming evident

is that many architecture firms are practices first and businesses second, while others are businesses first and practices second. Therein lies a whole new perspective about what goes on in such organizations. The basic difference is their bottom line:

Practice-centered professionals, who see their calling as "a way of life," typically have as their major goal the opportunity to serve others and produce examples of the discipline they represent. Their bottom line is *qualitative*: How do we feel about what we are doing? How did the job come out?

Business-centered professionals, who practice their calling as "a means of livelihood," more likely have as their personal objective a *quantitative* bottom line, which is more focused on the tangible rewards of their efforts: How did we do?

As with technologies, it must be emphasized that there is nothing more noble about either choice of values. The choice is an entirely personal, largely self-serving one, derived from how individual architects view their missions in life and what they hope to get out of their lives in return for working.

What is important about the distinction is the recognition that although all successful architects clearly strike a balance between practice values and business values, it makes a significant difference which of the two is primary. The choice can be expressed as a spectrum with practice-centered architecture firms at one end and business-centered firms at the other.

The different positions (practice-centered versus business-centered) will lead to very different choices in significant areas of organization and

management. Practice-centered firms, for example, tend to prefer partnership structures, where the leadership is collegial and decision making is often by consensus. Business-centered firms, in contrast, work well in corporate models, where there is a clear hierarchy of roles and decision making is by chain of command.

The practice-centered model is frequently preferred by principals who like to work as closer/doers: getting and carrying out their own work. The business-centered model is frequently preferred by principals who see marketing as a departmentalized function, with the work handed to operating departments to carry out.

Both values can produce equally successful results in client service, design quality and even profitability. The choice of values, however, can make significant difference in the best way to structure the firm. Values in architecture firms influence:

- Organizational structure

- Organizational decision-making

- Staffing at the top

- How the firm markets

- Identification of the firm's best clients

- Marketing organization

- Profit strategy

- Rewards

- Management style

What is most valuable about recognizing values as a key force shaping architecture firms is seeing how important it is that all the leading professionals in the firm share similar

goals. Depending on these values, different organizational patterns will work best. Any effort to compromise values will inevitably weaken some of the choices or organizations, and consequently weaken the firm.

Matrix Integrates Technology and Values

When the two key driving forces described above--technology and values--are looked at in combination, they form a matrix within which the differences between firms, and the best strategies for different firms, becomes clear. The matrix produces six basic types of firms, each of which will have a distinctive "best strategy" for each consideration described above. Examples of each of these best strategies are given in the accompanying tables (Figure 1to 7).

The model gives, for the first time, a clear picture of why some firms succeed doing things one way, while others can be equally successful doing things quite differently. Also clear is that it will be very difficult to optimize any firm that mingles too many of the different strategies. And when this recognition is combined with the understanding that the best clients and best markets for each different technology are quite distinct, it is possible to take a whole new view of how firms can best position their strengths to serve their clients.

In a recent test of the implications of this new model, the Coxe group surveyed by questionnaire a sample of about 100 firms of different sizes, different markets and different organizational formats. After answering a series of questions to define its position on the matrix, each firm was asked to rate its level of satisfaction with the way the firm was currently operating. The results showed the highest level of

consistency in conforming to the best strategies for their position also reported the highest level of satisfaction with the way their organizations were working.

The Coxe group plans additional research to further validate the implications of the model, but this initial sample confirms the essential hypothesis. Those firms that have a clear notion of what they do best (their technology) and a common set of goals (their values) have always succeeded the best--for themselves and for their clients.

The chart below, and those on the following pages, reveal rudimentary "master strategies" for each category of architecture firm. Once a firm decides which type of practice is (e.g. an "A," "B," "C," "D," "E," or "F" firm), it can follow the suggestions in the appropriate box to gain insight into the best ways to organize and manage the firm.

