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*ReVisioning: A Proactive Analysis of Fit between Value-added
Corporate Real Estate Services and the Design Firm as Provider*

by

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Submitted to the Department of Urban Studies and Planning in Partial Fulfillment
of the Requirements for the Degree of

MASTER of SCIENCE in REAL ESTATE DEVELOPMENT

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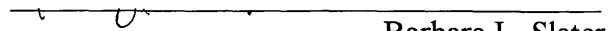
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ABSTRACT

Many in the field of architecture have begun to question their future as new project opportunities dwindle with the decline in building development and other professions impinge on their traditional domain. This is partly a result of corporate real estate and facility industry restructuring as organizations and service delivery mechanisms respond to changes in the way owners and management view and value real property assets.

The research sought to establish if architectural design firms could or should strive to provide value-added real estate facility services to corporations in the increasingly competitive and cost-conscious business environment characterized by re-engineering. Since much of what architects do in the course of building design is considered value-add, the real issue for designers trying to become more competitive is how to approach change and innovation in their practices, to more ably anticipate client needs, and to establish connections that facilitate flexible new business arrangements necessary in the 1990s.

This thesis looked at how changes in the real estate industry have affected both the user and supplier market and gave an overview of the new outlook of corporate facility management. To understand the dilemma facing the design industry, the architectural profession was researched as was its fragmentation, competition, and persona. Traditional strategic management and cutting-edge concepts and tools employed by corporate America to remain competitive were identified. These mechanisms, useful in effecting strategic assessment and organizational innovation, were presented as a foundation for design firms seeking to re-focus. Facility Management, and its evolving state, was presented as an option for design-based firms seeking to expand their service mix to sustain viability. Demand, suppliers, types of services, and skills required were presented and analyzed for their fit with a hypothetical architectural firm. A decision-making framework based on information learned from business planners was offered to help architectural design firms decide how best to provide both traditional and non-traditional facility services. New perspectives on service delivery were suggested for practices striving to gain a competitive advantage and maintain stability during market fluctuations.

In terms of business opportunity and overall client demand, there are niche areas in the field of Facility Management that can only be filled by architectural designers. However, to be competitive in this field, design firms need personnel on staff that are versed in the terms used by business and industry, particularly economic and financial issues. If architects play to their strengths in providing new services and make use of the strategic change tools being employed by industry, they will be able to effectively and comprehensively serve clients with facility management needs and add value to their scope of service.

Thesis Supervisor: Michael L. Joroff

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CHAPTER ONE: RESEARCH PURPOSE and OVERVIEW

Imagine that you are the CEO/President of a 50 person architectural design firm,¹ in New England, as 1994 rolls into existence. You have survived (it appears) the third major building recession in your lifetime -- in fact, since World War II -- and you are contemplating how to view the future of the firm entrusted to your hands five years ago, just when this all began. You figure you have another twenty years of active participation in the business and you have experienced twenty-five. Reflecting over those years in the past, you decide that one of your personal goals is to strive to manage the business better so that you don't have to go through the tumult that comes with the highs and the lows of the building cycles. You'd like *never* to have to go through the forced downsizing again -- laying off friends and colleagues due to circumstances beyond your control. In fact, you'd like to shape the growth and stability of the firm in such a way as to provide a quality of design and a level of service that somehow insures that your firm is insulated from the economic cycles as much as possible. So, what can you do? Is it just a fantasy? To whom do you turn for help in formulating the answers?

Issue Overview

The corporate real estate and development industry has undergone a major transformation since the late 1980s. Interest has shifted away from building and expansionary growth to the financial performance of properties as assets contributing to owners' and investors' bottom-line. This is a perspective that has led to the consolidation and disposition of excess or poorly performing corporate facilities.

When coupling this information with the predicted impact of anticipated changes in work space usage and technology, it can be deduced that the field of architecture is potentially facing a radical change. In fact, increasingly since the beginning of the 1990s,

¹ For the purposes of this research, the terms architects, architectural designers, and designers will be used interchangeably. Design firms discussed are defined as: *architecturally-based design service firms composed primarily of designers (as opposed to consultants) -- architects, engineers, interior designers, landscape architects, urban planners -- actively involved in the process of design rather than in strictly providing design consulting.*

the question of where the architectural profession is headed has been on the minds of many knowledgeable, forward thinking individuals in the field.

Over the last 20 or so years, the practice of architecture has changed in response to shifts which have occurred in the marketplace during cycles of rapid or declining growth. By tying the output of their practices to meet the demands of a fluctuating client base, design firms have often adopted business strategies that could be viewed as opportunistic but are really, more often than not, reactionary. In an attempt to gain some control over their businesses, many architectural firms have responded by specializing in specific elements of architecture (i.e., interior design) to the exclusion of the remaining functions. Still other design firms continue to be buffeted by the peaks and valleys endemic to their chosen field; hastening to acquire new skills, personnel, and clients each time they lose market share in formerly profitable markets.

Since the evolution of architectural practice has been characterized by fragmentation of services and reactionary movement, it would appear that although the business of design has been experiencing change, it has been doing so at the pace, bidding, and whim of others. Rather than taking a clear but visionary path towards the future, architects (as well as other facility designers) have been following the lead of their clients and responding to the market, rather than acting to shape it.

Alarmed by a declining demand for their services and unsatisfied with the level of compensation they receive for deploying their skills, many architects believe that it is time for them to begin controlling their own professional destinies. Furthermore, they recognize that such a change in perspective may require fundamental restructuring of the way they do business.

Research Issues

The question is, "How?" How does a design firm (or the entire profession, for that matter) approach, adapt to, and implement change?

Therefore, in light of the circumstances described above -- the anticipated decline in building and development along with projected shifts in the real estate market -- how would the CEO of a mid-sized design firm begin to change its course and in what direction? Charged with the responsibility for maintaining a viable business over the next five to ten years, what are some of the ways s/he can best adapt the firm to ensure that a balance is achieved between both the external and internal climate? What, if any, are the immediate opportunities created by this changing atmosphere, and how or what would an architectural design firm be able to contribute that others can't? These are some of the issues that the research for this thesis has sought to answer.

To do so, the way in which corporate industry has "retooled" to maintain or achieve a more stable competitive edge was examined. These businesses have recently undertaken change for reasons similar to those that architecture now faces. Consequently, the research looked at some of the tools applied in the corporate restructuring process since it was thought that they might also be useful to architects striving to reshape their own firms.

Much has been written over the last five years about the re-engineering of the American corporation, especially how the corporate real estate function has been revised to contribute to the bottom-line through various methods of providing value-added, facility management services. At the same time, some architectural pragmatists have looked to this area as a future market opportunity -- an opportunity that seems unrestricted and full of promise especially for design firms that have technological resources (e.g., use some form of automated design and drafting system or CADD).

Research was undertaken to discern what design firms were doing in response to new trends in this area of real estate service delivery. Many articles in professional journals have pointed out the opportunities for facilities management services. However, the published data is insufficient to ascertain the depth and breadth of the design industry's mobility in this direction. What is clear is that positioning themselves to take

advantage of market opportunities in evolving fields is not something that the principals or managers of design firms, for the most part, are prepared for, or have ever been taught how to do.

Planning for change, strategic focusing and advanced marketing techniques are still "uncomfortable" business activities that are slowly, if at all, being incorporated into the designer's practice. There is, however, increasing awareness among those architects involved in guiding the business of design that in order to continue as a viable industry, one that also provides some form of stability and quality of life to its members, it is incumbent upon them to learn and incorporate new approaches to practice management.

One way, as suggested by this thesis, is to couple some of the strategic planning tools, employed traditionally by industry to guide their direction, with those used in recent years by a corporate America which either chose or was forced to restructure in order to survive the latest economic recession. This thesis, therefore, adapts some of the mechanisms, utilized by industry, into a framework upon which to build a revised strategic positioning approach for architectural design firms.

