

AIA National Convention 2004

How to Run and Manage a Residential Architecture Practice

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www.susanka.com and www.notsobighouse.com

Introduction

The way architecture firms are typically structured

- appropriate for larger projects
- not an effective way to serve multiple small clients
- at my old firm, we devised a better way
- that's what I'd like to share today

History of Mulfinger & Susanka Architects

- desire to serve the middle class
- how we found our clients
- who they were, and what they were looking for
- developing a new model for serving many small projects rather than a few large
- realizing we needed "clones" of ourselves to serve our ever expanding market

Since The Not So Big House came out

- recognizing that there is a firmly held belief in our profession that you won't make money serving a residential clientele
- debunking this myth—it's all in our heads
- in previous talks at AIA Conventions, describing how to go about the effective marketing of residential services—available from my web site through AIA Continuing Education
- this talk the other key part of the puzzle
- how to structure, run and manage a residential architecture practice

This model is not for everyone (but you can learn from the process of derivation)

- the way we structured our firm, based on finding excellent people, and then extending first a lot of training, and then a lot of responsibility and trust
- whether or not this model works for your firm, note the process of schematic design. That part can work for everyone
- using the problem solving process we're trained in to help design our business structure
- it's radical in many ways, requiring that we think differently about what we do, how we do it, and how we share the wealth, both figuratively and literally
- it's a model that requires the sharing of info, expertise, clients, publicity and profits
- it's a model that nurtures and promotes the individual first and firm second
- it's the people that count. The firm is only an imaginary umbrella.

The Nuts and Bolts

The Law Firm model

- researching other businesses that serve many small scale clients
- looking into a number of law practices to understand their workings
- many different models, but some important and valuable lessons

- grow your own partners and let them participate financially in the company's success each year.
- develop a method for incorporating into the ranks of owners the talent that would otherwise become your competition.

Grow incrementally

- start small and learn what the market in your area is looking for
- develop your niche in the marketplace and find ways to promote what you do
- identify other architects in your area that share your views and passions
- catch'em young and train them in
- develop a connection with the university if possible to identify talent early
- don't be greedy. Do what you can do, and pass on what you're not ready for.

Types of people you'll need long term for the Architectural Work

- two primary types of long-term employees, both of which are equally important, though one group draws more attention to itself than the other
- Project Architects
 - *good designers
 - *good people persons
 - *good managers of their own time and others
 - *good listeners
 - *good communicators
 - *these people tend to be more extraverted, people that like the limelight and tend to have natural charisma
- Project Technologists
 - *good detailers, good thinkers through in translating macro to micro
 - *good coordinators of information
 - *good sleuths
 - *these people tend to be more introverted, people who don't seek the limelight but get their satisfaction from seeing a job well done
 - *in this category, finding people who have had significant experience in performing the same kind of function in a larger office, even ones specializing in very different building types, can be a valuable move. (I call such people the "old dads" of the profession, and their expertise and attitude toward ensuring successful projects is invaluable, and because of their experience they tend to instill the same values in younger staff.)
- The third type—the student intern
 - *select students that are hard workers and good students
 - *give them opportunities to do more than the standard role
 - *invite them to meetings with clients so they get a sense of the whole process
 - *make it clear to everyone of them that after graduation they must work elsewhere for a year or two, even if they want to return eventually

Other Staff required

- An excellent office manager—don't cut corners here
 - *this person needs to be very stable, and very good with money

- *someone able to help each project architect, particularly to bill and collect on projects, as well as observe patterns that constrict cash flow
- *this role has a lot of power, and the right fit will affect the health of the entire office. As with the technologist positions, don't underestimate the skill level needed, or the money it's worth
- Good receptionist
 - *this person needs to be able to present themselves as you would wish the firm to be perceived
 - *although not usually a highly paid position, it is an extremely important one
 - *in smaller office this can be a student, or the office manager, but keep aware that long term, as firm gets larger, this is definitely a separate position, with its own job description

General comment about architecture firms and management

- we tend not to recognize the need for other staffing beyond our own skills, and believe we can do it all, that we don't need to "waste money" on non-architectural personnel.
- this is a myopic attitude, that causes our profession no end of problems
- hire people who are trained in things other than what we do. Especially in the office management side of operations, these individuals are extremely important to firm health, and should be compensated appropriately to their value to the firm, something that rarely happens, which results in high turn over.

How the system works

Training is crucial

- Training in a Project Architect
 - *have the individual attend every meeting with the client
 - *have them integrally involved in all facets of project
 - *teach them everything you normally do, from how to set fees, to how to read between the lines of clients' comments, to how to move the design process forward, to how to stay in budget
 - *you are essentially teaching the individual how to become a firm principal of their own small office
 - *make sure they also get training from a really good Project Technologist as well
 - *usually takes about two years
 - *our requirement was that anyone interested in this position had to have their license before they could become a fully-fledged Project Architect
 - *when the principal in charge of the individual's development felt they were ready, they'd give them a project or two of their own
 - *understanding that the first few projects would need some "rope" extended, either in the form of advice, assistance, or lower profit margin
 - ***allowing each Project Architect to set their own rate in the marketplace**
- Training in a Project Technologist
 - *find people who already know how things go together

- *excellent asset if they've had experience in the field as a builder before going to architecture school, or receiving training at a technical college
- *find the people in your community who work for themselves as technologists
- *have them provide the apprenticeship "program" to others on staff
- *don't depend on students for this type of work—a common problem in the profession. Find people who really know what they're doing
- *don't fall into the trap of undervaluing this aspect of the office structure just because you do houses. It's just as important as for larger building types
- *recognize that your projects will only be as good as the technologist's expertise
- *make sure that these individuals' value is as rewarded as the Project Architects'
- *recognize that these folks tend not to be horn tooters. Make sure they're contribution is acknowledge both in press and in compensation.

