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## National Conference on the Building Industry

### Summit on Expanding Architectural Services

#### Overview

The National Conference on the Building Industry, held in Nashville September 14-16, was sponsored by Corporate Architects, Design-Build, Facility Management, Public Architects, and Practice Management PIAs and the Small Project Forum. The Forum Advisory Group convened at the conference to conduct forum business and note for forum members program highlights. Rosemary McMonigal, AIA, reports on the seminars on "Electronic Partnering: 'Informating' the Building Enterprise," and "Alternate Structures for Design Offices." Gabriel Durand-Hollis, AIA, reports on seminars on "Risk Management Strategies for Emerging Forms of Project Delivery" and "Practice Management: How to Survive Our Profession's Volatile Economic Cycles." Donald Wardlaw, AIA, reports on proceedings at the Summit on Expanding Architectural Services.

#### Electronic Partnering: "Informating" the Building Enterprise

*Jerry Albert Laiserin,  
AIA, CPA  
Executive Director  
Design Technology Forum  
Woodbury, N.Y.*

**Summary:** Business process reengineering—eliminating redundancies in the development of strategic organizational assets through information technology—is transforming project delivery. To avoid being among the redundancies reengineered out of the process, we architects must reposition ourselves as managers—not just the creators—of building information. Success or failure in the "informed" building enterprise will depend on our ability and willingness to develop and lead electronic partnerships with our consultants, clients, and constructors.

Jerry emphasized three components of electronic partnering:

- Business process reengineering
- Information technology
- Project delivery.

#### Business Process Reengineering

Begin by analyzing your business, setting goals, and determining the things most important to your business and customers. Focus on your core values and eliminate those things that do not add value to your customers.

#### Why reengineer?

The factors of scarcity of capital, time-based competition, global competition (not a typo—a combination of competition plus cooperation), and mass customization all support reengineering. We used to compete on quality, service, and price. Now a key added factor is time. A client asks "How fast can we have it?" Time is money and we're back to the scarcity of capital factor.

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**How to reengineer?**

Identify your core competencies. Learn to do things faster, cheaper, better, and smarter. Study your competition to see what they're doing best and start to do it. Also, look at businesses that are different than yours to learn process and service improvements. Toyota prepares time flow charts noting not just how long each step takes, but in whose hands each step is. Called functional equations, Toyota is carefully measuring their process and developing methods to improve.

**Impact of reengineering?**

Every industry is acknowledging the impact of reengineering through downsizing, outsourcing, and repositioning. Architecture is no exception. More people are practicing architecture than our economic and social system is willing to support.

**Information Technology**

We never used to walk through our offices proudly extolling, "We have a Mayline on every desk." Nor do accountants say adding-machine-aided practice.

Computers are a tool and our focus should be computer-integrated practice. This step provides networks within the office and around the world, as well as connections between locations, consultants, and clients. It is possible to integrate information through global communication networks, information linking, and groupware technology. The real goal is exchanging information, not focusing on the tools that we use.

**Project Delivery**

Project delivery methods vary depending on the project approach. Design-bid-build is very sequential. Fast track is parallel processing. When establishing project teams, balance authority versus accountability and accessibility versus responsibility.

In determining the delivery process, focus both on access and control of information. Typically, as the project proceeds, the architect drifts lower and lower on the information food chain. The goal is to stay close to the client and manage the communication.

Electronic partnerships need careful management. When forming a partnership, determine who benefits, who pays, and who is in charge. Business entities are now available that are independent companies offering data intermediary service, data escrow, and data repositories.

**Control the Information**

The clients drive the process because they control the funding. Architects will control the project if they control the project information. The client is going to use the company that best meets its demands and needs. In the building process, this is the person who creates the project information, uses the project information, and manages the project information. If architects want to be that person, they must learn to manage, not just create, the building information.