Additionally, in response to the issue of change and as a means to consider potential opportunities for the architect, the thesis poses the question, "Can and should designers consider revising their roles and stabilizing their businesses through the expansion of their service scope to encompass corporate real estate management -- also referred to as facility management -- services?" A related, but perhaps more critical, issue to be addressed is whether or not design firms can be competitive in this evolving field of corporate real estate and facility management consulting. To adequately analyze this option (or opportunity) required a breakdown and general definition of the services to be considered; an understanding of competitive theory; research into the types of companies providing the services ("supply"), to whom these services are being provided, and why ("demand"); as well as delving into the reasons behind the evolution of the real estate facility services industry.

Issue of Semantics

Certainly, it is easy to argue that architectural design firms can become providers of corporate facility services (a few already are), since much of what they do in the course of designing buildings for their clients falls into this category already, depending upon the perspective from which it is viewed. Yet, the role(s) architectural design firms can and do play as integral participants in the delivery of corporate facility services is often misinterpreted. It appears that the evolving definition and the inconsistent use of terminology regarding real estate and facilities management services are the source of much of the misunderstanding.

There are a number of terms pertaining to real estate management that are often used interchangeably, and perhaps erroneously. Real estate, which we will establish in the following chapter, is the broad umbrella under which many activities fall. Some of these are: asset management; facility management; portfolio management; property management; and, real estate management. While each of these terms describes a separate function, the tasks and responsibilities of each sometimes overlap. This is an issue that has at times confused and affected the research undertaken for this paper. The subject of overlapping jurisdiction appears to require further investigation beyond the scope of this thesis.

This study has primarily been concerned with real estate and facility management which are increasingly becoming blended as a consequence of corporate re-engineering. Some services typically provided through property management are also being merged or aligned with real estate facility services, and to that extent these functions were considered here. Asset management and portfolio management are aspects of real estate management that are primarily concerned with and employ financial performance and investment analysis tools and, for the purposes of this thesis, are beyond a scope of services seen to fit core strengths of the architectural design industry.

Statement of Purpose

In summary of the above discussion, the purpose of this paper is to accomplish five main objectives:

- 1). To document and inform the reader of the confluence of circumstances that have collided to create the reason behind the study of architectural industry change and re-assessment (i.e., the ever fluctuating state of the architectural design profession, recent changes in the industries of general and corporate real estate, the new providers and perspective of real estate/facility services, and new methods of work and work space management aided by technology);
- 2). To define for the reader terminology pertinent to the discussion of real estate and facility services, strategic management, and corporate change so that all may have a similar level of understanding, as well as to report on the current "state of the art" of facilities management;
- 3). To suggest ways for the leadership and management of concerned design firms to consider, approach and adapt to changes in their business environment through the use of strategic assessment tools;
- 4). To incorporate what has been learned by a newly "re-engineered" corporate America into a proactive framework through which the architectural design industry can revise their organizational and professional strategy and increase their competitive advantage.
- 5). To describe one option architects might consider (adding real estate and facilities management services) as that means to balance and expand their existing scope of services. The analysis will look at what these services are, the "supply" and "demand" sides, and assess the "fit" between these services and the design firm as a provider.

Future Chapter Overview

The chapters following this one will provide the information as described below.

CHAPTER TWO

The reasons for and ramifications of the changes facing the architectural industry will be further developed in this chapter. Looking at how the real estate industry has evolved will establish the context within which the architectural firm operates and nature

of the need for the new approach postulated by this paper. Next, the practice and profession of architecture will be examined from an historical and business perspective. Personality types drawn to the field will be considered to lend insight into the characteristics and skills designers already have, or may need to develop, to master the change process. Examples of what some design firms are doing to prepare for, insulate themselves from, or respond to shifting client needs will also be presented.

CHAPTER THREE

Ways corporations can evaluate, plan for and adapt to change will be addressed here. Part I describes methods that center primarily around market research and development techniques, strategic planning initiatives and competitive theory. How to increase competitive advantage, build on strengths while changing the focus of the firm through a revised scope of services, and/or diversify will be discussed in a context of how it has traditionally been done in industry. Part II explains and offers examples of how many in corporate industry have been adapting to shifts in both their external and internal environments and identifies the mechanisms they have used for adjusting to and preparing for change implementation. Using what has been learned from these other industries, similarly affected by the necessity for change, a framework will be developed through which it is suggested that design firms take their cue if they are to be viable, competitive service providers in the future.

CHAPTER FOUR

One strategic choice -- to provide facility management services -- will be considered as an example of how a design firm might go about researching and deciding to provide a new service in order to remain viable in the future. An expanded definition of facility management will be given and a range of services identified, as will current service providers and delivery requirements. An interpretation of the nature of service provider's abilities and skill sets will also be presented.

CHAPTER FIVE

This chapter will synthesize the information found in the presentation of the research and analysis of competition among facility management service providers into a framework for decision-making. Through the context of a hypothetical architectural firm, the scope of services designers may provide if incorporating facilities management into their business, along with ways to successfully integrate the new function into the organization, will be considered. Using the information developed in previous chapters, the framework will be presented and an "analysis of fit" will ensue as the option of facilities management services is considered for its effect on the design firm's competitiveness. Additional discussion and recommendations pertaining to the provision of real estate and facility services by architectural design firms will follow.

CHAPTER SIX

Summary conclusions will be drawn regarding architecture as it relates to its changing environment, and final recommendations will be put forth in this closing chapter, based upon the information presented and learned throughout the course of the research.

CHAPTER TWO: CONTEXT and OPPORTUNITY

It is now late spring, business is picking up, and the firm is growing again. Just the same, you are worried about re-building it on a solid foundation, one that can see the firm through the good times and the bad. As an architect you were trained to be an independent thinker, and a problem-solver, too, but from a design perspective not in a business sense. Sure, you're the CEO, so everybody thinks you know all the answers. You've been running the business okay up until now, and you've had some help, but maybe you need more? The business management and development parts have changed. It doesn't seem to operate as easily anymore. In fact, over the last five years, you've become aware of numerous changes in the building business that are affecting the strength of your relationships. Architects seem to be losing their power. People are saying that what's happening in the real estate market could indicate a structural shift and that this could have a tremendous impact on the viability of the architectural profession. You'd like to address those issues in your thinking, as well, but where do you begin?

Chapter Objective

This chapter will outline some recent developments in the real estate and design industries. The objective is to show how these trends have created new service niches within real estate -- particularly corporate real estate, and new levels of competition among designers. The chapter sets the stage for the development, in subsequent chapters, of ways in which architecture firms can adapt to new opportunities and challenges.

Real Estate Perspective

The real estate industry is an integral and substantial part of the United States economy. As an industry, real estate is comprised of not only those who develop, own, operate, or invest in many types of properties as distinct profit making ventures, but also those who provide them with services. There are two real estate markets -- a user

market that rents space and a capital market that invests in real estate as an asset class.² In the recent past, the user market portion of this business has been characterized by optimism spawned by expansionary growth, entrepreneurial rewards and the excitement of risk taking and deal making. However, the real estate industry is undeniably cyclical in nature, and we are currently experiencing the effects of the most recent downswing.

The reason why it is important to discuss the last ten years in U.S. real estate, particularly corporate real estate, when considering the future of the architectural design community is that the fortunes of real estate have a direct effect on the marketability of design services offered by the majority of commercial firms. According to Dana Cuff, a foremost authority on the practice of architecture, changes evident in architectural practices and the architect's role "are mirrored and magnified by changes in the client population."³ Cuff cites corporate clients as a crucial element to the analysis of fluctuations in the size of architectural offices since a reliance on corporate work appears to be directly related to their growth or failure. Cuff also suggests that architects who, for one reason or another, avoided developing corporate clients have had difficulty maintaining a viable practice.⁴

Up until the end of the 1970s, real estate was generally practiced on a small organizational scale characterized by sole proprietorships and small management teams within corporations.⁵ Since then, however, there have been significant modifications in the field which have altered the way the business is being handled. No one particular circumstance has caused this shift. It is a result of a confluence of factors including: increased government regulation; globalization of competition and markets; increased technology affecting building construction and methods; changing demographics; the

²Conversation with Blake Eagle, Chairman, Center for Real Estate, M.I.T., Cambridge, MA, January 23, 1995.

