Lessons from the best-managed firms

Small, medium, and large

Size Affects Firm Culture

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Architecture firms often forget the importance of their organization’s culture, which is the sum total of the human qualities that characterize a firm: the teams, small or large, of human beings working together. “It is one of the most significant signals a firm sends to the outside world,” says Frank Stasiowski, of PSMJ Resources. Is yours a dynamic and outspoken or a quiet and studied culture? Is it corporate and slick, or modest and familylike? Is it casual or formal, young or old, large or small? Culture determines how firms behave as organizations: whether they are satisfying places to work, what kinds of projects they pursue, and who their clients will be. It is “the environment that reflects the values, commitments, and interpersonal attitudes of the people in the organization. Effective culture draws out and aligns peoples’ skills and energies toward the goals of the firm and contributes to synergy that elevates individual talents,” says Hugh Hockberg of the Coxe Group.

In Part II of our series on firm size, we examine three areas where size has a direct bearing on culture: worker satisfaction, firm organization, and the relationship between size and the design-and-profitability equation.

Firm culture as a source of worker satisfaction

Firm managers are the architects of their office culture. They must design a work environment, coordinate its parts, and provide the comforts that will engender the goodwill necessary to encourage staff to maintain the high levels of energy and creativity required to serve clients. Architects’ work is mentally taxing, with enormous potential for liability, and it demands long hours. Providing commensurate benefits to counterbalance the stress of work is essential.

According to How Firms Succeed, a recently published book by James P. Cramer and Scott Simpson, prospective employees want to work in firms whose culture offers recognition and reward for their talents; elders and mentors to work with and admire; and adequate opportunities for growth.

For young architects, the variety of tasks is one of the most rewarding things about small office culture. According to Robin Donaldson, AIA, of Shubin + Donaldson, in Culver City, California, with 12 employees, “We compete with the bigger companies for talent but offer the advantage of being in a small office where staff work on all phases of projects, not being just the ‘stair-detail guy.’ ” Smaller firms are often unable to pay the salaries large firms can, but graduates, in particular, accept this as a worthwhile trade-off in jump-starting their careers and finishing their education in a well-rounded fashion.

Firms like AC/2 Studio, in New York City, with five employees, and Randy Brown Architect, Omaha, whose firm varies from four to 12, have both found that younger architects are less focused on benefits. Jim C. Childress, FAIA, of Centerbrook Architects, Centerbrook, Connecticut, with 75 employees, conurs. “Younger people without families tend to be more interested in income and paid time off.”

By the same token, one of the advantages of the culture of large firms is that they have the resources to offer their employees valuable in-house educational opportunities. Hellmuth, Obata + Kassabaum (HOK) in St. Louis, with 1,850 employees; Harley Ellis, in Southfield, Michigan, with 313 on staff; and RTKL, in Baltimore, with 750 employees, all offer their own “universities.” RTKL hired John McRae, former dean of the School of Architecture at Mississippi State University, to head up its program. In most cases, these curricula evolve from informal in-house seminars and intern-development programs to highly structured programs that often allow AIA continuing-education units to employees. These programs focus not just on architectural know-how, but leadership development, project management, marketing and business, and related disciplines, such as interior design, landscape architecture, and art.

Some firms have upped the benefits ante even further than the standard 401K plans and bonuses. Centerbrook Architects offers a travel
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A firm’s size affects its culture, which influences everything from benefits to organization to profitability.
Of the 52 firms that submitted data for the following confidential chart, about one-quarter did not provide financial information on their firm. The designation “NG” means “not given” and appears in those fields where information was not provided.
grant to one associate and two staff members every year to see architecture somewhere in the world. These trips are documented and shared with firm members. RNL Design, in Denver, with 200 employees, offers what would appear to be an extraordinary travel perk for employees—the use of a villa in the Provence region of France, which all employees can sign up for, free of charge!

The long hours necessary to complete tasks in architects’ offices are also part of firm culture. The design charrette, where the methodology of “work till you’re done” is observed, no matter what the time constraints, is common in the field of architecture but little known outside of it. Some firms have even formalized it: At NBBJ, in Seattle, which has 862 employees, an intensive, annual 24-hour design charrette is conducted as an internal exercise to inspire creativity, where all levels of expertise are represented. A prestigious jury is assembled, consisting of designers and those representing other key disciplines outside the firm.

While this is all well and good, businesses large and small have to cope with burnout, and one solution some turn to is flextime. Says Gilles Depardon of Ogawa Depardon Architects, New York City, with eight employees, “There is no minimum or maximum amount of hours per week within reason as long as the work gets done. We have found this type of arrangement allows employees to take responsibility and be more productive.” HOK offers a slightly more complicated flextime plan where “days can be used for time away from work, used to reduce the cost of other benefits, or invested in the 401K plan,” says Bill Valentine, president. NBBJ’s definition of employee fatigue takes into account its long-term effects: In divying up vacation time, they count the total number of years employees have been working professionally, including experience they accrued before coming to the firm.