## Alternate Structures for Design Offices

*Wayne S. Schmidt, FAIA  
CEO—Schmidt Associates,  
Inc., Indianapolis*

*David Johnson, AIA  
Principal—Eastlake Studios  
Chicago*

*Grant A. Simpson, AIA  
Director of Production,  
Principal—HKS, Inc., Dallas*

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Summary: Competition is affecting all members of the architectural profession, owners want buildings more quickly, and contractors need decisions yesterday. Successful firms are constantly looking for new ways to be profitable. This program explored ways in which three firms of differing size are achieving success.

The office structure that you choose will be determined by:

- Forces within your market
- Your attitudes of self
- Your concept of practice
- Size of your firm
- How you choose to position yourself in the market.

The forces acting upon you include:

- Attitudes of self
- Profession
- Economy
- Government
- Reputation
- Technology, mobility, information
- Peter principle.

What you affect:

- Attitude
- Drive
- Rewards
- Sense of future.

Know yourself:

- Bias
- Assumptions
- Attitudes
- Philosophy.

Know how you see the world around you, as:

- Extrovert/introvert
- Intuitive/sensing
- Feeling/thinking
- Judging/perceiving.

Know what drives you:

- Income
- Being published
- Success of others
- Work environment
- Chasing rabbits.

Firms tend to be positioned in the market with primary strength in one of the following areas:

- Design: focus on being published, eccentric design, emphasis on an individual/star

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- Operations: highly reliable, much standardization, hassle-free basic services, low fees
  - Client relations: value-based services tailored around client, process oriented.

Some offices remain with a primary strength through the life of the firm while others will attempt to shift strengths depending on project types or client needs. The culture is significantly different among all three and it was pointed out that shifting strengths is not realistic.

Firm growth and longevity is stymied by:

- Design: design leadership, lack of technology
- Operations: lack of standardization
- Client relations: lack of knowledge.

At HKS and most firms there is a difference between a firm's organizational structure (to facilitate the management of the company) and a project's organizational structure (to facilitate project delivery). Firms tend to departmentalize when the size of the firm (typically 10-15 employees) begins to dictate the need for specialists, for example the dedication of a specification writer or construction administrator. At Eastlake Studios, they do not distinguish between a firm and project structure. Teams of four people work together and the entire office has open office access to all information, including all financial data.

### **Risk Management Strategies for Emerging Forms of Project Delivery**

Panel from Design  
Professionals Insurance  
Company (DPIC)

This program started out with a description of the main project delivery forms other than design-bid-build. The owner-architect-contractor relationship per AIA documents A201 and B141 is still the common point of reference, but a growing number of projects are being built in design/build schemes. From the owner's standpoint, design/build offers a single point of responsibility and liability. The focus of this seminar was the higher liability risk architects take on as prime design/build contractor.

These risks are in addition to the design liability. They may include liability for materials, methods, scheduling, workman's compensation, performance, and other risks. It was suggested that anyone considering design/build should evaluate the owner, the project, the fees, and the proposed participants and then ask whether any of these are on their own a potentially high risk. Ask also if all participants have a clear idea of their roles. Ask who guarantees the performance for the whole team. Ask if the project has a realistic scope, budget, cost, and time.

Other keys to design/build success:

- Know your team members' abilities and performance expectations
- Negotiate solid contracts
- Form a separate business entity for design/build projects
- Plan for changes and extra costs
- Plan to avoid disputes or resolve them promptly
- Fulfill all your ethical and professional obligations.

From the insurance industry's standpoint, claims are noticeably reduced for architects involved in design/build, which is expected to become more

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common. Insurance industry support is developing. It is a suitable form of delivery for small projects.

**Practice Management:  
How to Survive Our  
Profession's Volatile  
Economic Cycles**

*Herbert Nadel, AIA,  
President, The Nadel  
Partnership, Los Angeles*

Nadel discussed how his firm struggled and developed a successful method to prosper during California's recession. By making all staff members stakeholders in the firm, the key individuals would push to stay profitable. He encouraged key employees to open and run a branch office. Despite a troubled economy, the firm continued to grow.

Nadel suggests that we identify what we do, not merely as architects, but also as business people. To sell our "inventory of hours," we must always be doing what our customers are buying. This implies either that we become small specialty firms, or large diversified firms where employees are encouraged to move into specialties. According to Nadel, employees should be empowered because they will do well—they fear failure and will find a way to meet the challenge and succeed.

