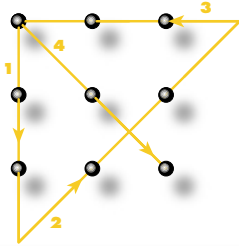


Marketplace Research

Why Consider A New ARCHITECTURE?



In the last decade or so, all facets of our economy have been touched by a trend known in the banking world as “disintermediation,” which refers to the bypassing of channels, or the removal of the traditional “middle man” in many business transactions.

Spurred by the ability to access information, via the Internet, that intermediaries such as banks traditionally provided, consumers are increasingly able to price and locate goods and services themselves, thereby eroding traditional intermediaries’ market share of these services. In other words, we have become extremely efficient in separating all of the parts, and defining specialties and areas of expertise, in every segment of society.

But we know that for every societal trend there is an equal and opposite retrend. We are now moving from disintermediation—through which we bypassed and blurred many things and, in fact, created an overload of information—to a time of “reintermediation.” We are now entering a new economy that needs intermediaries who can define and bring together the specialties that have been created.

So what is this new economy? It’s a fundamentally new way of working that is knowledge based, as opposed to information based. There are three important distinctions between knowledge and information:

- Information can sit in a drawer, but knowledge has to reside in a human head
- Knowledge is more difficult to pick up and transfer than information
- Knowledge requires assimilation, understanding, and commitment. (See *The Social Life of Information*, by Seeley Brown and Paul Duguid.)

As we discussed in previous issues, the information-based economy is to the new knowledge-based economy, as traditional “architecture,” which concentrates on a building, is to “ARCHITECTURE,” which creates an overarching framework enabling development of every aspect of a project.

The trend toward a knowledge-based economy provides a great opportunity for architects—who are trained and experienced in integrating large amounts of information—to help clients rethink and remake their business worlds. There is a need for a new ARCHITECTURE to set frameworks for integrating the whole, just as there is a continuing need for the architecture of buildings in the traditional sense.

Read the following examples from some architects on the cutting edge. You will see that the first challenge in this new economy is for all firms and individuals to choose the role they wish to play.


—Richard W. Hobbs, FAIA
Resident Fellow, Marketplace Trends

Clients want it

Robin Ellerthorpe, FAIA, OWP&P Consultants, tells us that many clients now are requesting an overarching ARCHITECTURE. They are beginning to value a holistic development process over the project’s life cycle, as opposed to just wanting “a building.”


Happily for architects, this client awareness is happening just as many firms are looking to expand their range of services as a growth strategy. The question for your firm is: How far beyond the building do you reach into the market? The answer for you might lie in the approach you decide to take. Do you

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ARCHITECTURE is the overarching framework integrating the creative design process, a business strategy, and technology. ARCHITECTURE is the setting in which that architecture is performed.

architecture applies a knowledge base, experience, and object-oriented responsibility to the creation and implementation of a building.



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develop a subset of the traditional skills within your firm (“architecture”) or do you want to invent a new process within or connected to your firm (“ARCHITECTURE”)?

There are, of course, myriad variations and steps in between. To find your niche, ask yourself what business you are in. An architecture firm might say they are in the business of “designing buildings.” An ARCHITECTURE firm might say they are in the “information interaction and interface design business.” You can define your business by product or process, customer or client, or core competency or skill set. (See *All the Right Moves*, by Constantinos C. Markides.)

Check out the competition

When architects look at expanding into areas beyond their traditional scope, they may find that their competition is not necessarily other architects. It's the “consulting firm” that can offer the best example of what an ARCHITECTURE firm would do. As an example, look at the McClier Corporation Web site, which states “McClier will design it, build it, and pick out throw pillows.” Or, listen to AECOM Technology, whose motto is, “AECOM Technology means never having to say architecture, engineering, construction management, operation, and maintenance.”

The grandfather of these business, Arthur Andersen Consulting, provides—in the accounting field—an example of how a profession can evolve. (See *www.arthurandersen.com.*) In the 1950s,

Arthur Andersen began a consulting practice that by 1984 proved more profitable than the traditional accounting and tax business. In 1989, the firm created a spinoff called Andersen Consulting, devoted to business and technology consulting. A more recent start-up is Razorfish, born in 1995. Quoted in *Wired* magazine's September issue, the firm says they “ask clients to re-contextualize what it is to be a business service”, in other words, they are helping old-economy companies gain entry to the new economy. (We will compare the business strategies of these companies in a future issue.) (See *www.razorfish.com.*)

It can be profitable

The range of services consulting firms provide can translate into big profits.

