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The Business of Architecture

Workshop 5 – Maximizing Partnerships and Staff

Introduction

The wet assets of any Architectural Practice, the staff compliment in its entirety, is by far the most vital asset of any Practice and by far its biggest expense. It requires some special skills and insights to secure the best results from this investment.

CHOOSING A PARTNER AND MAXIMISING THE BENEFITS

As an architectural practitioner going it alone can be intimidating. It can and will generally make your business under-resourced from the get-go. The daily requirements of running a practice place the following obligations on your time:

- Securing new work, fee calculations and agreements, and fee negotiations.
- Producing sketch plans and presenting them.
- Preparing construction documentation and details.
- Municipal submissions and follow-ups.
- Preparation of Building Contract documentation and tender documentation.
- The on-going and wide ranging duties of the Principal Agent.
- General office and staff management.
- Billing and securing fee payments.
- Staff, SARS and general account payments.
- CPD compliance.

The lone practitioner suffers not only from the overwhelming and ceaseless workload of being an Architect, but is also required to be a business manager, a full-time endeavour on its own, before he lifts a pencil or opens his Revit. In many cases he is undertaking tasks for which he is not well-suited. I would actually go so far as to say that a one-man* run business is a badly run business. Few people have the necessary breadth of skills to accomplish all these tasks competently, let alone professionally.

What you need

Goals of business
Choose someone who has a similar ambition to your own:

- Identify priorities such as family, health and mental well-being.
- Work ethic.
- Long term life ambitions. Money? Prestige? Legacy? Family? “All happy families are alike; each unhappy family is unhappy in its own way.” — Leo Tolstoy , Anna Karenina.

Personality compatibility
- Can you tolerate each other’s company over extended periods?
- Can you work together as an efficient unit?
- Counter-intuitively, it can help tremendously if you are not necessarily ‘friends’, and do not socialize after hours – that way you avoid the additional stress of family ‘baggage’.

Ethical compatibility:
It is also imperative to partner with somebody who shares a similar ethical platform to you.

- Do you place value in your integrity?
- Are you prepared to bend rules, or even act in a blatantly criminal manner?
- Are you prepared to bribe officials, accept kickbacks from suppliers or fix the award of tenders?

Improper practice charges against your company do not discriminate – you are deemed to have consented to the actions of all your associates.

Financial disparity
The most alluring partner will always be the one with the financial means to float the business in its formative stages, and to bail it during cash-flow crises. This can be problematic, and as counter-intuitive as this may sound, this is a mistake, and could lead to your undoing.

- Your wealthy business partner will most likely not have the same monthly remuneration requirements as you, creating uneven pressures.
- Your primary objectives for the business are fundamentally different – you will be driven by completely different forces and motivations, and this can lead to significant conflict.
- When times are hard, a wealthy partner may use the opportunity of your financial instability or growing loan account to bump you out of the business, and not rescue you after all, so a disproportionate amount of trust is required.

It is easier to agree on how to run the business if you have similar financial backgrounds and similar financial requirements. You are fighting from the same position and for the same rewards.

Appetite for risk
As discussed in detail in a previous module, risk is unavoidably part of our professional lives, it is important to share a similar risk profile. Risk is something that should be discussed as it presents itself, a balanced compromise to risk will provide the best results.

Leveraging the best use of your partnership

Don't duplicate service, don't second guess
It is a very inefficient use of time and resources to ride shotgun for each other. Move from arguing over how a task should be accomplished, to seeking out each other's opinion on how best to get it done.

It takes time to understand each other's strengths and weaknesses and allocate tasks accordingly. Value those things that your partner may bring that are often better than your own. If you can form your partnership with this simple principal clearly in sight, you will kick off straight into a rewarding and enjoyable collaboration.

Achieving this takes a fair amount of maturity, and can be every bit as tricky as a marriage. If you go into it with an informed and receptive mind, it will make the challenges of Architectural Practice all the more rewarding.

Complimentary skills and character
These are the unique skills and traits that each bring into a partnership. If clearly identified and understood, being different is exceptionally useful in a partnership:

<u>Skills:</u> You bring a much broader capability if you have diverse skill sets:

- You back each other up where you are weak and lift the quality of the practice and service that you offer to clients dramatically.
- My particular skill sets include documentation, administration and contracts. I was very effective at managing the office, getting the best agreements I could for the business, and being principal agent.
- His accommodating and helpful nature and strong design skills made him an unwitting marketing genius.
- Individually, we suck. Together, we rock. Together, we brought a great product to the table.

