



Managing The Profitable Small Design Firm

**Proven techniques and strategies to
successfully manage your firm to
increase its profitability.**

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Artisan Builders Corporation

Introduction

- Class make-up
 - Firm Owners/Principals
 - Project Managers
- Goals for today
- Q & A at end of Presentation
 - Evaluation Sheets

Three Focus Areas

■ Perception

- How does the world view your firm/practice outside of your office?

■ Mechanics

- Bottom-Line Business Management

■ Tools

- State-of-the-Art

Perception

- It usually starts with two things:
 - The Business Card
 - The single-most important image-making device
 - The Phone Call to the Office
 - How does the potential client get treated?
 - No phone trees!
 - Change your message

Firm Graphics

- How does it reinforce your mission statement & your vision;
- Have you thought about “branding”?
- Is your philosophy “gestalt” evident?
- What is it saying to the individual who interfaces with it?
- Does the imagery you have match the imagery of the person above?



Tekton Graphics

Website

- Do you have one?
- Is your website coordinated with your graphics package?
- What is the intention of your website?
 - Show off your work
 - Demonstrate your skill-set
 - Solicit clients – get more work!

Tekton Website

- Coordinated with Graphics package
- Logo – very important to us
- We wanted to *tease* the viewer – give them enough to get them interested
- Do not wax poetic about your philosophical ideologies more than is necessary
- Please visit us at:
 - www.tektonarchitecture.com

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Portfolio

- Do you have one?
- How is it put together?
- Does it reinforce your graphics and website?
- When do you use it?
- What do you want to say with it?
- How will the potential client feel after he/she has finished perusing it?

Tekton Portfolio

- 11" X 17" format
- Emphasize process
- Do not show too many images of one project

The Presentation

- Who gives it?
- Everyone in your firm is an actor in the troupe!
- Develop basic talking points & tag lines about your firm...everyone should participate and know them
- Master the thirty-second interchange with your new talking points
- Does your current presentation style match the spirit of your firm?
- How is this style reinforcing the graphics package?
- When the presentation is over, how do you want the client to feel?

Thirty Seconds – “to sell your business”

In January Of 2003, the Tekton Architecture & Artisan Builders Corporation team had a strategic planning retreat to formulate our big picture planning and review our current marketing agenda. This little “ditty” evolved from that team meeting and is the foundation for our marketing direction.

We are the leading edge of project delivery in architecture and construction. Because we are an enigma – we’re the whole enchilada wrapped up into one complete system. We orchestrate “paper-to-paint”. What we have here is not a new concept. You see the original role of the architect was “chief-carpenter” which meant, he envisioned the project, he designed the project, he built the project. He was both artist and mechanic, he was the “master-builder”. We have embraced this tradition and philosophy as the foundation for our business culture. Remember “paper-to-paint”? We provide architecture, project management, and construction. Its seamless.

Perception: Putting it all Together

- Graphics – Website – Portfolio – Presentation
- Questions to define these perception components:
 - What do you stand for?
 - What are you selling?
 - Where are you going?
 - What differentiates you from your competition?
 - How do you want to connect with your “audience”?

Perception & Profitability

- Image-making is selling
- We are here to sell – this is a business
- Profitability you say!
 - A well thought out graphics and presentation package says:
 - You know who you are
 - You know where you are going
 - You have 360 degree vision – all the details are important
 - Your entire staff is on board with the program
 - You have differentiated yourself from your competition – peerless!
 - You are a winner

Mechanics

- Service Business – Acknowledge & Accept it
- Establish yourself by providing good services
 - This means more than just design services
 - Focus on delivering the product and managing the product as much as the design of the product
 - Follow through with what you say you will do
 - Make the client's agenda your priority – not your agenda

The Business Proforma

- Do you have one?
- Who put the *Proforma* together?
- How is the *Proforma* regulated and charted?
- Serious questions about your *Proforma*:
 - Do you know what your monthly operating overhead expenses are?
 - Do you what you monthly labor burden (salary) expenses are?
 - Can you predict your cash-flow consistently?

The Employee Proforma

2004 ACME Architecture Company – Job Captain

<u>Employee</u>	<u>Rate</u>	<u>BHPW</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Yearly</u>
John Smith	85.00	32	2,720.00	11,786.66	141,440.00

2004 Total Overhead

	<u>Weekly</u>	<u>Monthly</u>	<u>Yearly</u>
Salary including Labor Burden	936.55	4,058.39	48,700.79
Workman's Compensation Burden	19.23	83.35	1,000.27
Health Insurance/Medical Benefits	75.00	300.00	3,600.00
Totals	1,030.78	4,441.74	53,301.06

<u>2004 Profit on Employee One</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Yearly</u>
	1,689.22	7,344.92	88,238.94