³Dana Cuff, Architecture: The Story of Practice (Cambridge: The M.I.T. Press, 1991), p. 53.

⁴Ibid., p. 53-4.

⁵Ibid.

volatility of interest rates which eventually were translated to a restructuring of capital markets; and the reshaping of the organizations to manage the process.

P. R. Brady in her thesis entitled "Partners for Change" reported on trends in the real estate development industry over the years from 1978 to 1988. Today, six years later, the transition continues. Using the analogy of a chess game in which both risk and strategic thinking must come together to keep "players" ahead and their competition at bay,⁶ Brady emphasized that the decisions and functions of real estate had multiplied in both uncertainty and complexity. Real estate was leaving its reputation as a game of chance behind.

Real estate has become "big business". In the process of becoming big, many real estate firms have taken steps to re-organize and increase their professionalism,⁷ and major restructuring is still underway. No longer do the majority of firms operate as individual brokers transacting deals on a project-to-project basis, instead most consider their business as one of providing "strategic consulting" for real property. As is often mentioned in industry articles, they have evolved from tactical to strategic service providers. Consolidated national or global companies, commercial real estate service firms now offer full-service management to their clients. These services include everything from financial analysis, asset and property management, brokerage, repositioning and disposition to management consulting, relocation management, space analysis and even staffing assistance. They have become the "one-stop shop" of the 1990's. This shift in the real estate industry was accomplished as firms aligned their services with financial management,⁸ availing themselves of information made accessible

⁶Patricia R. Brady, "Partners for Change: Real Estate Developers and Management Consultants", (Masters Thesis, Center for Real Estate Development, M.I.T., 1988), p. 8.

⁷See Brady, "Partners for Change", for a comprehensive discussion of this subject.

⁸Kenneth Allinson, The Wild Card of Design: A Perspective on Architecture in a Project Management Environment (Oxford: Butterworth Architecture, 1993), pp. 10-1.

through professional education programs and managerial consulting processes,⁹ and positioning themselves for change.

Commercial and Corporate Real Estate

Another significant occurrence in the real estate industry has been the recent popularity in the securitization of real estate investments. As a means to raise capital and to increase liquidity in the recessionary period of the late 1980's and early 1990's, many owners grouped their properties into asset-based portfolios and offered shares in them to the general and institutional markets. The vehicle of choice for raising capital and spreading risk in this manner is the Real Estate Investment Trust (REIT). In order to comply with requirements set forth by the Securities Exchange Commission (SEC), all properties grouped in this way and offered as investments must be managed by independent contractors. Consequently, many formerly investment-grade or commercially-owned properties are no longer owned or operated by the developer or end user. However, the fiduciary responsibilities of the trustees or directors allow them to have a say in the decisions affecting the property if it directly relates to the affairs of the REIT. By adding an additional layer of scrutiny to the management of these properties, this modification has heightened expectations of quality and has precipitated a need to redirect and refine the marketing message of the service provider.

Concurrently, there has been a new approach to the management of corporate real estate¹⁰ for according to the CRE 2000 Report put out by the Industrial Development Research Foundation (IDRF), "a corporation's real estate -- its land, buildings, and work environments -- is a powerful resource whose strategic value is just

⁹Brady, "Partners for Change", p. 12.

¹⁰Changes in this arena are considered doubly important, since the experts all agree that the corporation has been the economic mainstay of architectural practice since shortly after World War II. NOTE: *Corporate real estate* (CRE) is differentiated from general real estate in that it relates to real estate assets and activities generated by "user firms" in the course of their business operations.

emerging."¹¹ Corporate real estate executives and facility managers¹² are the parties responsible for implementing the processes required to effect this change.

In 1987, a survey was conducted by MIT to ascertain the status of corporate real estate asset management throughout the nation. It confirmed what had been found in earlier studies, that corporate real estate was an undermanaged corporate asset plagued by the lack of adequate formalized information and appropriate diagnostic tools. Additionally, the results indicated corporate properties were not managed in accordance with market value, size, or function, instead it had more to do with how such property was valued internally by top management.¹³ The study also revealed that two primary areas -- gaps in the current system of corporate real estate asset management -- warranted attention: information management and general business administration.¹⁴

In concluding that real estate held by the corporation was an under-recognized -- but key -- asset of strategic importance to the corporate bottom-line, Veale called for the development of corporate real estate as a separate field of management. Pointing to developers, architects, and professional property managers (all having some involvement with facility management) he found none among them spearheading the effort.¹⁵

In the last few years, however, corporate real estate has increasingly caught the attention of CFOs who have finally realized its potential impact on the bottom-line and

¹¹Michael Joroff et al., Strategic Management of the Fifth Resource: Corporate Real Estate (Norcross, GA: Industrial Development Research Foundation, 1993), p. 11. NOTE: The CRE 2000 Project, per the Phase I Report, was undertaken to "scrutinize the potential of a fifth corporate resource - real estate... and to help integrate the management of this...strategic resource into broader corporate thinking." Phase I is the report of what is currently being tried by providers in the field to cope with new conditions and demands.

¹²NOTE: Due to ongoing re-structuring within CRE departments, facility managers and real estate managers are concerned with the same functions -- or significantly overlapping ones. Often the departments have been merged. Therefore, for the purposes of this study, and since we are dealing primarily with the user market, the terms real estate and facilities management (and services) are used interchangeably.

¹³Peter Veale, "Corporate Real Estate Asset Management in the United States" (Masters Thesis, School of Architecture, M.I.T., 1988) p. 22.

¹⁴Ibid., pp. 104-11.

¹⁵Ibid., p. 112.

the price of their stockholder shares. So, today, facility managers are charged with justifying ownership of real property in light of other options (i.e., leasing), which afford the same amount of operative control with less investment and more flexibility.¹⁶ Many real estate divisions, as a way to contribute to the profitability of the firm, have either down-sized significantly or "spun-off" as separate preferred or exclusive-supplier providers.¹⁷

As corporations began looking to their real property assets as a way to increase their bottom-line, facility managers responded by closely scrutinizing space and building use and began downsizing and consolidation. This included a movement towards the acquisition of less costly leased and owned space as well as the divestiture of unprofitable properties. These activities, along with the new corporate focus of "returning to the core", have been affected by the reorganization and downsizing of real estate departments. Reduced staffs, when coupled with the companies' ongoing need to provide facility information and services quickly and with limited resources, gave rise to out-tasked and outsourced real estate functions. The professional service and real estate firms were there -- either through their ongoing relationships, their existing business functions, or simply by following their entrepreneurial instincts -- to pick up the outsourced "pieces".

Future Impacts

Some of the other ways that real estate is changing or has changed have to do with the rapid integration of technology in the workforce and workplace. The terms hoteling, work space management, virtual officing, satellite offices, groupware, video-conferencing, etc. have all become common parts of the lexicon of space management and real estate use. During this last decade, technology and automation have moved

¹⁶William B. Brueggeman, Ph.D. and Jeffrey D. Fisher, Ph.D. Real Estate Finance and Investments (Boston: Irwin, 1993), p. 544.