<u>Character:</u> Equally, having very different characters brings its own advantages:

- Clients can choose who they would prefer to work with. Different characters tend to suite different clients.
- It is also useful as a business to be able to assume different roles - In conflict with a large client, it leaves one partner available to continue with the service and operations of those projects, while the other can fight or argue other matters in a different forum. It leaves the air clear to still continue doing business effectively without bad feeling or spill-over from the dispute.
- Good cop bad cop routine, especially when fighting for money.
- As principal agent, your client wants to know he has a boxer in the ring.

Harness your differences, play to strengths
Consciously identify what are your weaknesses and your strengths, and consciously strategize accordingly. You can simply identify these skillsets and use them in a co-ordinated manner.

Use a business consultant to perform personality tests if need be. Strategize, plot, plan, and rationalize. We could have saved unnecessary conflict and offered better product if we had gone into our partnership with a better game plan.

Lunch
Go out for regular lunches. Strategize, refine, but mainly, tell each other what a great time you're having. This common civility and sharing is the real cement that makes partnerships a success.

Technical issues (new partnerships)

A priori contributions
Thoroughly ascertain and give cognisance to the value of a priori contributions you each bring to the new business. It provides an opportunity to identify what your assets and resources actually are, and how they can be best employed.

- Office equipment such as computers, software and software licenses, filing cabinets, filing systems, printers, chairs, tables.
- Ancillaries such as cups, kettles and so forth.
- Less obvious things such as reference libraries, template documentation, fee proposals, drawing libraries, experience, knowledge, previous clients, contracts, staff, connections and suppliers.
- Loan accounts (to be balanced as soon as possible).

All these things need to be placed in view for consideration, and value awarded accordingly. Should the business dissolve it is essential to have such a document in place.

PI "back book" liability
Identify and evaluate any outstanding professional liabilities that either partner may have. Is there any back-book professional indemnity of this outstanding risk ?

Outstanding Tax Liabilities, Sureties and Cession of Loans
Get your accountant to investigate this carefully. Ensure this information is uncovered and dealt with as necessary.

It is also necessary to be forthcoming with other financial obligations we may be under that don't necessarily seem important at the time. Existing Sureties and Cessions of Loans and complicate access to credit and dealings with the bank. An unresolved surety unrelated to your business can lead to the liquidation of one of the partners, forcing them to resign from the business.

Employment Contract

My partner and I never had any formal agreement regarding the duties and responsibilities of either of us with respect to the day to day running of the business. We simply got on with the job of ensuring all the work was done as required. Over time we began to identify one another's strengths and weaknesses, and we began to migrate to roles that best suited us and produced the best results.

Should I go into a partnership today, I would probably use an employment contract to formalize the normal daily operations of working for the practice and create some structure for renumeration (it does not have to be a fixed amount). It would also provide an opportunity to allocate duties expected of all partners, and then to assign duties that can be done early on.

The reality is that in the beginning, it takes time to concretise these assignations, but the formalization of each partners 'employment' contractually seems like a worthwhile pursuit, especially in the event of conflict or even the if the partnership is dissolved.

Buy / Sell agreements

This is a founding document for all partnerships and protects families and heirs in the case of the tragically unforeseen. Use the service of a proper business or financial consultant, and as soon as your business is starting to gather any financial inertia, get these agreements in place. Regularly reviewed life insurance policies are generally required to achieve the goals of these agreements.

A sudden death of a partner can result in:

- The loss of their labour, his contacts, their continuity on projects.
- Joint and company accounts can be frozen.
- Access to overdraughts and credit can be withheld.
- Lease and purchase agreements rendered invalid.
- Professional appointments and building contracts are threatened.

STAFF

Staff are your single biggest resource and by far your largest expense (70 % of total expenses according to the bigger practices). It requires you to apply your mind carefully to try and build an effective team.

Choosing Staff

Finding Staff

From a business point of view, one should carefully identify the tasks that are required to be done, and then look for a person with the qualifications and skill sets to accomplish those tasks. We have in the past approached staff placement agencies, with a degree of success. But even if you have the perfect candidate, with all the necessary qualifications and experience, it still does not mean that they will be a good fit in your practice.