The Hourly Proforma

Project Manager/Partner Hourly Breakdown – 2004 ACME Architecture

Total available hours per year per partner = (40 hours per week X 52 weeks per year) =	2080
Two weeks vacation = (40 hours per week X 2 weeks per year)	- 80
Seven paid holidays per year = (8 hours per day X 7 days)	- 56
Remaining total hours per year per partner	1944
1944 hours per year divided by 52 weeks = 37.38 hours per week available per partner	
37.38 hours per week – 24 billable hours (production time) = 13.38 hours of non-billable time	
Non-billable time per week =	13.38
Weekly staff meeting	- 2.5
Lost Time	- 2.0
<i>Remaining time per week towards internal business development</i> =	<i>8.88</i>
<i>Total time per month = 38.48 hours</i>	
<i>Total time per year = 462.00 hours</i>	

Easy Profit Analysis

2004 ACME Architecture Simple Profit Analysis – (4) Employees Total

GROSS INCOME	578,240.00
- Total Overhead (includes operating expenses and total labor burden)	<u>466,403.00</u>
= Net Profit	111,836.00

This represents a 19.3% profit on gross income

This represents a per person gross revenue of \$144,560.00

Contracts

- Lump-Sum vs. Time & Materials
 - If you go T & M for any portion, you must have a range-of-costs for a certain set of deliverables
 - You must be specific with your deliverables on each phase of the project
- The all-encompassing one-stop contract
 - Creates fear among Clients – sometimes it is too much to absorb
 - Can create an adversarial litigious relationship
 - Try breaking the project up into Smaller Phases each with its own contract attachments – AIA forms for the Main Contract body and your own attachments
- Contract Attachments provide:
 - A defined set of deliverables, compensation and time frame the Client can get their arms around
 - A reference and benchmark for the Client to measure your progress on the project
 - The opportunity for you to earn the Client's trust one step of the time in a controlled manner where you can manage the expectations of the Client

Contract Shortcomings

- Contract (Attachments); who is putting them together in your office?
- How are these Contract (Attachments) estimated?
 - Simple cartoon sets get the ball rolling
 - Involve the people who do the work in estimating the Contract (Attachments)
 - Create a time estimating worksheet that is easy to move through
- Be careful of “Ad-naseum-client-design-change-syndrome”!
 - Unfortunately, most architects do not clearly delineate the degree of design performed on their projects
 - You must be clear with the design deliverables for each Contract (Attachment)
 - Provide detailed descriptions of how many options you will provide the Client with
 - Describe the types of drawings you will produce i.e. – hand-drawn studies, two-dimensional computer drawings, three-dimensional computer drawings, etc.
 - Provide a statement in your contract (attachments) saying the Architect will utilize the best methods and tools for exploring design to exhaust the solution tree for the project

The Almighty Triad

AKA “The Brutally Honest Dissertation”

- Three factors governing every project:
 - Budget
 - Quality
 - Time
- Pick two and throw the other one out the window
 - This dissertation should be part of your contract
- Make this selection part of your contract
- Create a short “dissertation” and include it in your main body contract

Hourly Employee Time-Tracking

- Do you track billable time for your lump-sum projects?
- If so, how do you do this?
 - The project manager should track the weekly hours of his/her team for each project and check it against the estimating worksheet used in for assembling the contract
 - QuickBooks – easy; there are many good options to do this
- Do you track non-billable time for the office?
 - Break-down various activities that are non-billable and track them to see where they go
 - This provides knowledge on understanding levels of your daily, weekly & monthly office production efficiency

Tools

- Computer Hardware
- Computer Software
- Establish yourself by providing good services
 - This means more than just design services
 - Focus on delivering the product and managing the product as much as the design of the product
 - Follow through with what you say you will do
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Specific Tools for the Job

- Financial accounting software for Architecture, Construction Management & General Contracting
 - *QuickBooks* or similar
- Critical Path Management Software
 - *Fast Track Scheduler* or similar
- Develop a construction costing database
 - Use previous projects, subcontractors and material suppliers to help you develop this
 - Use CSI divisions for costing

Client - Owner Interface

- Be a good listener – “*seek first to understand rather than be understood*”
- Three questions:
 - What do you want
 - What do you need
 - What do you expect
- Involve your clients – be proactive
- Follow-up, follow-up, follow-up!
- Clients have responsibilities – make sure they know what you require of them
 - You cannot be responsible for your Client’s competence

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- Design Build Institute of America
- Christopher Widener, FAIA, Widener Riechard Group
- Frank Stasiowski, FAIA, PSMJ Resources, Inc.
- Susan Murphy, Murphy Motivation
- Scott Simpson, FAIA, The Stubbins Associates, Inc.
- James R. Franklin, FAIA, California Polytechnic State University
- Michael Strogoff, AIA, Strogoff Consulting
- Chet Widom, FAIA, Past National President of The AIA

Further Reading

- A Theory For Practice, Bill Hubbard Jr.
- Now, Discover Your Strengths, M. Buckingham & D.O. Clifton, Ph.D.
- Professional Practice 101, Andy Pressman, AIA
- The Executive Architect, J.E. Harrigan, Ph.D. & Paul R. Neel, FAIA
- Staying Small Successfully, Frank A. Stasiowski, FAIA
- Management for the Small Design Firm, Jim Morgan
- Architect's Professional Practice Manual, James Franklin, FAIA
- A Theory of Practice, Dana Cuff
- Handbook of Project Delivery, AIA California Council