

Practice

Firm Practice and Transitions Strategies *A personal view of mergers and acquisitions*

by Don Crosby, AIA

Most architects beginning a practice are not planning for transition—they are hoping just to survive. Once survival is assured, however, motivation often evolves into finding the best path for transition. For some firms, grooming the next generation for a smooth succession or selling shares to promising young talent remains the best option. For others, it makes more sense to acquire another firm—or be acquired. I have had experience with all three.

The primary benefit of a merger or acquisition is new opportunities in terms of client types, contacts, and firm-management practices. The downside is possible dilution of the “brand,” the firm name.

Stay ahead of the curve

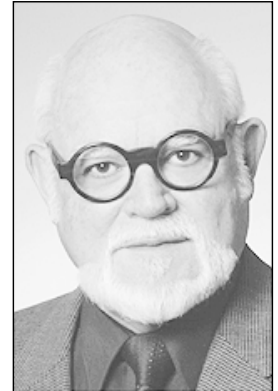
When I started my own firm, I wanted to make my own design statement and work closely with clients and other independent-minded young architects. In 1965, one of our partners was not an architect (unheard of in the '60s!). He was responsible for our marketing and administration and was key to our early success. We also formed an alliance with a land planner, who brought us a lot of commissions.

Today, firms of all sizes offer services that are not traditional, including post-construction analysis, real-estate analysis, and workplace strategies. There are a lot of opportunities—and



Pajaro Dunes, Monterey, Calif., a townhouse resort.

partners—outside standard practice. For example, architects are beginning to offer “virtual services”; they are employed to analyze a problem with architectural software although no built project is intended. Some firms design retail stores and Web sites together. The lesson is: Be open to partners outside the profession who might bring relevant expertise to your practice.



CROSBY

Diversify services

In our cyclical economy, firms with a variety of project types—including institutional—fare better than those that do one building type. After running our own firm for three years, we wanted to expand our market base beyond our focus of housing and small commercial projects. We hoped to take on large government projects, and the opportunity to do so arose when a large firm based in Southern California offered to acquire our firm. We agreed and became their Northern California office. The opportunity, financial compensation, and greater stability balanced our regret at having to give up our name. Following the merger, we received commissions from clients such as the General Services Administration, U.S. Army Corp of Engineers, and the California Highway Patrol.

If there's a misalignment—move!

After four years, we found that our young culture was not aligned with the older firm, and we went our separate ways. Although we returned to our former name, it was like starting over. Fortunately, we had resources and successful new relationships with institutional clients that led us to California's Central Valley. We opened a branch office in Modesto, which grew, and we eventually sold it to the younger partners in the office.

From the early 1970s into the 1980s, our firm grew and expanded into new markets, including sports buildings. By the early 1980s we employed 60 people engaged with a mix of private- and public-sector work.

By the late 1980s, however, the four main partners got rest-

continued on next page

Practice

Firm Practice and Transitions Strategies *A personal view of mergers and acquisitions*

continued from previous page

less and wanted to pursue separate interests. Two of them formed a new firm that focused on sports-related work, and the third went to work for a professional organization. A younger associate became my partner. Within a short time however, the promising younger partner had to retire because of illness, and I didn't have a back-up plan.



Field Services Building, East Bay Municipal Utilities District, Oakland, Calif., 2000.

Know yourself

I have always preferred sharing a practice and the responsibility of making tough decisions in design, client relationships, project management, and financial management. So, after my new partner had to retire, I asked the firm's financial management consultant if he knew of anyone in a similar boat. He told me he had worked with an architect who had a strong interiors, historic renovation, and building-evaluation practice, which complemented the housing/sports/institutional practice that I had built. A sole practitioner who owned a firm of approximately the same value, she also wanted partners. In 1989, we merged and threw all the stock into one pot—it was easy because we had the same systems and complementary personalities.


Look for opportunities

In the mid-1990s, The Ratcliff Architects approached us about a possible merger. Both firms were struggling to develop long-term succession plans that would satisfy the partners' requirements. There were some candidates, but not enough of them for an orderly transition in either office. Since Ratcliff has a

strong portfolio in health-care and education facilities, we decided that the combined firms could refine their focus and become a strong regional competitor. Once again, it was hard to give up the name that had been with my firm for most of my 30 years of practice. Ratcliff, however, had been in existence since 1906, had the stronger regional name recognition, and was going to practice far beyond my retirement. We met with clients from both firms to explain the combined strength of the new firm and refined our focus to core areas. The combined firms have prospered over the last five years.

Choose the right path for you

I have found that remaining flexible about firm ownership structure brings the greatest benefit in terms of collaboration and financial reward. For me, the right path has meant more clients to work with and greater variety of projects to design and build. Foremost, it is essential to understand whether you are a solitary kind of architect or a collaborative one.

Bottom line? The strength of a firm is only partially in the name—it is mostly in the people. 

<u>DATE</u>	<u>OWNERSHIP TRANSITION</u>	<u>FIRM NAME</u>
1965	Partnership	Crosby Thornton Hill Associates, Architects
1968	Purchase of Controlling Interest	The Hope Group of Northern California
1972	Partnership	Crosby Thornton Marshall
1978	Branch Office	Crosby Thornton Marshall Booker Lawlor Architects
1987	Partnership	Crosby Yandell Architects
1989	Merger	Crosby Helmich Architects
1996	Merger	The Ratcliff Architects (subsequently renamed Ratcliff)