

PRINCIPAL'S REPORT

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INCREASING MARGINS

Merger or Acquisition: Which One Is Best in Lean Times? Part 2

Ownership transition is by far the number-one reason why firms are still thinking about selling, according to Brad Wilson, mergers and acquisitions consultant for PSMJ Resources. This has not changed because of the current economy. However, several other factors are involved in the decision to sell a firm as opposed to having internal successors take over the reins. Potential internal successors may not want to assume the risk associated with ownership, they may not be good leaders, or they may not be financially able to buy into the firm for a number of reasons. The firm may have underperforming departments or branch offices, and if so, it will not be highly valued or able to retain good people. So why would it consider selling?

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What will it be like coming out on the other side of this recession? Five major trends are identified—social, technological, economic, political, and environmental—and their effects on the A/E/C industry.

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EXERCISING LEADERSHIP

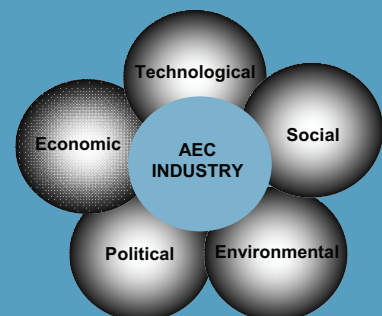
Hickok Cole Architects Test Collaborative Design Solutions Against Clients' Goals

Most forms of art— theater, film, dance, music, and architecture—are inherently collaborative. Without exception, all involve the participation of more than one individual. Other forms of art—such as literature, painting, sculpture, and musical composition—are generally the work of one individual. Collaboration in architecture is coming more to the forefront with integrated design process, yet models of collaboration are not replacing individual creativity any more than digital electronic communication is replacing print. Creative models of design collaboration retain the individuals' characteristics we admire, yet produce an enhanced aesthetic. Such a form of creative collaborative design process exists at Hickok Cole Architects, in Washington, D.C.

"We didn't invent the collaborative design process," claims Mike

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Megatrends.....see story on page 2



(Source: Steven J. Isaacs)

Some of the more common reasons why mergers and acquisitions fail, according to Wilson, result from conflicting corporate cultures and a poor strategic fit. These should be investigated before you ever get to a letter of intent—as should conflicting expectations (between buyer and seller), inadequate preparation (premerger), loss of business momentum (post-merger), unrealistic performance expectations, and lack of key staff buy-in.

Key staff buy-in drives the success or failure of the integration plan. In the absence of key staff buy-in, the cost of failure can be substantial: financial loss, wasted management time, cost of lost opportunities, and wasted staff resources. The short-term costs include morale suffering and job security threatened as a result of not achieving strategic goals.

Earmarks of a truly successful deal.

“A successful deal means a good fit of the people, culture, geography, and combined client base. The buyer has realistic expectations of what they are to receive, and the seller clearly confirms what they have to offer. In addition, the seller was ‘ready.’ They understood that if you sell your firm, you’re going to have a boss. You will draw a salary and march to someone else’s drum,” warned Wilson.

“Also, the buyer was ‘educated.’ They understood that the seller’s management would be inserted into their senior staff structure and work as a new cog in their machine. There was good preparation on both sides. The discussions and negotiations were comprehensive and dealt with up front, so there will not be any buyer or seller remorse. The expectations were realistic, and the process was handled properly, because there was good post-merger planning that began in the early planning stage.

A CEO survey. A recent survey of firm CEOs indicated what they felt was the hard-

est aspect of the entire buy-sell process:

- Measuring cultural compatibility;
- Reaching agreement on price and terms;
- Really understanding expectations; and
- Getting key people of the seller to buy in.

The major overarching issues are that valuations are not accomplished by formulas. The way that deals get done is through a negotiated strategy for going forward into the future. The way you negotiate the strategies is going to be based on the perception of the value that a buyer has of a seller and that the seller has of itself. If the value of those pieces and the fundamental intellectual properties are compatible, the chances are good for success. There is a sharing of risk and reward if expectations are met and when there is a successful integration of the people on both sides. □

Source: PSMJ Webinar series. For more information, contact bwilson@psmj.com.

