

# ACA INSIGHT



## **National Webinar Series**

**Presentation will begin shortly**

# ACA INSIGHT



**2015 – no. 5**

**The Business of Architecture**

**Part 3**

# ACA INSIGHT



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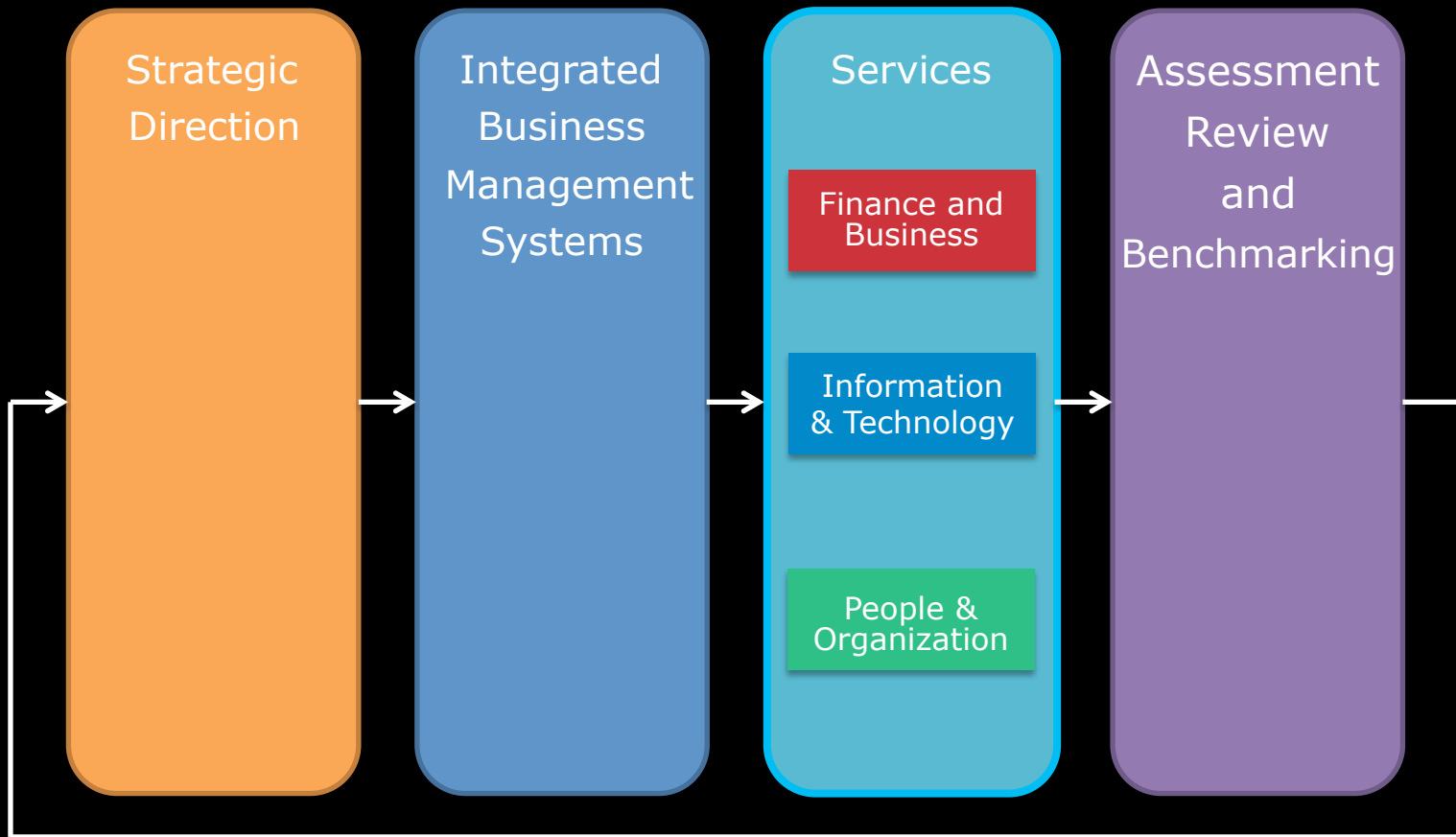


Presenter: Rob Peake

### Management for Design | ACA

- Commenced as a shared services business
- Servicing design and project related businesses
- 20 people across 2 locations — Melbourne and Sydney
- Clients and Partners located in Australia, US, NZ and SE Asia

Management for Design Services and Systems



## Introduction

- Business of Architecture is about clients, leadership, vision, contracts, negotiation, profit and loss, systems, people, fees and proposals, invoices, budgets, communications and finance etc.
- Most architects set up their own practices with little or no experience in running or building a business
- Business of architecture is not innate — so how do you learn the right way? Only a small fraction of what is required is part of our architectural education

## Introduction

- Are you running a business or designing and delivering buildings?
- Successful businesses understand the value of their work and how to deliver and charge for it effectively
- There are common themes throughout all successful practices and businesses. What's unique about architecture?