Staff Fit

Practice chemistry is an elusive quality, more identifiable by its absence.

Managing the Workplace Environment

My partner and I had both experienced sweat-shop employment at some stage in our professional careers and had made a conscious decision to never bring that atmosphere to our own practice.

- Endeavour to create a pleasant and relaxed workplace. When the pressure is on, the work will get done.
- Manage deadlines properly – it reduces this unnecessary stress, and results in documentation with fewer errors and omissions, and happier clients and contractors.
- The most valuable part of your practice are your 'wet' assets. They deserve to be treated and acknowledged as such.
- Good team members will be very difficult to replace, and their absence will be very disruptive to the smooth flow of your organization.

There are four simple ways to keep a good staff compliment together:

- Recognize their contribution and validate their efforts. Never fail to inform them of their role in the success of your business, even at a task by task level. Acknowledgement gives employees a sense of purpose that reaches beyond money and time. It is the thing they take home to their families every night. They are the guys who will fall on their swords for you.
- Pay them true value. As shown, it is easy enough to calculate what the production of your staff is actually worth. So called 'market rates' are irrelevant, a business is a microcosm that can adjust its internal fluxes to permit the best results. Sharing the financial success of your business with those who made it possible tends to produce more successes.
- Pay overtime. As above, the worth of their labour is easily and accurately deduced. If you benefit from the labour of your employees, you are duty-bound to recompense them accordingly.

- Time is as important to the lives of your staff as it is to you. What we do is a creative process, followed by intensely detailed actualization. Fresh staff work better, harder and more efficiently. They make less mistakes. Do keep an accurate record of all leave, however.

Equally, all the above rules are equally applicable to us as business owners or managers:

- Give yourself the same break, we equally need to participate in a full and rich life in order to be able to interpret the aspirations of others.
- My extra-curricular pursuits give me opportunity to market my business and meet new clients.
- A stable and supportive family and home life helps re-energize us and boosts creativity.
- Do all in your power to refuse (formal) meetings outside of office hours. Any client or contractor, for that matter, to whom you open this door, will exploit it mercilessly. Our working days are long enough, it does not take many after hour meetings to completely rob you of your family or personal life.

Staff Personalities
It is difficult to turn a group of co-workers into a team.

Lunch also works well. Creating an informal forum, and allowing the workplace hierarchies to be set aside creates personal connections and empathies that transcend the typical employer / employee barriers. Learning about their lives shows an appreciation of their humanity, and allows us to deal far more effectively with them as people.

I have asked two people, in 19 years, to seek employment elsewhere. The most dangerous person to your practice is the one whose head is not in the game. Those undetectable omissions are the hardest errors to identify, and the type most likely to threaten the financial ruin of your practice.

Leadership
The most damaging personality short comings that harm our businesses are, of course, our own. As an architect, it is a fundamental requirement that we possess natural and strong leadership skills.

In a professional sense, it takes an enormous effort of will and persuasion to harness a client, his bank, the municipality, the professional team, and all the contractors to a common cause in order to drag a building out of the ground. It takes a steady nerve, long term vision and a will of steel to align ourselves against all the forces of nature to see a project come to fruition.

So it seems odd how often we lack the fundamental skills of leadership to effectively manage our own staff and our own businesses.

I shared our successes and our failures with the staff. The successes help strengthen the team, and if we don't share our failures, we cannot learn. That is one of the major principals of this entire course – that every failure is an opportunity to learn, and therefore as valuable and necessary as the successes.

Employment Contracts
Make sure these are in place and valid. The CCMA is biased towards social justice, and will use any procedural error to rule in favour of the employee.

Your accountant or labour broker can help you set up the correct documentation, always try and resolve employee disputes internally.

Runaround Staff Member
If the 'Cost of Sales' section made anything clear, it is that if either you, or a technologist, leave his or her keyboard in order to deliver drawings to site, or collect an approved plan, you are unnecessarily and extravagantly hiking your production costs.

Find and hire an able young matriculant or other suitable candidate to undertake this work. The 'Cost of Sales' analysis will astonish you, and you will be providing another South African with a job. A person we hired for this task saved us a fortune performing tasks that would typically have fallen to either me or my partner