¹⁷Joroff et al. Strategic Management of the Fifth Resource p. 44.

progressively forward, increasing in utilization and sophistication, particularly in corporate America. As a result, there has been a movement among certain industries (a movement which became more prominent in the late 1980's) towards creative methods of space use.¹⁸ These innovative ways of reallocating work space have essentially cut the amount of space required per employee from an industry average of 250 square feet to a new range which falls between 135 to 185 square feet per worker, depending upon the particular use considered.

Technological increases and changes in the way technology is used (i.e., networked personal computers vs. large mainframes; virtual officing; telephone and video conferencing; etc.) have and are leading to modifications and new thinking regarding the use of buildings, as well as changing the locations where business is done. Now people can work out of their homes, cars, clients' offices, airports, trains, or restaurants -- virtually anywhere. The development of such space efficiencies when coupled with an increased call for energy efficiency and stricter attention to life safety codes, as well as sick building concerns (indoor air quality, lead-based paint issues, asbestos remediation) have altered how buildings and space are designed and/or redesigned. This explains what is already being experienced in some geographic locations: excesses in existing office space causing a need for creative repositioning, rehabilitation, and re-use services.

In the future, there will also be a need to also consider the changing demographics of the workforce. It has been cautioned that as the baby-boomers age and fewer individuals are available to take their places among the ranks of the employable, companies will find it necessary to engage in new types of competition to attract skilled, qualified employees. One of the imperatives, as a consequence of the increased selectivity of the labor force, will be that not only the work but also the workspace (i.e.,

¹⁸Ibid., pp. 83-101. NOTE: For more detail see CRE 2000, Chapter 6 -- Corporate Case Studies.

the total work environment) must add to the individual's perceived quality of life. Thus it may be that the work facility and its support systems will become the "perc" of the future.

Some might see the trends described above as support for a renewed and heightened interest in human ecology as it affects productivity, for as stated in Phase One of the CRE 2000 report, "the space in which work takes place is an inextricable part of how it is performed. Significant performance increments come from considering all the components of a system and solutions to all of its problems at the same time."¹⁹

"...[H]igh-performance organizations need work settings for employees that allow them to reveal their full productive potential."²⁰ Finally, this has led to stronger arguments for sustainable architecture and materials use, as well as increased productivity studies through ergonomics, lighting, space planning, and other building features which support the workforce (color, texture, materials, air quality, design.). There is renewed awareness of buildings as the means through which to house the organization and its attendant systems. This enhanced perspective is behind the rationale for expanding the functions of facility management similar to the way it is taught by Franklin Becker at Cornell University.

As buildings and the built environment become more complex; as the people and organizations architects serve become more cost, quality and maintenance conscious; as real property increasingly becomes viewed as a strategic resource; practicing architects will be called upon to meet the requirements and solve the challenges raised by facility managers. Between the cost focus brought on by re-engineering the corporation and the employee focus of the future there lies a wealth of opportunity.

It appears that real estate has been changing to serve the modern world, but the profession of architecture must also adapt. It is obvious that architects will need to hone

¹⁹Ibid., p. 84.

²⁰Ibid., p. 84-5.

their skills and position themselves to take advantage of what is to come. And they had better be ready, or someone else will fill the void.

Architecture: Profession Under Fire

Since the end of the 1980's, there has been a reoccurring question that has kept bubbling to the surface of the once stable and growing profession of architecture. Yet, as Thomas Fisher pointed out in his February 1994 article in *Progressive Architecture* entitled "Can This Profession Be Saved?", to ask: "Where is the profession headed?"²¹ implies that there is a specific path that can be charted, and that one clearly defined direction will be useful for all practices. Considering where the changes are coming from and how rapidly it is necessary to respond, it appears unlikely that so simple an approach will occur.

Various arguments and suggestions for revising the profession have recently come forth. In his article, "The Business of Design", Michael Schrage²² addresses the fact that design firms are no longer considered amongst the array of consultants that big businesses call on for advice as they define, create and design strategic product value(s). Schrage compares the changing industrial design field to architecture, which he also sees as being nudged out of their historical comfort zone (as primary building consultants). He attributes this on-going exclusion process to the fact that designers--unlike other professional service firms-- have been unable to make the transition from operating as individual creators to operating as institutional practitioners. They have not successfully utilized the business models upon which both industry and the professional services firms (like law, accounting, consulting firms and advertising agencies) now base their strategies.

²¹Thomas Fisher, "Can This Profession Be Saved?," *Progressive Architecture*, February 1994, p. 45.

²²Michael Schrage, "The Business of Design," *I.D.: The International Design Magazine*, November 1994, pp. 72-3.

One trend affecting the marketability of architectural service is devaluation of both aesthetics and design in current society.²³ Schrage says that design carries with it no more economic value to corporations than any other ingredient in the competitive mix. Perhaps this is why corporations employing design services are increasingly requiring the designer (or the architectural firm) to explain and justify their value in economic terms. Yet, while discussing the preference designers have for autonomy, he implies that a new attitude is needed since designers "increasingly play [sic] the role of integrator and facilitator of team-based ... development initiatives rather than a leadership role in the organization".²⁴ Thus, the fact that designers are asked to take this role indicates that design may still be considered a valuable element of the project or product being delivered.

Some have argued for the architect to take a process engineering approach to solving their client's facility problems and issues. An example of a work that supports the trend towards this type of thinking is "The Architect-Client Relationship", a recently completed masters thesis by Paul Dawson, a former graduate student at MIT's Center for Real Estate.²⁵ Through the use of case comparison, Dawson documents how three large (over 500 employees) and differently structured, architectural firms have responded to the changing landscape of the corporate real estate industry through the way they provide strategic assignments. The conclusion is that to be competitive, architects must balance product with process consciousness.

Still others see a need to revise the architectural adage "form follows function" into a new slogan "form follows flow". Gunter Henn, a noted German architect, demonstrated this theory in his presentation as part of MIT's Management of Technology

²³Ibid., p.73.

²⁴Ibid.

²⁵Paul Dawson, "The Client-Architect Relationship: Corporate Real Estate Needs Challenge Traditional Roles" (Masters Thesis, Center for Real Estate, M.I.T., 1994)

lecture series at the Sloan School of Business in November 1994.²⁶ This view focuses on architecture as a communication tool. Designing structure around the flow of communication to enhance corporate innovation is the essence behind his firm's architectural practice.

Many are likening the changes needed by the design profession as similar to those made by other knowledge based professions (i.e., law, medicine). Thomas Fisher's current editorial in *Progressive Architecture* mentions the legal profession's transformation and calls for a broadening of efforts, not simply through the addition of related services (i.e., facilities management or custom furniture design), but an expanded approach to problem-solving.²⁷

Some continue to view the quest for change as a battle for power. Robert Gutman believes that the struggle is related to boundaries -- the limits to the natural market for design. Pushed beyond the limits, by over-population and unchecked educational options for architectural design, the market is pushing back. Gutman sees this as an opportunity to begin openly debating the possibility of placing restrictions on graduate programs in architecture to reduce the size of the profession, as well as to provide stronger educational guidance into allied fields.²⁸

Sharing information and innovation within the industry through collaborative efforts between designers, clients and users has been promoted as an opportunity for industry growth; however, recent trends in computerized connectivity carry a double-edged sword. In a current article related to the business of design innovation, John Thackara²⁹ suggests that future challenges to "existing design structures" are formidable

²⁶Gunter Henn, Presentation, Management of Technology Lecture Series, Sloan School of Management, M.I.T., November 17, 1994.

²⁷Thomas Fisher, "Editorial: A Modest Proposal for the Profession," *Progressive Architecture*, December 1994, p. 7.

²⁸Robert Gutman, "Architects and Power: The Natural Market for Architecture," *Progressive Architecture*, December 1994, pp. 39-41.