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 Figure 1 Best Strategies for PROJECT PROCESS AND DECISION MAKING

	Practice-Centered Business	Business-Centered Practice
Strong Delivery	Projects are processed through departments or teams, headed by a principal in charge, in accordance with standard details and specifications developed through experience. The PIC makes the decisions. Success is achieved by delivering a good product over and over.	Projects follow an assembly-line process in which established standards are critically important. Since the product is standard, the client may deal with several job captains over the course of the project. Quality control is the key to client satisfaction.
Strong Service	Projects are delivered through project teams or studios whose principal in charge (the closer/doer) has a high degree of project decision-making authority. Strong, technically oriented people provide quality-control input, but project success relies on the authority of the closer/doer.	Projects are headed by project managers and delivered by departments whose department heads have quality control and project decision-making authority.
Strong Idea	Projects are delivered via highly flexible teams, organized around each job, which take their creative direction from the idea (design) principal.	Projects are delivered via stable teams or studios, often organized around different client or project types. Design principal(s) maintains project authority.

Figure 2 Best Strategies for ORGANIZATIONAL STRUCTURE AND DECISION MAKING

	Practice-Centered Business	Business-Centered Practice
Strong Delivery	Closely held as a proprietorship or corporation by one or a few design professionals who manage a vertical organization. Decision making tends to be autocratic. Thrives as long the principals stay closely involved.	"Investor"-owned by insiders or outsiders who delegate much of the operations and management. Decisions are largely based on a standardized process or SOP. Works well as long as the firm's process/product does not become obsolete.
Strong Service	Broadly owned by professionals structured as a partnership or as a corporation functioning as a partnership. Organizational decision making is by consensus. Functions best when owners share similar professional capability and goals.	Closely held proprietorship, partnership or corporation with owners making decisions by majority rule. Decisions are clearly oriented toward meeting the goals of major owners.
Strong Idea	Owned by a sole proprietor or a few equal owners who --function as partners. Their ideas and creativity in projects drive the firm, and few organizational decisions are made.	A proprietorship or small partnership (or closely held corporation functioning as a partnership). Organizational decisions are tailored to maximize the application of one or a few original ideas.

Figure 3 Best Strategies for STAFF RECRUITMENT AND DEVELOPMENT

	Practice-Centered Business	Business-Centered Practice
Strong Delivery	Recruit experienced professionals who are committed to getting the job done efficiently. Financial compensation--base and bonus-- tend to be higher than industry norm. Limited job security, except at top.	Hire and train paraprofessionals to do maximum amount of the work via standardized procedures. Invest in training, not salary and benefits, to keep costs low, efficiency high. Factory-like culture with compensation by job classification, publishable benefit package.
Strong Service	Recruit career-oriented professionals with strong sense of commitment to client. Reward via stability of practice, good benefits, pensions--average or below- average salary. Goal is to retain experience via low turnover.	Hire experienced professionals comfortable in corporate-like structure as workload requires. Higher pay, limited benefits. People at top are entrenched; less loyalty to staff in event workload declines.
Strong Idea	Young bright professionals are attracted to the firm to be associated with one of the leaders ("gurus") of the profession. Typically receive below-market salary, minimal benefits and move on after a few years unless tapped to an inner circle.	Recruit young bright professionals interested in learning from the firm. Compensation often below industry norm--attraction is working on interesting projects. Turnover is encouraged as staff develop experience, want higher rewards.

<u>Figure</u> 4 Best Strategies for SALES MESSAGE AND TYPE OF CLIENTS

	Practice-Centered Business	Business-Centered Practice
<u>Strong Delivery</u>	Best clients are volume developers and organizations interested in reliable, proven, repeat-type solutions. Sell the firm's proven track record and knowledge and understanding of principal(s) about how to get through the system and agencies. Past clients return because of proven track record and rapport with the principal(s).	Best market is one-time or repeat client unconcerned with originality and/or clients looking only at bottom line. Sell proven product, standardized design, assembly-line ("it will only take a minute and we'll have it all done") package deal.
<u>Strong Service</u>	Best markets are institutions and agencies with complex projects that seek reliable solutions and expect to be involved in their project's evolution. High repeat business from well-satisfied past clients. Sell closer/doer experience, technical skills and commitment to remain on top of the job with personalized approach tailored to the client	Best markets are major corporations and agencies with large, mainstream projects where the client expects to delegate execution of the project after making the selection. Sell proven track record, known or demonstrably competent project manager and organization's strength.

