

PRINCIPAL'S REPORT

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INCREASING MARGINS:

Preparing to Thrive in a Different Tomorrow

Have costly surprises affected your firm in the past? Have you struggled with identifying new opportunities or addressing changing markets? Does it feel like the world is changing too quickly for you to make strategic decisions without sufficient information? Are there strong differences of opinion among your management team, with many appearing to be valid? Is your industry changing, or is it about to? Is your clients' world changing, or has it already? What affects them affects you. Has your strategic planning become routine? Strategic planning is about change, so if you feel that it is not pushing your firm forward in a positive, decisive way, then you're not getting the change from it that you should. Adding scenario planning to the process will help you revitalize that.

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EXERCISING LEADERSHIP:

Profile in Sustainability: Hickok Cole Architects

With more than 60 million square feet of corporate office buildings, multifamily housing, and interiors in the 20 years since its founding, Hickok Cole Architects, a 65-person firm in Washington, D.C., also has a strong commitment to sustainable design principles, with 75 percent of its staff as LEED accredited professionals. It is also one of the most successful architectural and interior design firms in the region with a 20-year history. But in the face of the recent recession, how sustainable is the firm itself? We sat down with principals Michael Hickok, AIA, and Yolanda Cole, AIA, IIDA, LEED AP, to find out how their vision and day-to-day methodologies carried the firm through the recent economic downturn and what their prospects are going forward.

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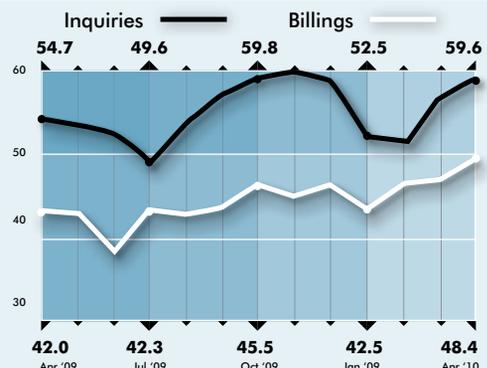
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Global Economic Snapshot Shows Slow Recovery

After the most synchronized recession in history, can the world stage a synchronized recovery? The global imbalances were a major reason for this recession, and closing those imbalances could slow the spread according to David Wyss, chief economist, Standard & Poor's, who sized up the global market at the McGraw-Hill Construction Summit 2010, held in New York City.

The U.S. hits bottom

Housing had been in recession for three years and appears to be stabilizing, according to Wyss, but private nonresidential construction is still plunging. Our overseas partners are recovering, which is helping exports, and the fiscal stimulus package has helped boost the economy, especially government spending, and the financial system appears to be stabilizing somewhat.

This recession has been the longest and deepest since the 1930s, but appears to have ended in the third quarter of last year. However, an even deeper and longer recession is possible if the financial markets lock up again, oil prices jump, or consumers remain scared.

Can the consumer keep spending?

Consumer spending led many of the recent expansions, but wealth is down because home prices have dropped and stocks are still down sharply from their peak. Borrowing is still difficult, and home equity loans are much less available. Confidence has dropped and con-

sumers are likely to continue to save more and borrow less. Falling oil prices gave back some purchasing power, but that is now a reversion, and the stimulus package provided some income boost, but unemployment is still high, so it's really a mixed bag.

Bottom line: The economy will recover, but slowly

The fiscal stimulus program will support the recovery, which is likely to be slow because of the uncertain financial markets, and switch to higher savings. If the financial markets lock up again, or home prices continue to fall, and oil prices continue to rise the recession could be longer and deeper with the risk of a "lost decade" similar to the one Japan experienced in the 1990s. Asia now needs to carry a bigger part in spurring the expansion.

ABI slowly moving up

Here at home, U.S. architectural firms reported continued movement toward a recovery in business conditions in April. The AIA's Architectural Billings Index stood at 48.4 for the month, its best reading since design revenues began heading down in 2008 (see diagram on page one). April was the 27th consecutive month that billings declined and may indicate that the profession may be nearing a bottom for this business cycle, according to AIA Chief Economist Kermit Baker, Ph.D., Hon. AIA. □

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Sound Advice: Building a Strong Organization

In a series of podcasts by Capelin Communications, Joan Capelin, Hon. AIA, PRSA, FSMPS, talks with some very astute people about how the design and building industry can—no, will—get through today's tough times. Here she speaks with Phillip Harrison, president and CEO of Perkins +Will.