²⁹John Thackara, "Soft Centers of Design," *I.D.: The International Design Magazine*, November 1994, pp. 74-5.

stating that the designer's role as a result of simplified technological transfer has eroded to the point where buildings today are being designed by accountants and technician teams aided by computers. Further, he states that architects who are still useful ("[t]he rest face marginalization") are those who recognize that buildings are now seen by their owners as objectized "information systems".³⁰

So it appears that the demand for design and traditional architecture is changing or declining. Either way, a metamorphosis is in progress. Clearly, all architectural design-based firms should be looking at ways to re-integrate their skills into the changing landscape. The authors cited above support the argument, that in order to be competitive in the field of real estate service, architectural design firms should be projecting a more complete and strategically focused image of flexible service delivery to the business world. This means that architects need to be aware of ways to stabilize and or grow their business under current and future projected scenarios. Before moving on to ways to approach change, the rest of this chapter will be dedicated to a discussion of the architectural profession and practice to establish a basic foundation of its history, its business, and its population's characteristics along with providing a view of where the industry stands now.

Architecture: Professional History

Defining a particular occupation as a profession sets it apart as a special endeavor differentiated by a particular group of skills and knowledge carried out with an underlying concern for social value. "Professions" share several characteristics: they are full time occupations; they have separate training programs; they are supported by professional organizations; their practice requires licensure and offers community recognition; they have an established code of ethics which is self-governed.³¹ However,

³⁰Ibid., p.75.

³¹Cuff, Architecture p. 23.

the value and degree of professionalism is often a topic of heated debate, especially as external forces infringe on once stable functions.

As a profession, architecture came into its own during the Victorian era (the late 1800s -- early 1900s) wherein it was considered a gentlemanly occupation since it was a field of endeavor that pursued social and aesthetic values above monetary reward. In those days,

[a] professional person was distinguished by an upholding of the ideal of public service over that of personal gain and ... was offered status ... only to the extent that he socially removed himself from productive processes and oriented himself toward gentlemanly values now associated with the liberal arts, the traditional professions of public service, the clergy, and the army, and the more recently professionalized occupations such as law and medicine.³²

The movement to professionalize architecture began in earnest during the middle of the nineteenth century, shaped by social and economic forces. Engineering was undergoing its own professional evolution at the same time, consequently architects were not able to claim the technical aspects of building design as their own. As a result, architecture defined its core expertise as design-as-art.³³ Since “[a]rt, or design as a conceptual work, has been a difficult commodity to sell in America’s pragmatic marketplace”³⁴, critics feel that through its alignment with artists, the profession did itself a disservice, one which may be responsible for the architect’s current decline in stature, which, in turn, has been linked to a loss of marketability.³⁵

One of the most often discussed concerns that the architectural design industry faces is the fragmentation of its subdisciplines. The design profession, which has evolved

³²Allinson, Wild Card p. 53.

³³Cuff, Architecture p. 26-31.

³⁴Ibid., p. 31.

³⁵Robert Gutman, Architectural Practice: A Critical View (Princeton: Princeton Architectural Press, 1988) p. 68-9.

from roots within a practice which embraced the concept of the architect as "master builder", has now moved in a direction where specialization and fragmentation is the norm rather than the exception to the rule. For example, in an answer to globalized growth and expansion, the building industry coopted designers as project managers and design/builders to help control the development process and to contribute to the professionalism of construction.³⁶ One explanation for the growing rise in project management as a separate specialty is the perception that architects view building as "dirty work" and wish to distance themselves from that part of the process. However, by doing so, some argue that they have given up an important element of control and, therefore, power.³⁷

Dr. Sharon Sutton, in her incisive article published in *Progressive Architecture* in October 1993, used a time line analysis to track the movement away from integrated service delivery amongst architects. Sutton blames the condition of fragmentation and increased specialization of subdisciplines on the need for job creation and personnel absorption as a result of architecture's increasing ranks. Pointing to the fact that the number of architects being turned out by the university system grew eight times in the seventy years between 1920 and 1990, whereas our population only doubled, she cites "the adaptability of the professionals to new roles in the building industry and to new styles of practice".³⁸ In fact, she points out, registered architects increased 430 percent -- from 30,000 to 130,000 -- between 1960 and 1990, making it the fastest growing profession of the era.³⁹

Architecture: Practice and Personalities

The typical design practice is comprised of owners and their support staffs. It is

³⁶Allinson, *Wild Card* p. 102-13.

³⁷Dr. Sharon Sutton, "Perspectives: The Progress of Architecture" *Progressive Architecture* October 1993, p. 79.

³⁸*Ibid.*, p. 79.

³⁹*Ibid.*, p. 78.

understood throughout the industry that the majority of the designers turned out by colleges and universities go to work for someone else, preferring that option to the headaches they might experience starting out on their own. Designers feel that by joining an ongoing concern, without managerial responsibilities, they are then free to do what they love -- design. Dana Cuff links this personal and professional “emphasis on design and its distaste for management of office activities”⁴⁰ to the loss of market share and future opportunities to competing specialties and other occupations. Cuff says:

Architects sometimes deny the significance of other actors’ roles in design, or suggest that paying attention to these relations is inherently nonarchitectural behavior -- that work should be left to business persons and managers...[but] to ignore the social context within which buildings are designed is counterproductive for all parties involved, most assuredly for architects. By devaluing the conditions that frame the creative process, a spectrum of constraints and opportunities are overlooked and removed from the potential control of the architect.⁴¹

In some respects, this lack of focus on business principles can be attributed to the lack of demand -- or even a healthy level of interest in the subject -- demonstrated by designers. Perhaps it has also been a function of an assumption that with so many practicing architects and architectural firms open for business “all is well”. Part of the blame for the ignorance of basic business theory and practicum often displayed by architects can be placed on the emphasis on art as well as on the educational system and curriculum through which designers are trained.⁴² In the past, little value has been placed on knowledge pertaining to running a business; so the entrepreneurs of the profession have been left to their own devices to educate themselves in areas of business administration and start-up, marketing and strategy. The reasoning behind limited formalized schooling in practice management can perhaps be tied to similar thoughts

⁴⁰Cuff, *Architecture* p. 56.

⁴¹*Ibid.*, p. 56.

⁴²Gutman, "Architects and Power", p. 41.

found amongst most liberal arts programs. That thinking can be summarized along these lines: "when it is needed, it will come". In fact, perhaps this mode of thought is correct, if somewhat unprogressive, since both Stanford and Michigan have recently redesigned their architectural programs to incorporate some business training.

In some ways the analogy can be drawn between what has been experienced in the real estate field, in that architecture (similar to real estate) has typically been characterized by small operations formed by individuals as a result of a desire to express their independence and talents in their own way. However, the architectural practice has been set apart from most businesses by its professional status and charge -- that of maintaining a social conscience. Consequently, architects notoriously earn less than their counterparts in business, as well as those who are also pursuing other knowledge based professions.

Yet, even the books written to guide architectural practice allude to the fact that architecture is different from business and, therefore, must be managed in a way that takes this distinction into account. What is the difference, one might ask? The closest explanation found to date is that put forth by Weld Coxe, the recognized authority on marketing for architectural and engineering practice. Coxe states:

Managing design practice is different from managing a business [because] management of design practice embraces aspects of capability assessment, quality control, marketing planning, organizational structure, human resources development, financial management, organization transition, and many others.⁴³

He goes on to explain the differences as related to continuous decision-making and the necessity for balancing the quantitative with the qualitative.⁴⁴ How does this differ from

⁴³Weld Coxe, Managing Architectural and Engineering Services (New York: John Wiley & Sons, Inc., 1980) p. 4.

⁴⁴Ibid., p. 5-6.

what faces every family-owned and operated, small business owner (or even a facilities manager in a large corporation) every day? Is what sets them apart simply "art-by-design" and feelings of social responsibility? If so, the argument is weak.