The Structure

Each project architect is like a mini-office, and everyone else is available as a resource to these individuals

- start with just principals as Project Architects, and gradually train in new Project Architects to grow the office
- the marketing process is integrally related. Listen to Practicing Residential Architecture—2000 AIA Convention, available at <http://www.notsobighouse.com/lectures.asp>, and soon from www.susanka.com. (In a nutshell, everyone in the firm is involved, and compensated for their efforts. Publish everything you can, have a booth at the Home and Garden Show, put houses in the Parade of Homes, teach courses in how to design and build your dream home etc.)

Each person in the firm "markets" their services to others within the firm

- students in the office "hanging out a shingle", identifying what they were best at. (Anecdote: sign at desk—looking for model jobs, large or small)
- Project Technologists keep everyone informed of their strengths, and share these with each other, so that everyone is continuously learning
- issue of hourly rate setting for Project Technologists

The Weekly Lunch Meeting

- to minimize the management of workload, allow the people involved to self-regulate by talking about needs once a week
- each Project Architect describes needs for the week coming, and approximately how long that commitment of manpower will be needed
- each Project Technologist states if they will need additional help to accomplish the tasks at hand
- one person each week is designated as the lunch meeting manager, and are in charge of recording the work flow projections
- in this way we could see if there was likely to be a shortfall either in manpower or in projects to work on in the near future

- this meeting also used to share information about projects, problems encountered, and lessons learned
- whole model based on trust, and that things shared will be used constructively, not held against one**

The Call Intake Process

- if the system is working properly, the marketing efforts bring frequent inquiry calls and emails
- the Project Architect most in need of new work is designated the Call Intake Coordinator for the week
- client inquiries are funneled to them first, unless the caller specifically requests someone else
- Coordinator explains how the office is structured, and how the firm works. Usually, they are sent a package of info, including a services brochure, and Project Architect description sheets, and a follow up call or interview is scheduled.
- if the project inquiry is clearly ideal for a particular project architect, the call may be transferred immediately to them

Getting Paid—Money In, Money Out, Money Shared

- getting over our profession's disgust of having to deal with money at all
- being open about what everyone is billed at and what everyone makes per hour
- the secrets about money are a large part of the cause of non-profitability
- information about the dollars is what allows everyone to function effectively
- we paid everyone, including the principals, on an hourly basis. An hour worked is an hour paid.
- every Project Architect is responsible for setting fees, managing the process to live within the fee structure set, and billing for time worked on a project
- we encouraged everyone to bill hourly until they really knew what they were doing
- every hour is accounted for on time cards
- internal projects have project numbers too
- beware of "General Office" category
- provide feedback on a regular basis as to how each person is doing, but use this information as a carrot, not a stick
- provide goals for billability per month, and guidelines for hours expected for marketing
- recognize that some project types don't bring in as much money as others, but it may still be valuable for the firm to embrace both types of work
- create a category "Earned, Not Billed", but make sure it's not used as a repository for uncollectable past sins
- help each other to manage project finances more effectively
- money is almost always the most difficult area to manage, and where the most reactivity is apparent
- anecdotes: hourly rate set way too low by one Project Architect
hiding stuff in ENB
fear of calling a client to find out what's wrong
- developing a policy for invoice payments, and communicating this to clients

- no payment, no work—they're business people too. They understand this
- collaboration with office manager to help bring in payments in a timely fashion
- everyone understood that the more profitable their individual jobs were, the more there would be to share at bonus time, which happened twice a year, at Christmas, and at our fiscal year end, June 30th.

Make the System profitable for everyone

- we believed in sharing what we made
- non-owners were paid a percentage of what their income was, and the percentage changed based on the profitability of the period
- owners were paid an additional amount based on their role, percentage of billings managed, percentage ownership, and seniority
- when a Project Architect was deemed capable of starting his or her own business—i.e. brought in enough projects through their own recognition in the community that they could survive on their own—we asked them to put forth the equivalent of a tenure application. We asked them to tell us why we should want them as a partner.
- partnership vesting over a five-year period
- senior partners sold stock to new partners so that long term the system would move toward equality
- stock value was based on billings for past few years, and new partners could buy in to the amount of stock they'd been offered gradually. Bonuses commensurate with their new role as partner usually allowed them to purchase the stock over a twelve-month period.
- unresolved issues of potential partnership for non-project architects
- managing partner role evolved and became a major role, rewarded during that person's tenure, by an additional percentage of profits for the year
- managing partner's expected billability +/-20% less than for other project architects

Decision Making and the Welfare of the Firm

- engage everyone by asking their opinion, but always be clear about who has final say—e.g. one person one vote, or all the partners, or the managing partner.
 - devote at least a day or two per year to a whole office retreat, where everyone can be apprised of what's coming, and the group can collectively brainstorm their way into the future, based on current conditions
 - this allows the firm to continue to grow and change to accommodate new conditions
- There's lots more of course, but this is a synopsis of the way we shaped ourselves over the years between 1983 and 1999. After I left in July of '99 the firm has continued to grow. It is now known as SALA Architects, with three branches in the Twin Cities. For more information you can contact Dale Mulfinger at dmulfinger@salaarc.com