Capelin: *Phil, you had some interesting statistics about firms that are highly diversified and how they are faring in the recession compared to firms that specialize. Tell us about that.*

Harrison: The industry overall is seeing a wide array of responses to the current downturn. Any business person will tell you that it's better to be diversified and the most severely hit in this current downturn were firms singularly focused on commercial or speculative work which has gone away through the credit crunch. The firms that are generally doing better are those that are in multiple market sectors, multiple geographic locations, practicing both domestically and internationally, and aren't relying on a single type of business line for their work stream. Those firms that are highly diversified are for the most part only down 10 to 15 percent on their workload, whereas the firms that are singularly focused are down 50 to 60 percent.

Capelin: *Are there ways that design firms are going to be different as they emerge from this recession?*

Harrison: If you go back two years ago, we were seeing staff shortages. We saw rapid acceleration of value-based design. Just a couple of years ago the industry and our clients specifically, became very serious about sustainability.

At the same time, clients were very focused on provability of the design. In health care, terms emerged like evidence-based design, or in the corporate workplace, benchmarking and the emergence of new technologies like BIM and integrated project delivery. A lot of these innovations were centered around adding value to the design process, such as making buildings more predictable in their outcome of high performance in not only energy use, but also in the way they interface with the user of those buildings. However, even with the changes and additions to our services if you come two years forward from that period two years ago with staff shortages, we've got way too many architects.

Currently we're seeing fee pressures. Many firms are scrambling in the market and everyone is looking for projects everywhere.

How do we stay focused on a longterm trajectory and deal with this current dynamic is really the question. My answer is, the things that were becoming more important before this slowdown should continue to be important and perhaps more so. The firms that were very focused on sustainability going into this downturn are doing better than those firms that didn't take the time to really invest in their knowledge and learn how to do truly green buildings. As the industry gets more serious about performance-based design, we will become more relevant to our clients and society as a whole.

Capelin: *You've mentioned sustainability a couple of times. Perkins+Will have 1100 employees who are LEED accredited, including some people who aren't design professionals.*

The firms that were very focused on sustainability going into this downturn are doing better than those that didn't.

That's a heavy commitment. What was the driver and how do you keep up that level of knowledge and proficiency?

Harrison: It's a sustained initiative in our firm that's been going on for about five years, and we made a decision to make it a corporatwide initiative, which resulted in certain mandates and requirements of all of our staff and professionals across the board such as LEED accreditation for everybody. We're also looking at much more advanced sustainable design strategies. Rather than catching up, we're looking towards the future to designing carbon neutral or living buildings that generate their own power. We're able to do that because we've made this investment in learning and development, training our people in creating this culture that's deeply passionate.

Capelin: *You've done something quite remarkable by putting something on your Web site that literally everybody can use, not just your own people. You seem to be willing to share your understanding of sustainability.*

Harrison: We've posted something, with a long name, it's called the 2030 E2. Estimating and Evaluating Tool for Fossil Fuel Free Buildings. It's an electronic tool that is basically a spreadsheet on a Web page that allows us to pull information together from a number of different sources, including specific performance information about a building that tests whether the building, which is under design conforms to the objective of the 2030 challenge. (The 2030 challenge is a design performance goal set forth by a group called 2030 to design buildings in 2010 to use 50 percent less energy than the baseline building and that in each five years following until 2030 you reduce the net goal until you get down to a carbon neutral building by 2030.) Many firms have signed on to this commitment. However, it is hard to know if you are meeting this commitment or not.

Sharing knowledge broadly across the industry is a much more effective strategy.

We felt it was important to know, so we created this electronic tool, but rather than make it proprietary, we posted it on our Web site so that anyone can use it. We want to get as many firms focused on this as possible. Sharing knowledge broadly across the industry is a much more effective strategy.

Capelin: *You bring up a topic that I've been monitoring very carefully because there is frugality in the air. If cost is becoming very much a factor in hiring design firms, how do you dissuade clients from ignoring the value of really proficient design?*

Harrison: There are two factors at play in terms of value and efficiency and one outcome of this recession will be a higher degree of frugality across the board. Office overhead seems to be naturally going down as a result of this new frugality. Firms aren't spending money wastefully. They are trying to be efficient. If you don't invest in the important things like

learning and development, leadership succession and investment in your community then you'll end up reducing the value creation in your organization. If you're just cutting your fees and providing the exact same services as before, that's a very shortlived benefit. If you're giving up your profit, or going negative, just to keep your top line in place you can only do that for so long and it's hurting the industry in general. If, on the other hand, you're being innovative in finding ways to serve clients, deliver high value and still be profitable, you're creating a newfound efficiency.