Architects differ somewhat in personality types from engineers and interior designers. These differences have been accumulated and explained through a series of Meyers-Briggs tests which were administered over a period of time to various participants.⁴⁵ Architects in general display the characteristics of INTJ personalities -- or introverted (I), intuitive (N), thinking (T), judgmental (J) types (intuition dominant). Engineers have been found to display the characteristics of ISTJ on whole or introverted, sensing, thinking, judgmental (sensing dominant) qualities. Interior Designers are often among the ENFJ types who are intuitive, feeling, judgmental extroverts (feeling dominant). These differences alone could indicate the problems that can arise on a given project with all three disciplines present. Combine this group with construction managers and real estate brokers (likely to be ESTJ -- thinking dominant) and almost every *judgmental* personality type is represented. No wonder conflicts arise!

Architects are thought to have big or fragile egos (or a combination of both). The manual put out by the AIA on Practice Management discusses the human resource recruitment process in terms that are decidedly unflattering to the architectural persona. The more acceptable elements of the personality types describe architects as being loners, stubborn individualists, and having a flair for fine arts. The manual discourages the recruiter from looking for leadership qualities or gregariousness in the people interviewed to fill an architect's role. Additionally, it talks about nurturing the talent of young designers through mentoring and sponsorship, situations expected and commonplace in the industry. One interesting comment especially worth noting is that

⁴⁵Allinson, Wild Card p. 298-9.

designers tend to be very loyal, but their loyalties lie with their peers or those figures they admire, rather than with the firms they serve.⁴⁶ What makes them this way?

Architecture has also historically been dominated by men. In fact, one of the reasons behind interior designers carving out their own niche in the field is thought to be related to the fact that few women were accepted into architecture schools prior to the mid-1960s. The number of women specializing in this area of endeavor is tied to their interest in designing domestic space -- a specialty that began blurring with work space design after its emergence in the 1920s.⁴⁷

Two final observations about architectural designers and their relationships in the field of business are worth mentioning, as they are possible obstacles to future growth and may require change. First, architects in practice are characterized by holding information "close to the vest".⁴⁸ Perhaps this is due to a fear of tipping their hand regarding their original ideas or designs, perhaps it relates to the way much of their work is obtained (by responding to Requests for Proposals -- "RFPs" -- or competitions); but whatever the reason, architects are thought to be overly cautious about sharing even the most general company information with their competitors. Secondly, architects are risk-averse, conservative individuals⁴⁹ when it comes to business. In fact, avoiding risk is inherent to the design of buildings, which explains why architects wish to shift the risk for construction and the construction process to others. They view the risk/reward factors differently; being more concerned with limiting project liability than with earning additional fees.⁵⁰ Innovation and risk are complex issues rife with potential for disagreement among architects. Some may be willing to innovate in terms of design, but

⁴⁶Ibid., p. 15.

⁴⁷Gutman, Architectural Practice p. 64-5.

⁴⁸Greg Fern, Corporate Marketing Director and Principal, Symmes Maini Mckee Associates, Telephone Conversation, January 5, 1995.

⁴⁹Harriet C. Chu, AIA, Chair: BSA Committee on Marketing the Architect and the Profession, Interview, October 31, 1994.

⁵⁰H. C. Chu, AIA, 10/31/94.

innovation in practice management is extremely rare.

Architecture: The Current State of Affairs

Over the last 20 or so years, the architectural design industry has experienced some modifications which have fragmented the provision of services. Multiple specialized design service providers have emerged. In the growing economy of the 1960's, it seemed only natural and practical for designers to specialize and focus service delivery around specific project criteria in order to more effectively meet burgeoning client demand. Not only did (and do) design firms identify themselves according to market types such as residential, commercial, corporate, industrial or institutional but they began specializing in various areas of those markets as architectural designers, interior designers, space planners, site planners, landscape designers, building systems designers, consulting designers, construction managers, design/builders, pre-construction consultants, pre-design consultants, historical preservationists, and specifiers. These specialties spawned more specialties (or market niches) resulting in further fragmentation.

As indicated, there are many types of design firms. Architects are found in all areas of the industry and perform numerous functions. Architects (A) and engineers (E) often form companies together and these are described according to the "balance" of talent among their ranks, as well as the type of projects they seek out. Characteristically, these firms are identified by the acronyms A/E (equal balance of disciplines), A/e (architecture-oriented), or E/a (engineering-oriented). Only the first two are considered architecture firms. Architects and interior designers also form firms together drawing on the special skills of each. These firms are not usually labeled by acronyms, instead they are called architecture or interior design firms depending upon their focus. Architects and landscape architects together are often labeled as planning firms.

Fragmentation as a result of specialization has led to confusion amongst service providers and buyers alike. There has become a certain amount of unavoidable overlap

and increased competition within the industry. While this trend at first created value for the client, in a period of business contraction it has simply eroded the market share of many in the business as competition for declining opportunities sharpened.

The practice of architecture experiences two forms of competition: competition from other architecture firms and competition by other design and design-related professions that are experienced with and knowledgeable of various aspects of the building process⁵¹ (i.e., visual artists, interior design, landscape architecture, engineering, design/build, construction and construction management firms, and sometimes furniture, materials and equipment suppliers). Of these, architects are the most threatened by interior designers, evidenced by their arduous fight against the field of interior design becoming a licensed profession in its own right. This is thought to be due to two factors: 1.) interior design overlaps the expertise of architects through its concept of design from the inside out (emphasizing space planning and programming functions of design) and 2). interior design's inroads into the commercial markets during the 1980s when they became the designers of choice to the service sector which grew and began occupying portions of office buildings designed to allow functional flexibility.

Gutman describes the nature of this type of commercial interior business in the following comment.

These [service] industries are housed in buildings that are more or less empty shells with indeterminate spaces: in such buildings the primary architectural effort is applied to the organization and decoration of the partitions, inside walls, furniture, and equipment. Because of high turnover rates of commercial tenants and the frequent changes taking place in the functions and relations among bureaucratic units, new interior designs are called for constantly.⁵²

⁵¹Gutman, Architectural Practice p. 64-77.

⁵²Ibid., p. 65.

As interior designers increasingly edged out the architects when commercial facility interiors were required, they developed their knowledge of many of the practical aspects of building use.⁵³ Now that they have improved their capacity to address these issues, they are able to be more valuable to facility managers.

While the rivalry between the two occupations continues, other forms of competition are considered to be somewhat "healthier". Architects have been more accepting of landscape architecture and engineering. Although they often compete with these groups in the pursuit of projects, they view them as supporting functions to their own area of design. In fact, these disciplines are often integrated into architectural practices or work collaboratively with them to provide services necessary to complete the design of a building. Engineers and landscape architects, as well as urban planners, are also involved in "environmental" design projects in the public domain (i.e., infrastructure, local and regional planning) an area not overly populated by architects.

Recently, there has been more concern expressed regarding the role that construction service firms are taking in the building process.⁵⁴ While it is true that architects generally accept contractors as managers of the construction process, building professionals (i.e., contractors, construction managers, design/builders, facility managers) are seen to be encroaching on the scope and volume of services that the architect can control. Architects increasingly must compete against these groups of individuals for management of the entire deliverable. Loss of their traditional "lead" position -- that of project or program manager -- has helped to diminish the efficacy of the architect's once influential role.

In considering the level of competition between architectural firms, three points are critical. First, the sheer numbers of trained and registered architects in the field make competition stiff. Second, the diminished need for their services during declining or

⁵³Ibid., p. 68.

⁵⁴Ibid.

changing building cycles, such as the one we are currently experiencing, exacerbates competition within the ranks as all strive to keep their practices busy. Third, external competition from non-architects will continue to infringe on the designers' "turf"; architects must protect themselves and retain their ground.