The valuable employee can be a key for new work. But most of the steady work, in his opinion, is mundane, repetitive, or decidedly unglamorous. In recessions, do the work others do not want. Associate with other firms and do the unglamorous part.

Downturns are a recurrent phenomenon. Smart firms plan for them. Planning for the future means being an integral part on one's community today. Says Nadel, "Give to the community and the community will give back with new work."

**What Is an Architect?  
(It Depends)**

In conjunction with the National Conference on the Building Industry, The AIA sponsored the Summit on Expanding Architectural Services, which was a day-long series of discussions generally focused on the future outlook for the profession. It was structured around four panels: architects; clients; design firm management consultants; and a public relations consultant. This summit is part of an effort by the AIA to understand the practice environment on the horizon and position AIA resources to best support members working in that environment.

**Expanded Services**

Traditional practice, also known as design-bid-build, is now seen as but one segment of the spectrum of services architects currently offer and will offer in the future. Many firms are developing specialized, marketable expertise ranging from feasibility analysis through post-occupancy evaluations and facility management. There are also many other project-delivery variants on design-bid-build, construction management, and design/build evolving in the marketplace. AIA California Council has in draft form the "Handbook on Project Delivery," which identifies eight basic project delivery methodologies: design-bid-build, negotiated select team, CM as advisor; CM as agent; CM as constructor; design/build by constructor; design/build by developer, and bridging. The handbook is intended to provide a detailed comparison of the various methods from the perspective of the architect, owner, and builder. Call Julie Thompson, (916) 448-9082, for information on availability. The AIA is assessing the impact of these marketplace changes on its family of documents. It is also studying the risk implications for architects who step outside traditional boundaries.

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## How Clients See Us

While designing the current national advertising campaign, the AIA and its public relations consultants conducted focus group research on client perceptions of architects. In part they wanted to identify the things about us that are credible assets and appealing to clients. That research echoed comments by the summit panel, which suggested that they considered an architect's creative abilities to be an essential but baseline requirement. They want to see someone with those basic skills and an attitude that embraces teamwork, a kind of creative partnership.

The client panel consisted of senior managers and vice presidents from a large health-care provider, a major university, a large bank and a large parcel delivery company. We saw this as a limited cross section of the client types most of us work with. (See the small-project/small-firm perspective below). Some of them saw us as specialists. Warren Goodwin, FAIA, Quorum Health Resources, Inc., states "...the day of the generalist is gone." By nature, though, leaders must have some generalist expertise. Would clients prefer that an architect's role not be one of team leadership? Gordon Park, AIA, University of Southern California, stated that in his view the architect is the natural person to lead the project team. One was left with the impression that the client panelists would welcome the architect in a leadership role if, and only if, they were confident that the architect had adopted their agenda as his or her agenda and that the architect had the necessary expertise to implement it properly. In some cases this might require expertise not traditionally associated with architects. Noted one panelist, "owners may not understand the value an architect brings."

## Economic Environment From Clients' Point of View

No one mentioned upsizing. These clients have a sophisticated and relentless attention to their bottom line costs. This may be due in part to the financial analysis tools now at their disposal. They expect architects to understand how important project costs are to their operations. Noted Brad Hilliard, Federal Express Corporation, "...capital requirements compete with facility requirements. Feel that need with us." [Translation: "Don't make the kitchen so expensive we can't do the entry, or make our IRA investment this year, or send the kids to private school."]

Park noted that the health and education fields face huge cuts in the costs of their overhead. Both industries have long been accustomed to double-digit cost increases, which are no longer acceptable. For architects this means reductions in capital outlays for facilities and an expectation by clients that their projects will be delivered on budget ("within 3 to 4 percent"). The design/build delivery method was very appealing to the panelists because it gives them a predictable or reliable cost.