Capelin: *You seem to be a very positive person. Do you ever get discouraged, and what happens if you do?*

Harrison: There are people out there hurting. There are still a lot of positive things going

on, and the broader social trends are leading us towards a world where design is more and more relevant to social need. A sustainable future is going to require design professionals to become much more innovative and creative in the way we build buildings. The users are going to ask more from us. It's an exciting challenge. It's a career-long problem, not some-

thing you can fix in a year. That's stimulating and motivating, and keeps me optimistic. □

For more sound advice go to www.capelin.com and click on the sound advice icon on the home page. For more information contact Joan at jcapelin@capelin.com

Why You Need to Know What You're Worth

"Even the most grandiose strategies must eventually degenerate into real work." Peter Drucker

At some point somebody inside your firm is going to have to change behaviors to get a leadership transition process or a succession plan in place. That is how Brad Wilson, PSMJ Resources consultant, speaking on succession planning, summed it up in his program "What You're Worth . . . and Why You Need to Know." According to Wilson, to get a leadership transition plan in place, you're going to have to get a valuation performed, perhaps for the first time.

If you're thinking about selling your firm, you may even have to change the way you run your firm in order to support the valuation you want. "Refocus your performance measurement on value," Wilson advises. "You need to run your firm like it is for sale every day. This is the key reason why you need to know what your firm is worth. Get out of the employee-owner mode and think about being an owner-investor in your firm," he added.

Paying attention to the growth of intangibles means that you have to look outside of traditional accounting. "There is not an effective way to measure the equity value of your employees,

but one of the major concerns of a buyer will most likely be whether or not the next generation of leaders is in place, and are they going to stick around? A large amount of your value will be tied up in those people. You need to find some way to assess that in your firm," Wilson pointed out.

Establishing routine management processes is also key. At some point you're going to have to open the books to a valuator or buyer. Treat-

ing your firm like a business and implementing certain things routinely with diligence gets you ready to play your role as a buyer or seller. "If you're a major shareholder in your firm, get your leadership development program in place now," Wilson advised. "By the time you pick the next leaders, get a valuation that's acceptable, find the financing mechanism that's going to work for your firm, it could

take 10 years. There will be false starts, you'll pick the wrong people, or the wrong people will want to be owners. You'll have to go back and try again, so 10 years is the realistic projection," Wilson advised.

"If you can't do either of the above, position your firm for sale, externally, now. In order for

You need to run your firm like it is for sale every day.

you to be selective about which buyer you want in order for you to get the best strategic value, you need to prepare yourself. You need to get your intellectual property documented. You need to make sure that you've got the security of your key staff, your key clients, and then you need to go to market with the intentional goal of finding a buyer. That takes time," Wilson warned. "If you leave yourself insufficient time, be prepared to have big tax consequences, financial difficulty and risk, which are going to deflate the valuation," Wilson said.

"If you'd like to become a major shareholder in your firm, push your owners to develop a 10-year ownership transition plan," Wilson

advised. "If you are able to buy externally, establish a sound strategy for selecting and integrating acquisitions, making sure that your shares are valued properly so that you can use them as currency in further transactions," he added.

"To make the best deal you're going to need the current leaders to be in place and the presence of those leaders will have a significant impact upon your valuation. The value in an A/E firm is all about people. The assets go home at night. Therefore, having happy leaders with an entrepreneurial staff is key to valuation," says Wilson. □

Hot Off the Press: What's Up, What's Next?

By Tami Hausman, Ph.D.

The design press matters: getting recognized by editors and publications is a way for firms to communicate about their work and get recognition of their peers and other audiences. Design journals like *Architectural Record* have also allowed designers across the world to exchange ideas—decades before the Internet ever existed. Because the design press acts as the collective and historical record of the profession, it serves as a lightning rod for what's happening in the industry.

At the same time, there's no question that the rise of digital technologies and other changes are challenging the hegemony of traditional print publications as we have known them. While some publications are shrinking or even disappearing, other media outlets are exploiting digital technologies as a way to broaden their reach. Design critics and journalists are using Web sites, blogs, podcasts, and other forms of communication to talk about everything from practice to technology. Contemporary design-related reportage is permeated by a growing

interest in such topics as innovation and sustainability.

So, is this good news or bad? To explore this question, the New York Chapter of the American Institute of Architects hosted a panel discussion called "The Changing State of the Design Press: Now What?" moderated by Kristen Richards, the editor of *Oculus* and www.archnewsnow.com. The panel brought together four top editors and writers: Robert Ivy, editor-in-chief of *Architectural Record*; Julie Iovine, executive editor of *The Architect's Newspaper*; A *Daily Dose of Architecture's* founder and blogger John Hill; and Michael Sorkin, principal of Michael Sorkin Studio and a writer, editor, and design critic.