As competition for qualified staff has heated up and graduates from architecture schools have become scarcer (see Part III of this series in our August issue), benefits have increased in importance: They keep staff happy and motivated and establish a sense of empathy between management and employees. While benefits were often cited by our surveyed firms as one of the costliest overhead expenses, and put a particularly tough burden on small and medium-size firms, it may well be that good benefits plans are more cost-effective than the training and recruiting necessary for frequent turnover.

**Size and culture shape firm organization**

As we have seen, architects choose to work in large or small offices in order to achieve career goals. Firm principals also choose to keep their practices a particular size to gain the advantages of a specific culture. For example, Suman Sorg, of Sorg & Associates, is the sole designer for her Washington, D.C., firm of about 30 staff members. The size of her firm is directly proportional to her ability to oversee the design. Her reputation as an excellent designer, the award-winning projects she completes, and the familylike atmosphere of her firm have attracted young employees. They get the chance to experience everything from production drawings and cost estimating to contract administration. But, some will probably move on after a few years so they can progress on their own, which is an economic burden to the firm. This is the trade-off Sorg is willing to accept to maintain design control.

In a way, the tale of this firm is a paradigm for the ways in which size affects the culture of any firm, large or small. The decision to keep the

**REWARDS FOR HARD WORK AND EXTRA HOURS SHOULD BE A PART OF ANY FIRM’S OFFICE CULTURE.**
these modest-size units. In How Firms Succeed, Cramer and Simson quote anthropologist Robin Dunbar. Dunbar says that business units in large organizations that exceed 150 persons do not function efficiently or create manageable social relationships. At Microsoft, units are kept to 200 maximum. Dunbar goes on to state that the architectural firms they analyzed limited their unit or studio sizes to between 12 and 15 persons (although in our surveyed firms we’ve seen studio sizes as large as 30 to 60 that work well).

Over the past 20 or 30 years, firms of all sizes have been exploring different ways to organize themselves to maximize their talent and respond in the most efficient fashion to the needs of clients. Typically, firms have evolved from the “matrix” system—with intersecting, discipline-based groups governed by flat layers of management that separate design, production, and contract administration—to the “studio” system, in which staff follow a project from beginning to end under the guidance of one leader or leadership team. Our surveyed firms have shown an almost infinite number of variations on these types of organizational structure.

Joan Blumenfeld, principal at Swanke Hayden Connell Architects of New York City (300 staff) defines the matrix system as “one where resources are allocated from an entire organization on an as-needed basis. Often employees wind up working on more than one project at once and may have multiple managers to report to. This can cause conflicts of interest and a lack of accountability and direction in the work flow. Also, in a matrix system, it is hard to meet changing deadlines because leaders have to share personnel and can’t easily reallocate them according to need.” These problems seem to be endemic to the matrix system, no matter what size the firm, yet many firms use it because when the work flow is uneven, it is easier to shift people around to keep them busy.

Many of our surveyed firms cited the strengths of the studio system, including the clients’ desire to work with the same people throughout a project, the advantages of minimizing learning curves, and the sense of community that small groups engender. Others acknowledge that the studio system has its challenges. Philip Goedert, president and C.E.O. of RNL Design, says, “The studio can be too territorial and competitive, challenging in terms of consistent staffing. Studio leaders who must balance their time between marketing and managing often compromise both.”

Herbert Lewis Kruse Blunck Architecture, in Des Moines (47 staff), has discovered the value of horizontal, integrated organization and encourages its staff to “swallow their egos,” according to partner Rod Kruse, FAIA. Rico Cedro, AIA, of Krueck and Sexton, in Chicago, with 14 employees, says, “Large clients expect an organizational model similar to their own.” It isn’t always easy to do this, given the relatively modest size of most architectural firms, as compared to some corporate and institutional clients.

Dennis M. King, FAIA, principal and corporate chairman of Harley Ellis, in Southfield, Michigan, with a staff of 313, says that being so large has limitations involving the balancing of talent, management of human resources, and sharing of resources. “Our firm utilizes a hybrid of the studio system with the flexibility and responsiveness available from a matrix structure.” It has core teams that stay with a project, and a cadre of more fluid support staff ready to join teams at critical times where increased manpower or technical know-how is needed.

Gruzen Samton, in New York City, with 135 employees, is not organized by studio but is divided by market. Each sector has a partner in charge and staff that frequently work together. “This enables our marketing efforts to be focused without being inflexible and allows staff to work for multiple market sectors. Simultaneously, certain teams are in place that cultivate a rapport that deepens on every given project,” says Meredith Berman, marketing director.

