

THE BUSINESS OF ARCHITECTURE

YOUR GUIDE TO A FINANCIALLY SUCCESSFUL FIRM

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The Business of Architecture

The Business of Architecture is the essential guide to understanding the critical fundamentals to succeed as an architect. Written by successful architects for architects everywhere, this book shows the architecture industry from a corporate business perspective, refining the approach to architecture as a personal statement to one that must design and build within the confines of business and clients. *The Business of Architecture* will educate new and experienced architects alike with valuable insights on profit centers, the architect as developer, how to respond to requests for proposals, intellectual property, and much more.

Kathy Denise Dixon, FAIA, NOMA, is CEO of WMCRP Architects, Inc. and Principal of K. Dixon Architecture, PLLC. She is a licensed architect with more than 26 years of experience involving sundry building types and facilities. She has been involved in every stage of the construction process and has experience in educational, commercial, residential, and government projects. Ms. Dixon is also currently a full-time professor in the Department of Architecture at the University of the District of Columbia in Washington, DC, USA.

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The Business of Architecture

Your Guide to a Financially
Successful Firm

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Contents

<i>Foreword</i>	vii
<i>Preface</i>	ix
<i>Acknowledgments</i>	xi
Introduction	I
1 Architecture Today: The Current State of the Profession	7
2 Transitioning from Academia to Corporate Culture	15
3 What Makes a Successful Business?	23
4 Leadership Matters: Organizational Structure in the Firm	33
5 Profit Centers	47
6 Process Versus Product	63
7 The Architect as the Developer	71
8 The Basics of Financial Management	85
9 The Right Fit: Hiring People and Finding Clients	101
10 The Architect's Plan for Branding and Marketing	107
11 Responding to RFPs and Building Relationships That Can Get You Ahead in the Process	119
12 Intellectual Property: Who Owns What?	131

vi	<i>Contents</i>	
13	Determining How Much Your Firm Is Worth	143
	Conclusion and Resources	151
	References	155
	Index	157

Foreword

Rainy Hamilton, Jr., FAIA, NOMA

I was pleased when Kathy called and informed me that she had begun the process to write this book, and I was thrilled that she asked me to write the foreword. This book, a resource providing insight as to the importance and sheer necessity of managing a design practice as a business, will be invaluable to both aspiring and practicing architects.

Choosing to be an architect can come from many places. For me it was a decision made early on in life. I remember vividly a career day at Barton Elementary School in Detroit, Michigan. I heard loud and clear that artists struggled financially but my passion for drawing and painting was known. Then a counselor in middle school suggested combining art with my other loves, drafting and model building. The sum was architecture.

Architecture is a noble profession, one next to Godliness, where we create environments for humankind—spaces, landscapes, and structures that inspire our souls. Our reward is being able to produce a volume of work that impacts society in a positive and meaningful way that endures for decades, if not centuries, beyond the practitioner's life. This is the architect's legacy.

While noble however, the practice of architecture is wrought with challenges. It is often highly competitive as clients pit design professionals against each other, often based on fee and rarely ranking the level or quality of services provided. In fact, thrifing of our services by clients is not uncommon.

Time and again, our service is treated as a commodity or even an evil necessity for the procurement of a building permit. We've lost ground as design-build scenarios proliferate the industry, led not by architects but by contractors. Challenges are exacerbated when the economy declines and recession cripples the construction industry.

In reality, the business of architecture is different than what professors traditionally teach. Professionals do not warn aspiring

students of the complexities of practice beyond design and the ability to craft beautiful renderings. *My mother never told me there would be days like this*—days of continuous calls to collect earned fees of worrying about leases for expensive equipment, of developing and producing marketing collateral, and of meeting payroll every other week. Clients seeking your services just walk in the door, right? Not exactly. In my 33 years of practice, this is the first economic climate where clients *are* calling weekly.

To be successful, the modern architect must understand business: The business of architecture and the client's business. The architect must learn how to balance the client's project. This typically involves balancing the resources (*funding*) with the program (*what is to be built, size, volume, etc.*) and the quality of what's constructed. Add to this the science of shepherding the project through the office; from proposal to budget to tasks to deliverables, and you get a rather daunting responsibility, especially for the small practitioner.