With the spread of the Internet, publications have found creative ways to use the medium to their own advantage. Both *Architectural Record* and *The Architect's Newspaper* have a strong online presence. Ivy, editor-in-chief of *Architectural Record*, which has been published continuously since 1891, explained, "Print publications are not dead. But we can't cover everything in print,

so we created new vehicles for getting out the message."

In little more than a decade, the Internet has spurred a proliferation of design writing, mostly in the form of blogs (short for "Web log"). John Hill is a blogger who also doubles as a writer for print publications. He chooses his own content for his popular blog, *A Daily Dose of Architecture* (www.archidose.org). In 11 years, Hill has amassed a following of 50,000-60,000 readers per month and a high degree of demand: designers who want him to cover their latest work solicit him on a regular basis.

Editors who work in traditional print formats still recognize a distinction between writing for print publications and writing for blogs, even though *Architectural Record* and *The Architect's Newspaper* have official blogs, written by their staff. Iovine explained that "print publications and blogs each have unique personalities, and each is treated by editors in a different way." For example, *Architectural Record* is edited, but its blog is not.

Sorkin hopes that the immediacy of digital formats does not cause the design press to slide into sound bites as the primary means of information transmission. He favors in-depth reportage over the quick news story and fears the disappearance of expository and critical writing. For Sorkin, it's "not the medium that is important, but the form and length of articles." And, he went on to explain, "it doesn't really matter whether it's on the Internet, in print, or on a mobile device."

Although digital technologies may have a downside, they have expanded the type, quality, and quantity of information that circulates within the design industry. Where magazines formerly consisted of text and two-dimensional drawings and photographs, online publications compile videos, podcasts, and other forms of multimedia. Iovine explained that "this phenomenon is partly generational, because the younger generation multitasks more." A side benefit to this "immersive experience," Ivy said, is that it helps "people

outside the industry to understand design and architecture."

Sorkin admitted a certain amount of "paranoia" about the digital realm and asked for some way of monitoring the free flow of information. The other panelists agreed that the amount of knowledge circulating in cyberspace required some measure of editorial control; they believe it is their role to navigate readers between the content and the clutter. Hill "likes to sift through information," but said, "There is a lot of it." Iovine remarked that she is "overwhelmed with opportunities, and unable to cover everything."

While the panelists couldn't predict the next information technology, or how it will affect the design press, they did agree that design had to remain relevant or design criticism will wither away. One benchmark is the fact that, in recent years, newspapers replaced architecture critics with real estate coverage. Sorkin suggested, "Architecture critics in newspapers dug their own graves, because they focused only on formal issues" rather than tackling the political, social, and economic issues that affect our world and how it's designed.

In addition, environmental and human crises affect architecture and force designers to come up with solutions for improvement. Ivy insisted on the need for coverage of "catastrophic elements" that shape our built environment as well as good design. The panelists also emphasized the need to be current about trends and issues outside of the industry in order for their work (and architecture in general) to remain relevant by reading such publications as *Fast Company*, *Harper's*, *The New York Review of Books*, and *The New Yorker*.

In the end, critical writing about design cannot be limited to individual projects or isolated to the industry; it must strive to have an effect on public policy. Said Ivy, "We need more discussion about design, and we need to get these debates to Congress." □

Tami Hausman, Ph.D., is president of Hausman LLC, a firm that develops and implements communications strategies for the design industry.

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Coaching Can Help Leaders Attain the Next Level

Lou Marines' passion and expertise for professional practice leadership and helping firms better serve their organizations, their professionals, and their society, is exemplified in his new book through a series of insightful essays and case studies. Excerpts from a case study on coaching follows:

TLCD Architecture principal Jason Brabo has recently extended his coaching program because he feels it is making him a better principal in his firm.

What makes a successful coaching experience like the one I am having is intent. It's not all the coach's responsibility to do the work: You, the person being coached, will get out of it only what you put in, beginning with a targeted plan that identifies specific areas for improvement.

I now focus on managing people, bringing in new work and dealing directly with clients.

The partner's group at my firm had done some leadership development work that led naturally into executive coaching for me.

We work not only on areas that I wanted to improve but also on existing strengths. You may be strong in a certain area, but it doesn't hurt to keep working at it. It's important to keep an open mind and realize that you're not perfect. Your coach can help you identify alternatives.