This is the nature of supply and demand that all commercial enterprises (with the exception of monopolies) are subjected to. Competition between design firms (although characterized as the profession of art-in-practice rather than falling strictly within the definition of a "service business") is bound to happen. Certainly, the heightened competition between firms has helped the profession to begin to see themselves in a new light. They are becoming aware that they must manage and market their services in ways similar to business in order to thrive. Not only must architects continue the tradition of self promotion to clients and patrons, but they must learn to differentiate their skills from others in similar occupations so that buyers of their services will be able to sort through the offerings and see what architects can "bring to the table" that others don't.

Architecture: Trends and Examples

For much of the 1980s there was an emergence of specialty design providers ("boutique houses") which fragmented the architecture field even further. This has generally been attributed to the expansionary growth and free flowing capital that characterized the "Reagan Years". These firms dealt with one client or a very focused "niche", but as the economy declined, the wisdom of this dependence came into question. Since this most recent recession, more firms are tending to move towards diversification⁵⁵ rather than specialization, although specialty firms still abound. The reasons for this can be tied to what has been occurring in the real estate and building industry, as well as how firms are dealing with competition.

⁵⁵Allinson, *Wild Card* p. 313-5. *and*
Chuck Thomsen, *Managing Brainpower* Book Three: *Selling*, (Washington, D.C.: The American Institute of Architects Press, 1989), pp. 35-46.

Several firms have responded to the challenge of the 1990s by growing massively, while others are specializing in new ways or purposely staying very small. In fact, most architecture companies (95%) are comprised of five employees or less, and of those firms 92% of them are sole proprietorships.⁵⁶ Obviously, not all firms are alike or want to be. Many practices are operated by their principals solely to satisfy their love for the "craft", while others are exploring the options of adding new offices and additional services. There are those that can expect to survive through company image or the unique nature of their design products; some that have adopted aggressive marketing approaches; and others that depend on an established and loyal clientele. Size, shape, location and markets all affect each firm and its viability.

The architectural design industry is beginning to "informally" address the disunion it has experienced as a result of fragmentation, identity crises, and heightened competition from specialized service providers. This can be evidenced by the shifting direction of firm scope and organizational structure. There has been an increased polarization in the size and types of architectural firms ranging from the full-service providers to the specialists. Some argue that given the trends in corporate real estate facility management (mentioned earlier), a re-integration of building design services under one organizational structure -- the creation a type of hybrid or "full-service" design firm -- will soon be necessary to adequately provide the skills required. However, a firm of this nature would have to be flexible enough to meet client needs in ways not heretofore attributed to the traditional architectural design firm.

The changes architects are going through can be similarly compared to the transition the engineering industry has apparently already been through. During the course of the 1970s to 80s, engineering companies also expanded in size and disciplinary

⁵⁶The 1992-93 AIA Resource Directory (Washington, D.C.: The American Institute of Architects Press, 1993).

functions. Said to be more business-oriented than architects on the whole⁵⁷, large engineering companies frequently market in-house abilities in all facets of design. Equally often, engineers work independently or group together to form consulting service firms. Nevertheless, their roles are reaching into new territory,⁵⁸ perhaps due to their improved disciplinary adaptability.

Along the same line, the larger an architectural firm becomes, the more likely it is to have multiple disciplines on staff somewhat blurring its identity. Small firms can create similar, albeit temporary, images and expand their services through the use of others' skills through the formation of collaborative agreements and strategic alliances. In an environment where flexibility is valued, the ability to provide an enhanced scope of service on a moment's notice is a very positive quality, especially if managed properly.

A few firms are endeavoring to achieve this goal of flexible, full-service delivery through merging to create "mega-firms". This is evidenced by the juncture of Hellmuth, Obata & Kassabaum (HOK) and CRSS Architects (CRS) which joined forces over the past year under the name of HOK, an endeavor that was finally announced as complete this November. The stated purposes for the merger indicated increased market presence, wider market coverage through the provision of more local and regional offices, and an expanded scope of services which also broadened and deepened the pool of talent.⁵⁹ Certainly the merger of these two top-ranked, design firms will have an effect on how other architecture firms compete. Design services HOK is becoming increasingly known for are linked to corporate strategic assignments. A holding company of various design functions and facility services, this vertically integrated firm is called upon to assist clients in untraditional ways. One of the vehicles used to accomplish these tasks has

⁵⁷Coxe et al, Success Strategies for Design Professionals: SuperPositioning for Architecture & Engineering Firms (New York: McGraw-Hill Book Company, 1987), p. 25.

⁵⁸Ibid., p. 10-1. NOTE: See also ENR: Directory of Design Firms 1992-93.

⁵⁹"News & Trends: HOK's purchase of CRSS Architects completed," Building Design & Construction, November 1994, pp. 14-5.

evolved from the union of CRS's Advance Planning Group and HOK's Facilities Consulting Group, a consulting entity primarily concerned with the built environment.

Perkins & Will, a large (300+) architectural firm headquartered in Chicago and supported by a New York office, reassessed its direction in the late 1980s by examining its service and market diversity.⁶⁰ Then predominantly reliant on office architecture, it began expanding its interior division at a time when other firms were shying away. By diversifying into health care and aviation markets, while keeping up with their more minor, but established, studios in educational facilities, laboratories, and corporate offices, Perkins & Will has developed a more balanced portfolio of activities. Their interiors division (a separate, very lucrative profit center) distinguishes itself through its concept of viewing design as an influential device with inherent strategic value. Another way Perkins & Will sets itself apart from many firms is in its proactive approach to strategic alliances and partnering. Although they have successfully done this with local architects to facilitate specific projects, they also make these arrangements with clients as a means of providing them with design support services on an outsourced basis.

An example of a smaller firm that restructured and redirected its focus is Planning Design Research (PDR), a 40 person interior design firm in Houston that also once specialized in office design. By using strategic business tactics, the firm was able to reevaluate its marketing approach and more specifically tailor their services to the clients' needs. PDR's partners interviewed its existing clients, along with brokers, developers, and professional organizations to get a solid feel for what the market called for in terms of service.⁶¹ This led them to develop a relocation and redevelopment perspective. PDR now provides interior architecture, project services, and facility management services assisted by computer-based technology.

⁶⁰Karen Tetlow, "Strategy by Design," *Interiors*, June 1993, p. 57.

⁶¹Jean Gorman, "Tech & Process: Riding the recession: A Houston design firm has developed survival tactics that work," *Interiors*, September 1991, p. 56.

An even more specialized and singular focus is evidenced by the database building currently being done by Erdman Anthony Consulting Engineers' Facilities Management Group in Boston.⁶² This small office has eight people assigned solely to measuring and managing space inventories for three local universities. They are involved with the creation of an electronic library of data which can be accessed either by the school's internal staff or consultants to achieve greater efficiencies and facilitate trend analyses. This is just one example of how designers can utilize information and facilities management tools to contribute to the client's ongoing planning process and maintain close contact.

All of these firms exemplify an awareness of how business planning and strategic assessment help to strengthen their abilities to provide value to their clients. The success of these firms are indicative of what other design firms can gain from thinking and planning as businesses do. The following chapter reviews strategic planning and marketing methods traditionally used by businesses as well as describing new ways to accommodate innovation. To take advantage of the opportunities opened up by changes in corporate real estate, certain practices developed by industry to cope flexibly and creatively are seen as applicable to architecture firms as they move forward into the future.

⁶²John J. Del Tufo and Michael J. Doyle, "Facilities Management: Re-Engineering the Corporation from the Ground Up," *Skylines*, November/December 1994, p. 10-1.