The 10 foundations on which to build a successful and sustainable architectural business are:

1. Purpose and Plan
2. Leadership
3. Systems
4. Financial Control and Profitability
5. Team
6. Management
7. Managing Risk
8. Marketing, Communications and Brand
9. Design and Delivery
10. Succession



## 6. Management and Operations

- Management has far less to do with people than you've been led to believe. Architects (and most people) are almost impossible to manage
- Managing is about managing a process — a way of doing things — a system
- Think about how things get done through people using great systems. Great businesses are those that use a great management system
  - What is the result we want to achieve?
  - Why aren't we producing that result?
  - Are our project expectations clearly communicated and understood?
  - Do we lack a system and if we do, why aren't we using it?
  - This is how we manage around here not who manages here

## 6. Management and Operations

- How do we manage our projects across the studio and each project
  - Assign responsibility
  - Weekly programming meeting (45 mins)
  - Schedule of consolidated projects
  - Priorities, milestones, deadlines
  
- Projects need a Project Plan — tasks by phase, timeframes, responsibility, work required, estimated of hours. Needs to match the scope!
  
- Track progress on a weekly basis
  - % complete / % hours used (earned)
  - Estimate to complete
  - Reasons for variation

## 6. Management and Operations

Navigator Refresh | Options | Help | Log Out

< Benson Research Lab

Dashboard | Planning

Vision plan. Target Multiplier: 3.00 EAC Multiplier: 4.29 Currency: USD

### Labor Plan Summary

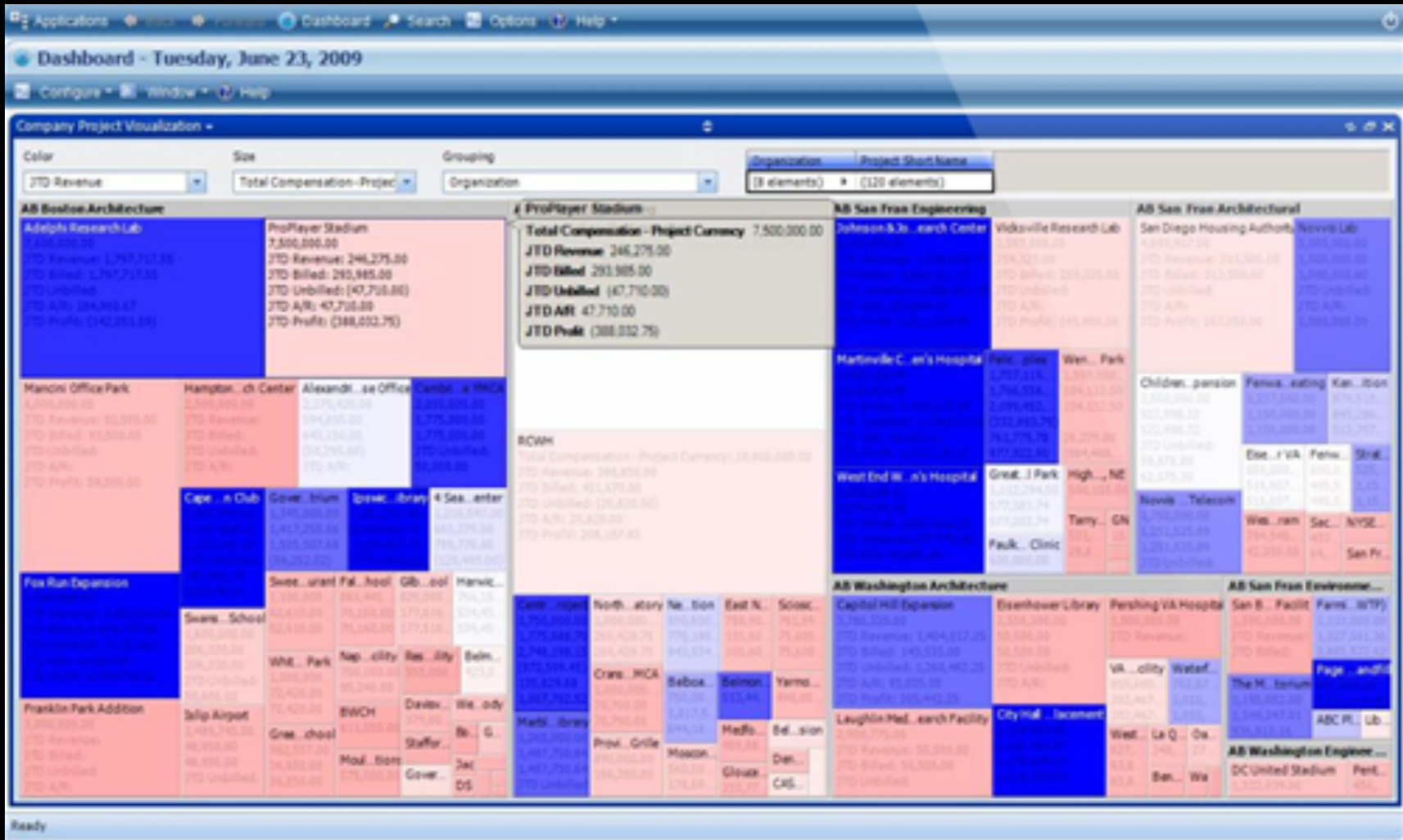
■ JTD Amount ■ ETC Amount ■ Contract

### Labor Plan Timeline

■ Planned ■ Actual ■ Contract Earned ■ Contract

Level/Resource	Start Date	End Date	Contract	JTD Amount	ETC Amount	EAC	Contract Less EAC
Benson Research Lab	5/11/2008	5/25/2015	856,000	443,046	351,295	794,440	61,500
Pre-Design	5/11/2008	4/30/2012	230,000	181,362	0	181,362	48,638
Code Analysis	5/13/2008	4/30/2012	180,000	166,232	0	166,232	-4,232
Programming	6/11/2008	11/30/2011	50,000	15,120	0	15,120	34,880
Site Analysis	6/15/2008	12/31/2011	20,000	0	0	0	20,000
Schematic Design	7/11/2008	7/31/2011	245,000	127,480	0	127,480	117,520
Design	8/1/2008	7/31/2011	110,000	78,328	0	78,328	31,672
Documentation	7/11/2008	7/31/2011	80,000	49,152	0	49,152	30,848
Preliminary Construction Estimate	7/11/2008	7/31/2011	55,000	0	0	0	55,000

6. Management and Operations