Changing behavior is not easy. Having a coach helps keep you honest. I may not want to try something different, but I'll stick to it because I told my coach I'd try it.

One of the most valuable things I've gotten from coaching is validation of my own pro-

Poll Results: How does your firm rate when it comes to sharing information about clients and competitors internally?

- 34 percent of firms responded that they collect information about clients and competitors "some of the time."
- 36 of firms said they share client/competitor information horizontally across different functions and business units "some of the time."
- 39 percent of firms share that information vertically across different levels of the firm and business units "some of the time."
- 39 percent of firms "often" use the information collected to influence the implementation of firm strategies.
- 38 percent of firms said the information "often" impacts the evaluation of firm strategies.
- 38 percent of firms "often" use that information to shape the design of firm strategies.

(Source: SMPS Connections)

cesses. I like to think things through and look at the data from various angles before I make a decision, but in today's business world we are usually pressured to make immediate decisions without time for reflection. I often felt like I had to force myself to make rapid decisions, and they didn't always turn out well. My coach pointed out to me that my preferred type of decisionmaking is actually a good trait: I am able to look at the various aspects of a situation and create a well-thought-out resolution of value.

During my transition to becoming a principal in the firm, I had to shift from a form of subordinate communication to peer-to-peer communication. Having an executive coach has helped me ramp up to the next level and learn to manage and mentor others. As the health care studio leader I now focus on managing

people, bringing in new work, and dealing directly with clients.

When you're in a tight-knit group within a firm, you tend to fall into a pattern, and it's helpful to have a coach's outside view of things

The elements that have made Brabo's coaching experience a success include having a plan; having a coach who is empathic and brings a different perspective to the relationship; and being willing to try new methods in spite of how difficult it may be. □

The Language of Leadership: Stories and Studies in Courage, Wisdom and Sacrifice. *Louis L. Marines, Hon. AIA, Greenway Publications. For more information contact jgaboury@greenway.us.*

Increasing Margins

CONTINUED FROM PAGE 1

There are two things that we know for sure in this era of uncertainty. First, that today is vastly different than yesterday, and second, you can also be sure that tomorrow will be different from today. It's especially difficult for many of us to look ahead and imagine what the extrapolation of that change is going to look like in another 5, 10, or 20 years. Events happen that defy prediction and when we make predictions, they typically defy reality. None of us have a crystal ball. That is the premise that Ray Kogan, AIA, and Cara Bobchek of Kogan & Company outlined in their program at the spring conference of the American Council of Engineering Companies in Washington, D.C.

"What scenario planning is all about is thinking not of what the future will be, but thinking of what alternative futures could mean to our respective firms, what opportunities they might present, and how to deal with them. It helps us be better prepared for what the future may

bring—not what it *will* bring," Kogan said.

Scenario planning should not be a stand-alone activity, but tied to your firm's strategic plan, so you can accomplish something with the results. When business leaders try to predict the future they are typically wrong. They either underpredict the future, or overpredict the future with a sense of optimism; a cure for cancer, robots doing chores, automation giving us leisure time, a paperless office, and the like.

Psychics predict the future. Futurists forecast the future in more general terms along with meteorologists. Scenario planning considers looking at a series of alternative futures. A classic example is military war games which have been going on for centuries. Another is perhaps emergency planning like FEMA does. Because of scenario planning, the New York Board of Trade built a second redundant trading floor at another location outside the World Trade Center site after the first bombing in 1993,

allowing the Futures Exchange to continue immediate operations after the 9/11 attacks. "After 9/11 there was a big surge in scenario planning according to the *Wall Street Journal*, but then it waned," Kogan said. "Instead of waiting for an occurrence to react to, isn't it wiser to consider it now?," he asked.

What is scenario planning?

"The two primary aspects of scenario planning are what we know about how future trends in the industry will affect the way our business needs to grow and develop, along with what we don't know that will impact the decisions we make," Bobchek stated.

Elements of scenario planning

Some people feel that because we can't predict the future, or if the forecast doesn't come about and we've based some business decisions on it we might be exposing ourselves to some risk. "Actually, it can potentially reduce your risk," Bobchek pointed out, "because you get better at making decisions based on long-term scenario planning. It can describe alternative futures by applying an educated foresight. It is also not theoretical, and there must be a plausibility factor involved. Scenario planning consists of four elements: the big decision, trends and drivers, triggers, and strategies and contingency plans.