Exercising Leadership

CONTINUED FROM PAGE 1

Hickok, principal of Hickok Cole Architects, “but we used it to change the attitude of the office into believing that design excellence is no longer a plus, it is expected. ‘Wow’ is now a necessity and the norm,” he asserted.

Hickok Cole Architects is passionate about design and the creative process. The firm believes that great ideas can come from anywhere: from an enthusiastic young designer or a seasoned professional. Inspiration may result from a casual conversation with an employee, an abstract thought about the relationship between worker and workplace, or directly from the client’s program. In every case, the

idea is filtered through an organized and consistent process to ensure that the design meets the client's goals.

Hickok Cole encourages a collaborative design process that includes team members: clients, consultants, and staff. The firm wants to bring creative and innovative concepts to the client that will stretch the imagination. "Our approach incorporates an integrated client-architect decisionmaking process in which we constantly test solutions against the client's design objectives and goals for the project," Hickok said.

"The process is particularly suited to complex projects where the standard solutions just don't apply. Complex projects can take years to design and even longer to build. With this process in place, we are able to see the big picture and maintain focus for ourselves and for our clients," Hickok maintains.

"What's consistent with our bigger philosophy is that the project team that starts the project goes all the way through construction and that experience feeds back into the loop again," says Yolanda Cole, principal, "so it's a totality of work, or comprehensive way of looking at design, that all parts are important to great design.

"We set a goal to shift the focus of the firm from a project management-centric firm toward design in a more focused way, not to lose the project management side but to gain the design side. To emphasize the project design focus, we created a design committee. They do not do design; they support design in the office," she added.

Hickok explained, "The design committee came about when we reorganized the firm into market sectors. The staff members we had were all good team players and managers, and we wanted to find a way to incorporate this expertise across all sectors in the horizontal direction. What we

felt strongest about was design. It wasn't a matter of trying to put somebody or a small group of people in charge of design—it was to find a group of people who could champion design in a variety of ways across all project types," he added.

Goals and tasks of the design committee. The overarching goal of the design committee at Hickok Cole Architects is to become the very best design firm in the region. To achieve this goal, it set forth four main goals:

1. To establish support systems that foster and encourage innovative thinking and sharing of design ideas;
2. To establish skill development systems that help every staff member realize his or her potential;
3. To identify and provide design opportunities for the staff; and
4. To develop mechanisms that ensure design excellence.

Establishing support and developing systems for the control of design quality should focus on four key elements that are critical if a firm wants to achieve great design success. According to Hickok, these are talent, time, process, and presentation. "These components are all interdependent, and design excellence can be achieved best by maximizing all four components," claims Hickok.

Talent. There is no substitute for talent, according to Hickok. Talent provides vision and turns it into an innovative design. We have a greater chance of achieving design success when we recognize and understand the unique talents of our staff members,

The firm wants to bring creative and innovative concepts to the client that will stretch the imagination.

invest in the development of their talents, know how to best use their unique talents, and establish opportunities for them to apply their talents. The tasks include:

- Maximizing the design skills and increasing the design knowledge of existing staff members;
- Identifying areas of talent needed and helping to recruit new talent; and
- Identifying ways to attract new talent.

We had a technical quality control process, and we needed a similar process to make the quality of design consistent.

Time. The objective here is to increase design time and design and presentation efficiencies. Design excellence requires time—time to stew, test, and develop an idea and turn it into a reality. The tasks include:

- Helping to create and foster an environment where staff members are motivated to put in the hours that are necessary to achieve design excellence;
- Improving the staff's overall design and graphic efficiencies;
- Identifying projects where achieving design excellence is more important than achieving the standard profit margin; and
- Ensuring that a sufficient amount of time has been allotted for design and presentation in project proposals.