For most of us, it is about the art of architecture and the creative problem solving process. But the practice of architecture can't be all about that. Business skills and knowledge are absolute must-haves along with some luck, prayers, and blessings. With the right combination of all these, an architectural practice can make it as Hamilton Anderson Associates—a start-up practice founded in 1993 on a single credit card and one PC—has done for 22 years.

A couple of books I relied on and remember reading on an almost daily basis, before starting my practice: *Think and Grow Rich—A Black Choice* by Dennis Kimbro and Napoleon Hill, and my Bible.

This book, *The Business of Architecture*, provides a vital perspective on the business side of the profession, and presents a collection of ideas and concepts on how to be successful in the architectural practice. It is a must-read if you're considering this, or a related profession. Thank you, Kathy!

Preface

Kathy Denise Dixon, FAIA, NOMA

I wrote this book because I feel that there is a critical need for the architectural industry to conduct a self-examination and essentially reinvent itself. I have been in the field for 26 years and feel it is a topic that I have some credibility speaking about.

This book will discuss the architectural industry, not from the view of an architect or designer, but from a corporate position of business growth. We will discuss themes of procurement, mergers and acquisitions, intellectual property, and design as product. We hope that the reader will learn to look at the business of architecture not just from a creativity and design perspective, but also from a financial and growth viewpoint.

Although I've always wanted to write a book, it took me several years to determine a topic. Of course, it should be something that one is comfortable and knowledgeable about, and for me, architecture fits the bill. I have always loved the profession and have known since high school that I wanted to become a licensed architect and own my own firm.

However, some 20 years into the journey, I realized after two recessions that running a firm is a difficult business model for growth. Even as a young architect, I was often told not to go into this discipline for the money because architects don't make a lot of money. But I believe we should revisit that statement. Just on the basis of the level of education and the skills required, architects should be valued more highly and command higher salaries.

Exploring the business aspect in the book are two individuals with significant experience in Corporate America, who will discuss business paradigms that guide other professions. Karl L. Moody and Tim Kephart have worked with Fortune 500 companies for over 10 years and have great insight of how those entities view architects, the design process,

and the industry. You will be surprised to learn how the product of our labor is easily dismissed.

As a result of writing this book, I've become more of a business person and less of an architect. I mean that in the sense that I have less focus on the day-to-day tasks of an architect and give more time on my role as a stockholder or chairman of the board. The reason for any business to exist is to make money and grow revenue. Yet somehow architects seem to separate that from the equation and focus solely on design, and then suffer the consequences.

Much of our insight gleaned for this book was the result of years of experience in the profession as well as involvement in the process of building a start-up company, AECXCHANGE. Our efforts to bring a new paradigm to the industry have shed light on old schools of thought that have subsequently been keeping the industry from growing. Over the course of completing this book, I closed a deal on the acquisition of another firm which put into actual practice a few of the ideas that we presented in here.

I would like to thank my co-authors Tim and Karl for their insight and commitment to this book, to the AECXCHANGE, and to the growth of KDA and now WMCRP Architects. Moreover, I'd like to thank my mother and father (he worked as an architect for his entire employment history) for their support and love throughout my life and career.

Acknowledgments

Kathy Denise Dixon, FAIA, NOMA

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Introduction

Architecture has an identity problem.

Most people when confronted by a licensed architect will almost immediately respond by saying, “*Oh, you draw blueprints*”. And that would have been a correct statement some 25–30 years ago. But the truth is that blueprints haven’t been used in decades. Yet the image of the architect in the mind of the public has not changed: the architect is simply someone who draws blueprints—creative, artistic but does not fill a vital role in infrastructure building.

The profession’s lack of identity, however, can be largely attributed to architects themselves. Regrettably, the industry has done a poor job of expressing itself, describing its role, and explaining its relevance in today’s world. While other professions have encroached into the realm of architecture, architects have kept the status quo. They have not exerted any effort to adjust to the current marketplace, or learned to incorporate business skills into their wheelhouse.

What’s interesting and perhaps, promising, is that some sectors in the industry are starting to acknowledge that something needs to be done. For instance, the American Institute of Architects (AIA), which is the largest organization representing licensed architects, has finally recognized the need to create a public awareness campaign that speaks of the role of the architect. The group launched a video ad campaign in an attempt to inspire people to appreciate the work that architects do.