Planning starts with the "big decision," the hot topic, or very high-level strategic decisions that your firm needs to consider in the future. It may have to do with growth, market decisions, geographic expansion, or a new service. Trends and drivers are an important aspect as well, because those are the forces that impact upon and shape the futures that we may describe. The scenarios are stories about alternative futures. Each one will be different, and they should be told in a creative and compelling way. Triggers are the confluences of events in the world that impact how the trends and drivers spark

events to change. The trigger would set that into motion. The strategies and contingency plans are based on those scenarios. Some of those you will commit to regardless of how the scenarios turn out, and the contingency plans are the "what ifs."

The "big decision"

The big decision represents an opportunity to your firm, or a threat to your firm, and usually does not have a clear answer. It's the thing that keeps leaders awake at night. Many big decisions are internally focused, but in fact should involve a larger view of the world in which you do business. It also should involve your prospective client's and their constituent organization's mission, and how that plays out in a larger context. One example might be: what geographic growth strategies should a firm undertake in order to increase market share, as many firms have to consider this decision at some point in their business cycle, especially today as globalization takes hold. Some typical factors to consider might be:

- What cities are projected to be growing over the next 10-15 years?
- Where in the region/country/world will our services be needed most?
- What economic factors will influence the need for our services?
- What political changes on a local, regional, national, and global level may occur that could affect the way our services are procured?

Once made, the decision should be written down. It then becomes easier to brainstorm the circumstances, events, and trends and drivers that could affect that big decision.

Trends and drivers

Your trends and drivers need to meet two important criteria according to Kogan. One is that they could plausibly happen in the future.

They also have to have some level of impact on your business, or on your client's business, or on your client's world. "An understanding of the demographic, social, economic, political, technological, and other forces acting on your world—and more importantly, on your clients' world, is of paramount importance," Kogan advised.

All firms have to deal with a finite set of resources, energy and attention from you, your management team, and your whole firm. So you have to get the best return on your investment from everything you do—especially now. So, you want to make a four-cell matrix with two axes that can deal with the trends and drivers. The vertical axis is the relative significance of a trend or driver. At the top is the highest significance to your firm, on the low end not significant at all. On the horizontal axis is the likelihood of this trend or driver occurring. On the far right highly likely, on the far left, not at all likely. (See matrix below). The upper right quadrant is where you put those to "act" upon. The next level is the "prepare" quadrant, where you would devote less resources to it, but get ready if events push it into the more likely area. The "beware" quadrant are those things that

are likely to happen, but are not significant to your firm. However, monitor it in case it changes. You certainly don't need to devote any resources to the "ignore" quadrant.

Define the "polars"

These are the extreme ends of what could happen if certain trends and drivers actually occur. These form the skeleton of the scenarios that you are going to write.

Scenario planning makes strategic planning a more robust and relevant exercise.

Polars will be unique to your firm, just as the big decision and trends and drivers will be. The framework for your scenarios is also yours alone, because it affects your clients and your firm. "Assemble possible combinations of the polars, and make certain that they represent the extremes of how the trends or driver clusters play out into a

potential scenario storyline. This is where you can get creative in writing out these compelling narratives that describe alternative futures," Kogan said.

Scenarios

"Storytelling is an art, and compelling stories of alternative futures need to be page-turners. Your team has to be able to imagine themselves in that future world and how they would behave, the kinds of strategies and systems that they would have to put into effect in order to be successful in that world, and to navigate it successfully. The way it is written is really important," Bobchek explained.

"It's important to get people in the scenario," Bobchek said. "Who caused this to happen, and who is responsible for the outcome? Whose opinion is it that the changes will have an effect on the world as it is today? Write it in the present tense; 'it's 2030 and this is what's happening,' as if you picked up a magazine

Trends, Drivers, and Polars			
← EXTREME		OPPOSITE →	
PREPARE		ACT	Highly Significant
			Somewhat Significant
IGNORE		BEWARE	Somewhat Insignificant
			Not Significant
Highly Unlikely	Unlikely	Likely	Highly Likely

10 years from now and read an article that described your client's world that day, that's the flavor and tone it should have," Bobchek pointed out.

Scenario planning enhances your strategic plan

Remember the Y2K bug? Banks, in particular, went through scenarios about what to do in case it came about. Those banks are better positioned today to withstand a cyber attack and keep data safe than if they hadn't done so," Bobchek reminded.

"Scenario planning makes strategic planning a more robust and relevant exercise. It may seem a little intimidating, but like strategic planning, it is scalable to the size of your firm. What you want to avoid is making decisions in real time. You want to be positioned for future events far ahead of the curve and ahead of the competition. That's the essence of it," Kogan pointed out.