Many firms use a third organizational type, the principal-in-charge (PIC) model. Teams are assembled from studio personnel as needed and there are no “star” designers, although there may be a “design principal.” This model is common in firms that once had a single, charismatic principal who created, nurtured, and controlled the firm. The model caught on and has changed only as new principals assumed leadership throughout a firm’s history. Because the PIC’s role in operations and decision making is so pivotal, the number of operating partners often determines the size of the firm.

At Lohan Associates, in Chicago, with a staff of 65, Floyd D. Anderson, AIA, says, “Our principals are ‘hands-on’ in all aspects of the business. If we were larger, principals could spend more time working on their projects while a C.E.O., business development staff, and HR staff could spend their time running these aspects of the business.” At Perkins Eastman Architects, in New York City, with a staff (continued on page 240)
of 410, much of the firm’s overall management is handled by the younger principals, freeing the senior principals to focus on projects. At the Smith Group, in Detroit, with 936 employees and eight offices, president and C.E.O. Carl Roehling, FAIA, found that “each regional office tended to evolve to its own unique culture due to the fact that each operated independently, until all were merged in the late 1990s.”

Obviously, which organizational structure works best for a firm will vary. Whatever structure is chosen, we concur with the authors of How Firms Succeed that it should allow employees to “build critical bonds of support, loyalty, and a sense of confident mutual reliability.”

The design-and-profitability equation

Almost every book on architectural business says that successful practices are built upon design quality. While this idea is noble, from a financial standpoint it is somewhat simplistic. Few disagree that architects frequently don’t excel as business managers. Add to this that architecture is a creative, quality-driven, problem-solving practice. This results in an expensive design process. Many firms have talked to us about the difficulty of doing good design and staying profitable. Some small firms resemble old-fashioned ateliers, which operate like artisans’ workshops. The process they use to solve problems is difficult to quantify: Quality counts more than any other single thing, and interns and principals spend endless hours perfecting their buildings.

While larger firms structure themselves so they can emulate the way small firms function, they tend to keep tighter controls on how much time is spent on design. Why is this more true in large firms than small ones? Large firms tend to establish a “corporate” style of management. Costs are carefully tracked, because clients demand fiscal accountability. Minimizing design time has enabled some firms to become fantastically profitable, although the practice may not win design awards.

Some architects who responded to our survey weighed in heavily on the artistic side of the equation, but they are not without an awareness of how costly it can be to spend time perfecting a design. Randy Brown, AIA, spoke to us about an idea he originally encountered in Dana Cuff’s well-known book, Architecture: The Story of Practice. He says, “Architects go through a continual discovery process, always trying to make the design better. But, there comes a point where you spend more time than is profitable to perfect a project—‘design’ keeps telling you to spend more time; ‘profitability’ tells you to stop—they have a dialectical relationship; they pull at each other. For every hour you cross that line you lose money.”

Recent Pritzker Prize winner Glenn Murcutt works alone (Record, May 2002, page 39). Quoted in The Sydney Morning Herald, he said that smaller projects can produce more exceptional new work than larger ones. “Architecture takes time,” he says. “It’s not a flash-in-the-pan thing at all. Smaller works give you a chance to break the ground, scratching around to get beneath the surface of things. They are a platform for experimentation where the regulations are not so powerful that they force you into maximizing the floor space, which is such a selfish sort of architecture.”

Architects face a quandary that contractors do not—they can not say precisely when the design process is complete. Gilles Depardon, of Ogawa Depardon Architects, says it is a condition of the profession: “We lavish more time and care on our jobs than we can bill for.” Others, like Joe Valerio, FAIA, of Chicago firm Valerio Dewalt Train, with 33 on staff, see that firm inefficiencies cause these problems: “The biggest threat to our profit is that unbillable hours get dumped on a project. When work slows down, projects get loaded up with staff, so they can be kept busy until something new breaks.”

Still others say that insufficient time for design is a result of pressure from clients, who treat architectural services as a commodity. Many find the high cost of overhead, including insurance, marketing, and technology, adds prohibitive costs to the design process. Architects have a variety of ways of coping with this critical question very much at the heart of the profession. Some firms implement stringent controls on billable hours, others trim overhead, while others resign themselves to operating within narrow profit margins. One well-known architect in New York laments that he wishes his firm could become “a nonprofit,” feeling he cannot devote sufficient care to design if he has to worry about profit. An article in the New York Times Magazine on May 5, 2002, cited a doctor who wishes to treat patients on a “care as needed” basis, instead of providing limited care, which he is forced to do under the managed-care system. The situation for doctors and architects is analogous and remains a challenge: Since professional services, like treating patients and designing buildings, are not commodities, they cannot be costed out in the same way that manufactured products are. To effectively respond to the design-versus-profitability equation, our profession must continue to educate its clients to the realization that even in an age of standardized computer-generated drawings, most architects still design buildings one at a time. In August, we will conclude our series with observations on the new generation of talented architects, the role of technology, and the future of architectural practice.