Although a noble and admirable effort, the ad fails to get to the crux of the matter: Explain why the architect is needed and promote the value he or she provides. It continues to speak only to the 2 percent of the population who hire architects, and not the remaining 98 percent who need, experience, and benefit from architecture on a daily basis.

Every so often, and with more regularity, we see published articles such as the one in the January 2015’s issue of *Forbes* magazine,

2 Introduction

“Architecture Continues to Implode: More Insiders Admit the Profession is Failing.” Judging from the strong opinions voiced and cited in the editorial, it is apparent that a good number of architects are aware that something is awry. Yet they remain seemingly paralyzed, unable to collectively come up with a concrete plan of action to counteract this downfall.

Perhaps this is because academia does not prepare architects to do business, only to design. Not a lot of emphasis is placed on how their work should appeal to the broader population, or on the financial aspects that should be part and parcel of being an architect. And true enough, design has become the currency with which an architect gauges success. In fact, no other industry has so strongly girded itself against the need to actually engage in commerce

I don't believe that academia is the sole culprit, though. The profession's well-known history of architects coming from wealth themselves and/or plying their craft exclusively to wealthy patrons has lingered far too long in the memory. If architects have always been given commissions due to their personal and familial connections, how will they learn to actually make a living out of it? Or how will the industry transform into one that really incorporates a transaction-based paradigm?

This book explores how the internet, e-commerce, and our product based economy will ultimately change the architectural profession in the same way it has affected many other industries via online competition, speed of delivery, and advertising.

Architecture's historic tradition of being the “Gentleman's Profession” has damaged the industry in other ways aside from adapting to commonly used monetary exchange.

The industry has established itself as a homogeneous and hopelessly exclusive profession that has been slow to welcome individuals into licensure, including women and underrepresented minorities. It is not even too far of a stretch to assume that the lack of inclusiveness has slowed down the development of the architectural profession. Other disciplines like medicine and the legal profession have, for years, encouraged, promoted, and actively sought out diverse individuals to join their ranks, but architecture has remained largely homogenous.

It was 1968 when, in a statement, American civil rights leader Whitney Young Jr. challenged the profession to end its silence on the issues of race and prejudice.

You are not a profession that has distinguished itself by your social and civic contributions to the cause of civil rights, and I am sure this does not come to you as any shock. You are most distinguished by your thunderous silence and your complete irrelevance.

It is no surprise that, decades after that powerful statement was made, the profession's irrelevance has become more apparent as the silence grows more thunderous.

The inclusive nature of a community of individuals coming from multiple backgrounds and diverse perspectives can only be beneficial to the profession. If the architectural industry is going to save itself, it must move quickly to engage those who have traditionally been barred from participation.

It's also no surprise that the emergence and subsequent burgeoning of "public interest design" has taken the profession by storm due, in part, to its concept of inclusiveness. This practice also provides the perfect opportunity for architects to *create the deal* instead of just *waiting for the deal* to come. Public interest design may well be the seed that helps spur the rebirth of the architect.

The deficiency of architects in the business side of their profession thus gives rise to the question: What are the methods used by other disciplines to run successful practices that seem to elude architects?

In this book, we intend to examine some of the standards and common business edicts that may help transform the architectural profession and make it a more relevant contributor to society. We will also discuss branding and marketing strategies which make the best use of the many technology tools that are available today. In addition, the book explores and presents the sound entrepreneurial ideas and practices that the architectural industry has not yet incorporated even as it is one of the oldest professions on the planet.

For instance, media advertising, franchising, and dealerships are among the most commonly used business tools, yet the average architecture firm has never considered implementing any of these rules of thumb. And while the ability to claim intellectual property rights is one of the most valuable aspects of an architect's career, most firms have no idea how to take advantage of these provisions for financial benefit.

The metamorphosis of architecture into a new industry will neither be easy nor quick. This transformation has been greatly needed, and may have even started ever so slowly over the years. However, the

4 *Introduction*

longer architects wait to reinvent themselves, the greater the chance that others outside the profession will control the change and direct the new alignment to further their interests. One thing that has become clear is that firm owners will need to not only hone their design and project management skills but also sharpen their business acumen in order to stay competitive and be in the best position to succeed.