Benefits of scenario planning

The benefits of engaging in scenario planning are many, such as:

- Strengthens strategic planning and makes it more relevant.
- Helps evaluate and support business decisions.
- Strategies are born out of the ranked trends, research, and scenarios.
- Stimulates future thinking among your management team.
- Forces us to "get out of the rut." So it's an awareness-building exercise, a brainstorming exercise, as well as a team-building exercise.
- Executives get better at making decisions together, and the firm becomes more competitive.

Scenario planning in practice

What's it going to take for you to do scenario planning, if it's right for you and your firm? You have to gather data on trends, market/client perceptions and make the most out of that information. You should conduct client interviews and surveys, asking questions such as, what's going to be happening in your client's world in the next two, five, or ten years? Your planning team should consist of thinkers, writers, and decisionmakers. "It takes an enthusiastic leader at the top of your firm to make this work, someone who is intellectually curious and really believes that this is critical for your firm. This is a difficult thing to push upstream," Kogan admitted.

Are your competitors using scenario planning? It's growing in popularity, because the more difficult things get, the more difficult it is to make decisions, the more you need this creative and systematic way of identifying what it is you're going to do should certain events unfold. As to changes in your clients' world, look at the programs on the agenda of industry conference programs that your clients attend, and compare them year-to-year. You'll get a keyhole view of what are the trends occurring in their world, and be able to adapt scenarios to more effectively respond to those challenges. □

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Exercising Leadership

CONTINUED FROM PAGE 1

PR: *Are there any noticeable shifts in control going over to clients today, such as asking for lower prices, and how is that impacting HCA?*

"When there are fewer projects to be had it does shift power to those clients who have the work," Cole admitted. "It is more competitive, and even though we haven't had a dialog about what the client is trying to accomplish, we're being asked to come in with design ideas and even renderings," she added.

"If an owner has money or financing all lined up, then he or she may have a level of control," Hickok replied. "Other than the general downward pressure on fees, typically the clients that we're working with know that it really doesn't benefit them to squeeze another 50 cents a square foot out of the architect. Then they don't get the level of service that they hope for. So, I don't see a big power shift," he added.

The two principals meet regularly and share the firm's strategic plan with their team; and by doing so they've restructured how the office does business development.

"We have a decentralized business development process," Cole said. "We ask our

senior associates and project managers, who are in daily contact with our clients, to be out and about at events, talking up the firm, and looking for leads. In the end, the people that clients want to talk to are the people they are going to work with. We have encouraged all our staff to take advantage of opportunities in business development, which is good for them as a job preservation measure if you will, but also good for the firm as a whole," she added.

"When we downsized, we let our dedicated

business development person go—contrary to even our own instincts. At the same time we took those responsibilities and spread them over our senior associates and made it clear that it wasn't something they would do when they could, it was part of their responsibility, and that has worked really, really well," Hickok stated. "We will rehire a dedicated business development person at some time, and part of their task will be to manage all those other people who are doing business development going forward," he added.

"This may not have occurred had we not been in this recession," Cole pointed out. "This happens in belt-tightening, it forces you to rethink the way you do things and come up with a better solution. It's a silver lining," she added.

"One of the gratifying things that we found as we went through downsizing was that virtually everybody in the firm wanted to know what they could do to help," Hickok pointed out. "It bound the staff together in ways that we didn't expect," he added.

PR: *Many firms downsized their marketing department and HCA did not. Is that because there's an understanding of the value of marketing that runs through the entire firm?*

"We spent the last several years building our name identity and brand and raising the design quality of what we do, so once you've started on that upward trend, you don't want it to fall off," Cole asserted. "We cut the marketing budget tremendously, but we've found ways to be creative anyway, spend a lot less, still get published and send out direct mail," she added.

"Working with brokers and developers, it's out of sight, out of mind. You really have to stay in touch with people all the time," Hickok warned.

We have encouraged all our staff to take advantage of opportunities in business development.

PR: *How has this downturn affected your talent pool, deciding who should stay and who should go?*

"The associate group, consisting of associate principals and senior associates, has a lot of responsibility for running the firm. It became their responsibility to help us decide who had to be let go. It was an interesting exercise for them to get a taste of the decisions you have to make as a principal running a firm, on a day-to-day basis," Hickok said.

"We had a large scale project where the construction documents were coming to the end, so there were decisions as to who wasn't busy. What we found was that each associate would lobby for the people they wanted to maintain. We had a lot of great people that we had to let go, but some are back," Cole said.