<u>Strong Idea</u>

Best clients are those with unique, one-of-a-kind problems, or "patrons" with individual or corporate egos to be satisfied. Clients are always the top decision makers, who may bypass input from their organization. The sales message is the reputation of the "guru" leader, and a track record of successful innovation, both design and technical, and/or solutions to uncommon problems.

Best markets are usually clients seeking leading-edge solutions that have been successfully tested by others, e.g., developers or lower-risk corporations and institutions. Clients respond to "sizzle" and messages like "innovation that is cost effective."

Figure 5 Best Strategies for MARKETING APPROACH AND MARKETING ORGANIZATION

	Practice-Centered Business	Business-Centered Practice
Strong Delivery	Principal(s) sells one-on-one; may frequently proactively take opportunities to past clients. Effective advertising and public relations campaigns keep the principal's and firm's name in front of the market. Marketing staff supports these efforts.	Marketing is carefully planned and managed. Sales representatives find and sometimes close leads. Bidding opportunities are welcomed. Advertising promotes a standard product/service. Often rely on heavy entertainment of prospects. Blanket coverage of conventions.
Strong Service	Marketing relies on closer/doer principals strong at finding and courting clients. Facilitative marketing manager (who may be a principal) encourages broad staff participation in marketing, produces high-quality brochures, publishes a client newsletter, seeks regular publications in both professional and user-oriented publications. Good record of design awards, particularly by trade or user groups.	Centralized marketing and sales department, under a strong marketing director, is responsible for preparing the marketing plan. Frequent use of "bird dogs" to find leads, publication of articles oriented to meeting client needs, targeted direct mail, client seminars, some advertising. Sales are closed by one or a few principals who delegate work to project managers.

<u>Strong Idea</u>	Marketing is generally unplanned, relies almost entirely on reputation developed via books and/or articles, professional society awards, entry in premier design competitions, frequent speeches and often a faculty appointment. Marketing staff, if any, responds only to inquiries.	Marketing is actively planned, particularly efforts to get to know specific clients, seek publicity, publish articles in leading magazines and produce effective brochures. A marketing coordinator will keep the program moving.

<u>Figure 6</u> Best Strategies for PRICING AND REWARDS

	Practice-Centered Business	Business-Centered Practice
<u>Strong Delivery</u>	This firm specializes in producing a relatively standard product over and over again. It will do best charging lump-sum fees--its profits come from efficiency. Maximizing efficiency--reducing the costs of production--produces high monetary rewards for the principals.	This firm also seeks high monetary rewards, but achieves them by maximizing volume. Its standardized product and assembly-line process for delivering it thrive on volume. Thus, the firm can often bid low to keep volume up. Lump-sum fees are essential.
<u>Strong Service</u>	Given the choice, this firm will price all its work hourly, producing steady cash flow with moderate profits. Rewards here relate to security for many in the firm--increase in salaries, increase in benefits, share in profits, and growth to ownership.	For this firm to maximize return, the task is to focus on profitable activities, minimizing non-billable time, carefully controlling overhead. This firm can do well on lump-sum fees, hourly rates without an upset or cost plus fixed fee. Rewards are high monetary returns for the few at the top.

Figure 7 Best Strategies for LEADERSHIP AND MANAGEMENT

	Practice-Centered Business	Business-Centered Practice
<u>Strong Delivery</u>	Authoritative owner leads firm and establishes a working environment that attracts professionals willing to subordinate themselves to, and implement, the defined management policies.	Owners delegate operations authority to managers who structure rigid processes to keep the "assembly line" working.
<u>Strong Service</u>	Broadly-based ownership with many equals. Can thrive on weak leadership as long as all are committed to the goals. Consistent organizational management provided by a facilitative general manager.	Owner(s) establishes leadership direction and assigns strong management authority to a CEO, who is likely to be the most influential (or majority owner) among them.
<u>Strong Idea</u>	Strong leadership based on ideas/values and projects precludes the need for structured management, relying rather on administrative support.	Strong leadership based on ability to draw ideas/creativity from others. Management is a coordinating and administrative function.