## 6. Management and Operations

- How do we manage our resources across the studio and each project
  - Engage them in the plan (show them the scope!)
  - Give people timeframes, due date and expectations
  - Weekly project meeting (45 mins)
  - Who is responsible for what
  - Schedule of consolidated resources
  
- Keep track of utilisation / chargeability
  - Overall chargeability - 80%
  - Principals - 50%
  - Project Architects - 80%
  - Project people - 90%
  
- Revenue per person \$160,000 to 200,000 per person

## 6. Management and Operations

- Structure your business to have clear responsibilities / expectations. Draw up an organisation chart
- Spend your time on your management systems not on managing people — its not your people that are the issue!
- Focus on creating innovative systems that you can use and monitor — once they are in place its easier to find great employees
- Train / mentor your people to follow your system and evaluate them according to their use of the systems

## 6. Management and Operations

- Business owners need to focus 'on' their business rather than 'in' their business. Is that why you went into business?
- This is the real essence of the business of architecture and business success
- Get this right and you can focus on what will make your business unique:
  - Why clients choose your business over others
  - Value your practice will deliver
  - Relationships with your clients

## 7. Risk and Legal

- Need to adopt strategies to mitigate risk. These include:
  - Business structure
  - Agreements
  - Contract management
  - Terms and conditions
  - Exclusions
  - Fees
  - Insurances
  - Advisors



## 7. Risk and Legal

- Business Structure — Company, Unit Trust or Partnership
  
- Shareholders / Unit holders Agreement
  - Ownership obligations and transfer of ownership
  - Insurances
  - Restraint
  - Decision making
  - Other business interests
  - Exiting the business
  - % of profits linked to performance
  - Employee share plans
  - Buy / Sell Agreement
  - etc.

## 7. Risk and Legal

- Must have a signed agreement / contract with the client. They define your responsibility and what happens when things aren't working out
  
- Provide as detailed a scope as possible and itemise the exclusions and where additional fees are applicable e.g.
  - Delay in gaining approval
  - Engagement of secondary consultants
  - Change in documents due to change in scope
  - Additional drawings — as built etc.
  - Negotiation related to Novation
  - Limit defect inspection
  - etc.