Cost pressures on large organizations are also causing many of them to outsource facility development tasks they used to do in-house. This rearranges the food chain somewhat. One aim of these large organizations is to reduce their staff size, which means they can effectively deal with fewer consultants. Architecture firms can find new opportunities here if they can adjust the mix of services they offer, which may need to be broader and include expertise in fields like real estate, economics, and business management. For firms specializing in traditional architectural services, there may be subcontracting opportunities. Small-project expertise ought to be very marketable in this environment.

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## What Client Service Means

According to Hilliard, it means understanding who your clients are and what their organizational cultures are like. For a corporate client, this means understanding the political culture, who the stakeholders are, and what their agendas are before starting design.

Some clients are highly sensitive to political and technological changes going on around them. Client service means seeing where your clients are today. It means understanding how their business environment looks to them. One conference participant noted an address by M. Arthur Gensler, FAIA, at the AIA convention in Atlanta, who stated that architects who do not read the same material their clients read will have difficulty understanding the world of their clients.

Although architects often imagine that their portfolio is their greatest strength, clients on this panel find far more appealing those architects who can focus in quickly on their needs. Taken as advice, it was very similar to the advice given by marketing consultants Flynn-Heapes Kogan at the Small Project Forum Atlanta convention brochure exchange. According to Park, "the profession can't take 20 years to teach its members how to deal with people anymore." And he adds this about firms marketing their services to USC, "the better firms say not, 'Here is what we can do,' but 'what is it that you need?'"

For many commercial and institutional clients, client service is closely linked to their notion of how they should operate. According to Karla Schikore, Bank of America, they are continually exploring "how to get service to customers as easily as possible." In their case it manifests itself in doing business today in ways they did not do business yesterday, such as installing play pens in some banks, or loaning golf carts for transportation in other (senior-weighted) communities. Clients who are creative in serving their clients will probably expect architects to be creative in serving them.

Client service also means having an understanding of why a client builds and then making that aim paramount. For example, the client group described building mainly as an activity to achieve some economic end. In many cases, these clients must justify the proposed construction, its cost and benefits, to others within their organizations. An architect who can assist them in making their case, an architect who understands what internal rate of return is, will be valued and influential.

## How Technology Shapes the Future

For some clients, their businesses are transforming faster than their facilities can adjust. Goodwin, speaking of the health-care industry, noted that architects "...need to understand the electronic changes in medical service delivery." According to Goodwin, the medical office building/hospital distinction is blurring. On the horizon are "virtual health-care environments" that link medical experts, patients, and intelligent systems, all at different remote sites for patient diagnosis and treatment.

For architects, Goodwin envisions designs created on computer, probably with collaborative involvement of owner, architect, and builder and constructed from computer data without intermediate sets of blueprints. As an indication of the kind of integration we may see in the building industry someday, he notes that Boeing, in designing the 777 jetliner, brought together 400,000 people, 2,600 companies in 80 countries, and 4,000,000

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parts digitally, without blueprints. Goodwin also envisioned a time when software generates a bill of materials and project costs as the project data model is adjusted to align with project design decisions.

Ken Herold, Industry Alliance for Interoperability, reported on work his group is doing, in conjunction with major software developers and building industry players, to develop software standards for object-based AEC software. Such a set of standards, which might be analogous to an industry specification, is intended to be nonproprietary and, if developed as envisioned, would allow one software developer's description of, say, a door in a wall to be equivalent and understandable to another manufacturer's software. CAD drawings might contain much more extensive and specific databases on the building components than is common today and, fundamentally, would give a three-dimensional description.

With these kinds of clients, even current technologies are transforming the manner in which they develop products and work with architects. Many have adopted workgroup software (Lotus Notes for example) and use e-mail extensively. In some respects this client group may be more technologically sophisticated than many architects. Workgroup software, which allows people to collaborate on documents (schemes, proposals, etc.) from different locations is a big hit in the corporate world. One wonders if it will be too long before these or similar tools find their way into architecture offices. Noted one client panel participant, "Architects must not be just adept [at information technology], they must be advanced."