For such revolutionary changes to happen, there will have to be a paradigm shift on the part of the architect, from rethinking the idea of architectural design as a process, to focusing on the product that the process creates. This is generally considered taboo, perhaps to some even criminal thinking, especially coming from an architect. Yet, it needs to be voiced because the change needs to happen. Even if architects don't do it, eventually someone else outside the industry will. In fact, it's already starting to happen. This is one of the major issues that architects should take immediate action on, as professionals in related disciplines take over the market share of what has generally been the architect's field of specialization.

There's a lot that can be said about the changes that need to be made and the strides that have to be taken by the architects themselves, and the industry in general. But rather than use more words to complain about everything that is wrong with the profession, we will instead attempt to provide solutions. This starts with changing the profit margin and adding value for your firm, no matter the size or age of the company. Focusing on the value of your firm and knowing how to increase that value through means other than design projects is one aspect we will explore. A firm focused on financial value has greater opportunities, is more likely to be acquired, and would have an easier time accommodating ownership transition.

Acquisitions and mergers have recently become the means through which many firms substantially grow. Yet most architecture firm owners don't actively position their company to be desirable for investors and potential buyers, or seek to purchase other companies even if it were a sound financial move. The profession needs to see these established business strategies as worthwhile pursuits rather than a distraction to their design focus.

In the final chapters of this book, we will explore these business options and explain how the various practices can be applied to your firm. If you are in a position to purchase, we will also give you valuable advice on what to look for in a firm.

I was compelled to write this book as a result of a combination of factors, not the least of which is seeing the writing on the wall with regard to the rapid pace of change in business. Another driving force for me is seeing just how resistant the architectural profession has been to respond to change. Such inability or unwillingness to respond will surely confirm the pending implosion that was alluded to above.

The presidential election over the past year and its aftermath, particularly as it pertains to the American Institute of Architects (AIA) and its “tone-deaf” response, further confirms that the profession is disjointed. Calls for social design justice in the wake of a vicious and cruel campaign season are warranted, but so are the hallmarks of a capitalist society which includes pursuing infrastructure related projects for the members. How do both of these schools of thought jointly exist? There is no easy answer. How does the professional improve its value to society and contribute to social change while also providing a significant source of revenue for those in the industry?

After 26 years in the profession, one might suggest that perhaps it’s time to throw in the towel and switch careers. But I’ve already invested too much blood, sweat, and tears to just walk away. More importantly, despite and in spite of its flaws, it’s a wonderful profession. We are trained to see the connectedness of the world in ways that others don’t understand. It’s just a pity that the rose colored glasses that many architects look through have distorted the reality that we are *in* business, and in business to make money.

My goal is that this book becomes a wake-up call to practicing architects with years of experience, as well as a guidebook for young architects entering the profession who will benefit the most from the inevitable and necessary business transformation.



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I **Architecture Today: The Current State of the Profession**

Kathy Denise Dixon, FAIA, NOMA

Architecture has always been a well-respected profession. History would tell us however, that it is also a career that is primarily reserved for wealthy white males, serving a clientele composed mainly of those who belong to the highest social and economic circles. The public's general impression of architecture was that it was a service for the elite, and architects, for the most part, were fine with that impression.

Over the last few decades however, the profession has been increasingly looking inward with self-evaluation. Part of this self-reflection is brought about by the dawning realization that architecture after all, is not just about creating great design. For architecture to survive and architects to thrive, the profession must embrace a purpose that includes creating value for the firm and generating wealth as well as contributing to the culture of society.

For us architects, boosting income for ourselves and for our respective firms means that we need to show the greater public that good design is not simply a luxury, but an important factor in creating better living spaces, healthy environments, and more desirable real estate investments. Only then can we maximize the opportunities around us to generate a steady income stream.

But just how easy is it to accomplish this feat given today's challenging economic conditions?

The Realities of the Market

At this point in time, a paradigm shift for architects would do wonders for the profession, injecting some fresh perspective and vigor into an otherwise ailing industry. It does not however, change the reality that the building market isn't exactly at its most ideal point in the financial markets.