## 7. Risk and Legal

- Fee Negotiation
  - Use historical data — don't estimate and reinvent each time
  - Need a system for tracking your past performance on projects
  - More of the work / value of the architect is being delivered earlier — 25% for SD, 25% for DD — how do you capture this?
  - Fixed fee has advantages — simplifies the invoicing process, built around efficiency in your operation, eliminates the uncertainty
  - Create certainty in the minds of your client — offer fixed fees for service
  - Provide service guarantees
  - Ask for feedback on performance

## 7. Risk and Legal

- Additional Considerations:
  - Adequate PI insurances (relationship with insurer)
  - Protection of copyright, moral rights etc.
  - Clause for increasing rates and fees
  - Be clear about indemnity clauses and their implications
  - Written documentation on decisions and instructions
  - Stay up to date with changing legislation and regulation
  - Anticipate downturns
  - Comprehensive employment agreements with staff
  - Managing cash flow
  - Proactive attitude to addressing problems
  
- Need great legal support — establish a relationship

## 8. Marketing

- Marketing effort has a singular focus — “to win work”. Once you start your business it’s your job to help it grow
- Keep track of your work generated and backlog — how much should you have?
- How do you do this? Think about in 2 elements:
  - Business Development
  - Communications
- To be successful you need a strategy, a plan, a system and measurement criteria

## 8. Marketing Business Development

- Be clear about the work you are trying to generate — project type and client types
- Track work generated as an indicator of future workload — typically 75-85% of work comes from repeat clients — develop objectives around this and capitalise on client relationships
- Identify sectors, clients and a plan to connect with them
  - public speaking
  - getting involved
  - philanthropy
  - industry activities / events
  - networking and work on relationships (i.e. media)
  - business associations
  - tenders and submissions
  - existing clients

## 8. Marketing Business Development

- Involve and mentor your your people in BD
  - Share your strategy
  - Share client meetings
  - Attend BD meetings
  - Involve them in contract review
  - Engage them in networking and attend events
  - Develop a BD program
  
- Look for people who:
  - Have clients who want to work with them
  - Always seem to have more work than they can perform
  - Delegate but retain responsibility
  
- Keep track of and reward performance — work generated, networking, new clients introduced. One year's work in backlog (365 days/80% probable) etc.

## 8. Marketing Communications

- Essence is to communicate who you are and why a client should use you
- Communications made up of internal and external communications and includes:
  - Web-site
  - Post project communications
  - Social Media
  - Corporate Identity, collateral, submissions
  - Events and Sponsorship — Industry, Client
  - Surveys / Client feedback
  - E-Comms
  - Public Relations
  - Awards
- Communications focusses on exposing your business to as many target people as desired. Business is easier when people know who you are



## 8. Marketing Communications

- Can't ignore social media now — it's your on-line community
  - LinkedIn
  - Instagram
  - Twitter
  - MySpace
  - Blog
- Your work, your people and your communications are the core components of your brand — there is value in your brand
- Magnify the characteristics of your business — position your business with words
- Market and get your name out there when you are the busiest — reach out and get to know the editors of key publications (ones your clients read!)
- Develop a communications plan and system — too much to consider to do otherwise

8. Marketing

Communications

	Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
Web Site	●					
E-News			●			
Quarterly Journal		●		●	●	
Blog	●			●		
Email Campaign				●		
Brochure		●	●			
Event			●	●		
PR					●	
Social Media		●	●	●		
Survey		●				●
Corporate Identity			●			●
Sponsorship	●			●		
Case Study						
Strategy						

## 8. Marketing Systems

- Need a good CRM System for managing business development and communications activity — too much to consider to do otherwise. Where do keep this information?
  - Projects and Clients
  - Identify and track activity with Potential clients
  - Identify and track Potential Projects
  - Business Development Activity
  - Various options — Salesforce, Sugar, iAccess
  
- And when you keep it, how do make sure you maintain it?
  - Need to demonstrate leadership
  - Involve your people
  - Create a system and ask questions
  
- Superior client service based on tight systems should lead to continued client satisfaction and consistent, sustainable growth

## CPD

### Final 2 elements

- Design and Delivery
- Succession

## Contact

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Refer to [www.M4D.com.au](http://www.M4D.com.au)

for sample case studies

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## Thank you for attending

### Participation in this webinar

- corresponds to 1 formal CPD point
- please keep your receipt and completed questions as evidence of your participation