The *AIA Firm Survey 2000–2002* research indicates that the architecture firm might have a profitability of 11 to 20 percent, based on a \$90,000 to \$100,000 per-employee annual billing. A consulting firm might have a profitability of 20 to 35 percent on a \$120,000 to \$140,000 per-employee annual billing.

Susan Hensey, AIA, of Little & Associates, says that the more planning and technology services (further from architecture, “the building”) you can provide, the greater the value for the client and therefore the greater the profit for the architect. The client, she says, is used to paying a higher fee for those services

from other consultants and does not engage in fee negotiation.

The client is quick to realize that when architects get involved in a project, their integrated-design-process thinking kicks in, and they actively work on behalf of the client, Hensey points out. So the key for architects is getting in the door. Once the architect is in the door, and the relationship and understanding of the client's business strategy increases, services awarded to architects likewise will increase.

It's bigger than a building

Another challenge in creating an ARCHITECTURE firm is acquiring and integrating the diverse skill sets you need for the services you want to provide. Andersen Consulting, for instance, had this difficulty integrating accountants and MBAs with technology people when it started up its accounting consultancy. Architecture firms can have the same challenge integrating psychologists, planners, economists, computer programmers, and other technical experts.

Little & Associates defines itself as a “design enterprise” and in doing so speaks of the “total facility solution.” This range of services provided, expressed in its corporate culture and business statements alike, lessens the need to totally reconcile diverse competencies, background experiences, salary levels, and billing rates within one company. Many architects could take a lesson: the overall challenge to creating an ARCHITECTURE firm is that most architects still see themselves as related to the *project* rather

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than to an expanded range of services in an ongoing cycle of user-interface processes. Clients also seem to be ahead of many architects in recognizing this need.

The challenge for ARCHITECTURE firms will be learning to coordinate and work with an extremely diverse group of professionals. Right now, only about 10 to 15 percent of the staffs of many consulting businesses are licensed architects or architecturally trained. The traditional architecture firm with five or more employees would keep its licensed architects and architecturally trained staff at 30 to 40 percent. The AIA's Aligning the Institute for the Millennium (AIM) strategic plan recognizes and promotes the need for architects to reach beyond our traditional circles both as a profession and for our client base.

Everyone can contribute to a more diverse profession

One wonders how we can define—or even predict—a profession of the future, given the stunning mix of generations (not to mention race, gender, and ethnicity) in the workforce *and* as a client base. Harnessing the advantages of this generational diversity, including its related skill sets and experience factors, could be a key to success for persons designing the workplace and those managing and using it.

I predict that “reintermediation” of knowledge will bring the generations together, using technology—the Internet—as the universal connector. “Nexters” (born 1980–2000) of multitasking capabilities and technical savvy, Generation Xers (1960–1980) un intimidated by authority, Baby Boomers (1943–1960) skilled as relationship builders and team players, and Veterans (1922–1943) with experience drawn from traditional values of hard work—all will work together to redefine a profession that allows architects a clear choice. (See *Generations at Work*, by Zemke, Raines, and Filipczak.) Some will produce the architecture; others will integrate the ARCHITECTURE.

What will you do? Let us know, rhobbs@aia.org. ■

Going global

The AIA Marketplace Research program identifies emerging global trends, assesses their potential effect on the profession, and offers architects alternative ideas for action.

Here are some global trends from an “insider’s guide to the future” presentation by futurist Edith Weiner, Weiner Edrich Brown Inc., New York City.

- The speed at which technology is changing is changing us (project turnaround times are more important than ever)
- We are moving from an owning economy to a renting and leasing economy (major financial ramifications for many of our clients and our own office management)
- The “Americanization” of the global economy, i.e., the adoption of American-style capitalism throughout the world, makes the risk of capital lower and safer (making international practice—with greater accountability and transparency—all the more attractive)
- Organizations are in a constant state of change keeping up with the speed of change (flexibility will be key)
- Assets will not be defined financially, but rather by access to the client (architects with strong relationships to the client may have a competitive edge)
- “Reintermediation” is replacing “disintermediation” (see definitions to the left)
- The overriding issue in all organizations today is casual dress—it’s not the clothes themselves, but defining productivity and the boundaries and authority of the workplace, and blurring one’s work and oneself (black turtlenecks and Corbu glasses are *in!*).

—RWH