"The scariest part for us as owners, and I'm sure for the employees, was not knowing where the bottom was. No matter how much marketing you do, no matter how much energy you spend, if there's no work, there's no work," Hickok exclaimed. "So once we found the bottom and things perked up a bit, the firm's attitude changed. We knew we wouldn't have to lay off any more people. We didn't go as deep as some firms and we'll come out quicker," he added.

"We have the government jobs here and all the jobs that follow the government," Cole pointed out. "When the economy went bad, a lot of big corporations wanted to be a little bit closer to the federal government and relocated to Washington, D.C. Northrop Grumman, Volkswagen, Hilton, and others did the same. There are now more *Fortune 500* companies here than ever before," Cole added.

"Will the talent shortage still be there after the recession is over? I think so," Cole said. "We are still having trouble finding really good people, even though we look at hundreds of resumes," she added.

"I think this event will create a permanent gap in the talent pool, like many similar situations, but I can't describe where the shortfall will be, staff architects, project architects, or project manager level. Whatever category was laid off, many of them will leave the profession," Hickok said.

PR: *Some firms closed their doors because they wanted to keep doing the high level of work instead of taking anything that came along. Did you accept work that you normally wouldn't?*

"Some of that is about taking less glamorous jobs, but it's also about who is asking you to do it, rather than what the job is. If it's a long standing client, you do it to service a relationship," Cole said.

"Most of our clients are 'A' level clients. Today, the 'B' and 'C' clients don't have financing. You're more likely to get work from an 'A' level client because they have a better reputation and more access to financing," Hickok pointed out.

One of the things that HCA does differently is their performance review system, in terms of listening to what their employees want and then trying to genuinely implement their desires, and as a result employees actually like the reviews.

"A lot of firms do good staff reviews, but ours is philosophically different in that our intention is to put the staff's careers in their hands, not our hands. We find out what they want, where they are going and how we can help them get there. It's not about what they can do for us today. If we are helping them build their careers then we will be building goodwill and loyalty and we'll get the best out of them in their work.

PR: *What do you see going forward for HCA?*
 "Over the last three years we started to win

We are still having trouble finding really good people.

build-to-suit projects for the nonprofit sector. They typically own their own buildings for tax purposes and since we do both base building and interiors, it's a natural fit for us.

We now have three at various stages of development, so it became a niche that has been good through this downturn because nonprofits don't have to get traditional financing. They can get bond financing, and use fund raising as well. That's an area that we will build upon going forward, and it's a great project type. We have no desire to practice outside of this region, so the vast number of nonprofits here is beneficial to us. There are layers of interest that come with those projects, and it brings our interiors and architecture staff working absolutely together on projects," Cole pointed out.

"Those projects have truly helped us through this downturn because there are zero commercial office buildings being started. That's gone, gone, gone. Now, developer housing is starting to come back as more high-density apartments, urban apartments, condos and the like. Interiors will stay busy. If a company is downsizing and needs new space they still need interior design. If they are growing into new space they still need interior design," Hickok reminded.

PR: *How are you doing in the green sustainable and ecological field?*

"Every project that comes in the door will be LEED silver minimum," Cole said. "Developers have turned dramatically because it's now become a market expectation. Housing is a little behind, but catching up. Interiors is a little behind that, primarily because people are leasing and there aren't the mechanisms in the metering and in the lease structures to allow tenants to actually benefit from whatever savings accrue, but that

is now changing too," she added.

"It's all market driven. When the tenant sees the benefit and they want it, the landlord will respond. There isn't a good way of getting that information on the energy savings. The owners hire the commissioning agent and pay for it, so there's no incentive to share it with the architect," Hickok said.

PR: *What about the other things coming down the pike, such as BIM and IPD?*

"We're using a lot of Revit," Hickok stated. "But BIM is not as flexible a design tool as we would like in the front-end stages of a project, because it forces us to assign characteristics which may not have

been determined yet," he added.

PR: *What are the greatest challenges HCA faces going forward?*

"Continuing to fill the pipeline of work is always an issue, and getting the right mix of people when you're growing again," Cole stated.

"We're going to seek college and university work, but it will take years to get from where we are today to anything with solidity, but we will do it," Hickok explained. "We also want to turn our graphics capability into a graphic design studio. We have a built-in client base. Our developer and nonprofit clients need collateral for fundraising.

We need to set up our graphics studio to take advantage of that. Philosophically, we are a strength-based firm and believe that people should do what they are good at. We want to take somebody that is really good at something and make them great at it. We try not to push square pegs into round holes. In some cases we change the shape of the hole for them if we have to," Hickok concluded. □

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