#### **Ways Architects May Adapt to Meet the Future**

Voices among us have lamented the diminution of the architect's role in the building process. The AIA appears, in response, to move off in two different directions. On the one hand it works to expand the market for our services (identify new areas of specialization) and on the other it works to restore the architect to a position of greater responsibility (identify the architect as a unique and essential generalist). What do architects need to do to be essential to the process of design and construction in the 21st. century?

According to Thomas Emison, Grant Thornton Management Consultants, architects need to develop new kinds of relationships with their clients. Whereas architects were once the owner's prime, indispensable advocate, today architects are "one of the owner's many choices." He recommends that architects move "up the real estate asset food chain" by finding ways to serve owners earlier in the facility development process. This may require some strategic business planning, since new skills may be required. For large firms this may involve bringing new expertise into the firm via strategic hiring. For small firms, this may involve strategic associations with other professionals.

Merwin Ullestad, Deloitte & Touche, recounted how his accounting firm had long ignored the state and local tax aspects of their clients' tax returns, preferring instead to be experts on federal returns and assuming that there was no benefit to their clients by scrutinizing local bills, which seemed small in comparison to federal bills. At some point he realized that their clients needed good advice on local bills—the need to manage costs has become a mantra at all levels of most businesses. Ullestad asked, "Clients need this, is this something I can do?" Not, it turns out, without developing new expertise. His advice to architects: "Invest every year in something. Take

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time to develop new expertise." The process is generally one of evolving from a service provider to a team member. Make yourself truly indispensable.

Emison cautioned that success in the future will require a strategic focus. "Don't expand your scope of services and your market at the same time. Reduce your market and expand your services." Mary Breuer, HOK Consulting, describes how her division at HOK has focused on client relationships and providing them with professional expertise in decision support, predesign and post-design services. "We don't have to market ourselves, we just get to know clients. Relationships impart a sense of culture. We're getting a whole lot more work from fewer clients." HOK Consulting currently accounts for 20 percent of HOK revenue and is the fastest growing division within the company.

### **The Small-Project/Small-Firm Perspective**

Two thirds of all AIA architects work in small firms of nine or fewer architects. It is hard to envision a reshaping of the profession without you being a part of the final shape. The summit panelists were drawn principally from large sophisticated client operations and architecture firms that typically work with clients of this type. There are a couple of benefits to this mix. First, these clients are experienced in working with architects and can give us informed feedback based on a range of experiences with architects. Second, firms that deal with these clients, in theory at least, should be capable of providing state-of-the-art services and developing those services with resources small firms cannot match. We might learn from their experiences (and expense!).

There are also some deficiencies in this mix. Many of us work with smaller organizations and clients who build infrequently, perhaps only once. Their needs and expectations may be substantially different than those of the client panel we heard. Their economic environment may also be quite different. And will the nature of practice for small firms and small project architects evolve in the same direction that the larger firms move toward?

We do share with larger firms a need to understand what our client's needs are, how they are changing, how technology will transform our work, and how our mix of services may change. And we do need to know what state-of-the-art service in a small firm or on a small project is. It may be fundamentally easier for the AIA to address these issues from the standpoint of large and midsize firms and their clients. With respect to these kinds of issues, large firms are accessible, resourceful, and influential. Their clients are accessible and have an ongoing interest in the improvement of the architectural services that they draw upon.

We in contrast are diffuse and have difficulty tapping the strength latent in our sheer numbers. Our resources in aggregate are large, but again inefficiently distributed. Our networking opportunities, at least until the advent of the Small Project Forum, have tended to be local. And it is especially difficult it seems, to characterize our clients.

The forum does give us a tool to survey the road ahead. We hope to foster discussion not only on what we are doing, but also on where we are heading. It would be useful if we could develop a perspective on our practice that allows us to anticipate future trends and have some command over our future. We are grateful to those of you who have begun to contribute your ideas and experiences to the forum's publications. This February

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we will revisit our survey of forum members we conducted two years ago. We will augment the question set with some questions related to our clients and future outlook. Each of you will receive a survey. We feel a responsibility to help ensure that small firms and firms that do small projects are properly accounted for in the AIA's evolution. We have a seat on the panel for you.