Process. The process must encourage design collaboration and ensure design excellence. The tasks include:

- Developing a design process that encourages collaboration and interproject awareness and discussions, while maintaining clear leadership and hierarchy of the team;
- Developing a process for design review that will guide rather than direct the team

toward excellence; and

- Developing a design review process that is proactive in ensuring excellence rather than reactive.

Presentation. Raise the graphic quality of presentation, as talent, time, and process are worthless if the design can't be visually communicated. The tasks include:

- Increasing the graphic quality of the office;
- Increasing the graphic efficiency of the staff; and
- Identifying effective presentation tools.

"In order to fully communicate our ideas and concepts, we must present material that not only complements but surpasses our verbal articulation," Cole pointed out.

"The members of the design committee are the ones who come up with ways to invigorate design within the office and to create a design quality control process," Cole pointed out. "We had a technical quality control process, and we needed a similar process to make the quality of design consistent. The design committee came up with a way to use an old standby, the charrette. We also had a client ask us to do a design charrette on the project and actually paid us to do it," Cole added.

Design charrette process. Hickok Cole Architects has a unique design process that enables the firm to bring all of its creative resources to selected projects. After the design team becomes familiar with the specific program and the design opportunities presented, it organizes a "design charrette," a highly intensive period where it engages the best talent in the firm—from young designers to more experienced designers, architects, and interior designers, as well as the most technically sophisticated members

of its staff—and the principals of the firm. This group develops a broad range of design concepts.

Because the team includes architects and interior designers, the concepts will focus on both interior workplace concepts and architectural concepts. The result of the design charrette is an array of far-reaching concepts that will serve as the basis for discussion as the team moves into the more traditional schematic design phase.

“The benefit to our clients is clear,” claims Hickok. “Each project will have the attention of the best and brightest, and we can efficiently and quickly develop a set of design concepts that will be both imaginative and inspired by our clients’ program. We set up a special studio for the charrettes, and people can visit when they have spare time. We generate a whole lot of pretty wild ideas. We tell clients that we broaden their vision and come to solutions that work for their project,” Hickok explained.

“That process was so fruitful that we wondered if we could try it for other projects without breaking the bank,” Cole said. “So we do it over lunch or after hours, during nonbillable time. People are excited about the process and are willing to give their time. We put everything up on the wall, and have a general discussion. General agreement occurs around two or three concepts that tend to converge on a few schemes that get developed by the project team. We didn’t want to take the leadership away from the project designer, nor the responsibility away from the project team, but give them ideas to sift through. Once people get over the fear that they are going to be criticized and start to see the better design that comes out of this process, they begin to accept it,” Cole added.

Design peer reviews and desk critiques. “We also came up with the concept

of a design peer review, similar to a quality control, but more of a pinup. The project team has already been selected, so before the first design schematic presentation to the client, the project team will contact the design committee and ask for a peer review. We budget this into our proposals, so the peer review can charge its time to the project, so anyone from accounting to marketing can join in the pinup. The project team has to articulate their ideas, so it’s a practice session for the presentation to their clients. The principals set parameters around the process to ensure that it relates to the clients’ objectives and goals,” Cole pointed out.

For smaller projects, HCA has developed a system of desk critiques or “crits” where one or two people discuss ideas and solutions to design challenges in a similar manner.

“The designers often ask, ‘Do we have to take the suggestions of the peer review?’ And sometimes a clash does occur. Technically, the design team is in charge, but they are expected to take the peer review into consideration,” Hickok confided. “The design team receives the benefit of being able to formulate and express their concepts in advance of a meeting with the client and prepares the team for the feedback that it might receive. The client receives the benefit of a whole range of ideas from a wider group of design professionals. Everyone wins and the design of the project is stronger for it.”

“We have found over the past few years that this process has produced great results. We have incorporated it on two major design competitions, both of which we won, and have more than doubled our design awards during this period,” Hickok concluded. □

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