CHAPTER THREE: MANAGEMENT STRATEGY and TOOLS

Deciding how to move the firm forward and keep it balanced is tough work. Yes, you have partners -- technically they're called principals since you own the closely held corporation together -- and you'd like to have them help you think things through; but, for the most part, they'd rather leave the business planning up to you. Anyway, they're busy keeping the jobs rolling in (with a little help from you) and the "production lines" moving. They figure they've entrusted the leadership role to you and they expect you to be the "visionary". That's why they made you CEO, wasn't it? Just make sure you let them know when there's a decision to be made that affects their job responsibilities or the bottom-line, otherwise they'll be happy with most anything you do. So you think about it some more and you decide to hire a consultant to help you strategize. You've heard that developing a strategic plan can be a helpful assessment tool. Maybe if you do it, your fellow principals will sit up and take notice; maybe then they'll give some serious consideration to the realities of the changing landscape of the architecture profession, the real estate business, and its effects on the future of your firm.

Chapter Objective

Corporate industry, and corporate real estate in particular, have undertaken a transformation in the way they do business in response to economic, financial, and technological changes affecting their businesses. In the context of this change, the architect's role should also be reassessed. This process should involve a synthesis of the same strategic management, business planning, and evaluation tools decision makers in other industries are using to propel their firms forward through turbulent waters. Through the use of these tools, architecture firms can combine all the available information with the techniques essential to any successful organizational and market-oriented strategy.

Some of the more significant tools used by corporate industry to re-engineer and reposition themselves during this past decade will be described in this chapter. Architecture and other building design industries can draw from many of the ideas,

utilized by other businesses, and create a flexible framework for change, enabling them to remain competitive and adapt to new challenges.

As mentioned previously, the use of business strategies has not typically been part of the architect's approach to his task. According to McKenzie and Schoumacher:

Although an architect or engineer may have the artistic and structural sensitivities to be successful, many lack the business planning skills necessary to handle today's complex world of business decisions...However, more than any other profession, they are accustomed to planning -- they plan complex new structures that satisfy the goals and the needs of the customer within the constraints of different planning agencies, building codes, and so on, and often within complicated construction cost requirements. The truth is that architects or engineers simply have not been exposed to the management philosophies that are necessary for economic survival -- to make a profit.⁶³

The lack of business direction has made it difficult for some designers to decide how to approach change and to figure out ways to implement new frameworks for innovation that fit within their unique businesses. There are three crucial questions that firms must ask themselves. These are: "Who are we?; Where do we want to go?; and, How do we get there?"

To answer these questions requires a balanced approach to strategic thinking, similar to the "mixed-scanning" method of decision-making put forth by Amitai Etzioni.⁶⁴ Mixed-scanning enables planners to view their environment as a realistic whole while exploring effective means of action. In the words of Etzioni:

A mixed-scanning strategy would include elements of both cameras: a broad-angle camera that would cover all parts of the sky but not in great detail, and a second one which would zero in on those areas revealed by the first camera to require a more in-depth examination.⁶⁵

⁶³Ronald A. McKenzie and Bruce H. Schoumacher, Successful Business Plans for Architects (New York: McGraw-Hill, Inc., 1992) p. xi.

⁶⁴Amitai Etzioni, "Mixed-scanning: A 'Third' Approach to Decision-making," in A Reader in Planning Theory, ed. Andreas Faludi (Oxford: Pergamon Press, 1973), p. 217.

⁶⁵Ibid. p. 224.

This chapter follows the mixed scanning approach and, as such, is written in two sections. The first section will outline some of the broad-perspective methods other industries have used to adapt to change, and which design firms might also use to establish themselves as flexible business entities. The methods described are strategic planning initiatives, competitive theory, business planning, and market research and development techniques. These techniques have been used for many years to increase competitive advantage, build on strengths while changing the focus of a firm through a revised scope of services, and/or diversify. The second section will narrow-in on timely approaches to competitiveness and flexibility presently being used in corporations, that might also be adopted by architectural design firms.

PART I: STRATEGIC ASSESSMENT INITIATIVES

Effective strategic planning must include the personnel who will also be involved in moving the company forward into "uncharted" or expanded territory. In the not too distant past, consultants were hired to analyze the firm -- its business, its structure, its management and personnel -- in the context of a given industry, and devise a strategic plan to guide management's decisions. These consultants based their knowledge and their plans on theoretical models of industrial growth.

Over the last ten years or so, it has become increasingly obvious to management planners as well as organizational behaviorists that the application of a standard or theory without consideration of the individual firm context is an unproductive exercise. Current approaches begin by determining what the organization is good at (core strengths), what the people in the organization like to do (personal goals and ambitions), where those invested in the firm's success want the firm to go (future focus). On the basis of this information, planners then move on to deciding on the how (skills, tasks and policies) and to whom (clients and markets) the plan will be addressed. By focusing on

the human capital side of the equation before delving into business and marketing issues, the firm can be reasonably sure that those vested with the responsibility for carrying out the plan will have a sense of pride and commitment in working towards its success.

Next, however, comes another often neglected element of the strategic plan (especially amongst professional service organizations) and that is the business plan component. Unquantified mission statements, goals and objectives may all sound reasonable until looked at objectively from a business perspective. Without sound financial statement analysis, scheduled growth, and market share projections a strategic plan is simply a wish list. Certainly, there are instances when projections are difficult to make especially when looking at new industries, products, or still undeveloped niches but some market intelligence is called for, even if it only results in an educated guess that is based upon gut instinct coupled with industry-related trends. Entrepreneurial business decisions usually imply some element of risk.

After considering the strategic plan in concert with the business plan, it is then essential to determine the structure of the marketing effort and support that is required to carry out the goals set forth by the organization. A customized combination of these basic tools are vital to the implementation of all business change and success.

Strategic Planning and Competitive Theory

Strategic management is the umbrella concept for all the activities relating to corporate strategic decision-making. Strategic management is the guiding force enabling a firm to look towards the future while staying grounded in the present. Planning, as a management function, is therefore a subset of the strategic management objective. Planning is also about framing the future. In the case of the architectural profession, strategic planning is viewed as an element of management that requires further consideration.

Strategic planning as a management approach was first implemented almost 50 years ago during World War II as a means to control the U.S. annual budget. On its

heels came the separate discipline of corporate strategy, which was developed in the 1950's at Harvard University. It was designed to apply to the entire business operation.

Early on, the formulation of strategy was considered to be a synoptic process. This process, founded in rational, logical thought, was based upon the collection of data and information then developed into a formal plan to be carried out in a consecutive, methodological manner. The plan evolved through a focused assessment of strengths and weaknesses in relation to the economic opportunities facing the firm, given its profit objectives and the resources available. Some time later, the strategic equation was modified to incorporate both the personal values and preferences of top management.

The product of the corporate strategic planning process was a statement of strategy relating to all decisions and policies. All of the firm's operational activities were expected to conform to the plan in an internally consistent manner. Under these broad strategies fell business unit strategy (similar to a business plan for each product, service, or market) and portfolio strategy for the diversified holding company (similar to the management of a stock portfolio).⁶⁶ The process of defining corporate strategy emphasized that each company should have a mission, and that the mission should be formalized into a statement to guide or help shape market decisions. It would also serve as a focusing tool for staff and customers to "rally" around.

The alternative to strategic management is opportunism. In the words of K.M. Weremiuk:

Opportunism [is] seen as the principal counter force to strategic management. It [is] a philosophy and practice that accept[s] opportunity as the basis for management action, rather than a continuous process of strategic decision making. Decisions from an opportunistic process [are] characterized as either unplanned, intuitive, or a response to environmental

⁶⁶K. M. Weremiuk, "Strategic Decisions in the Home Building Industry: Factors Related to Competitive Advantage" (Masters Thesis, Center for Real Estate Development, M.I.T., 1987) pp. 4-7.

pressures, as opposed to disciplined decisions resulting from a planning process.⁶⁷

Many small or privately held corporations typically practice a combination of the two methods, strategic management and opportunism, depending upon circumstances and who holds the decision-making reins at the time. This method of decision-making is not uncommon -- nor inherently inappropriate -- since management is a complex science. It draws on the full range of an executive's knowledge and experiences and is affected by judgment, preference, and intuition as well. In his 1980 discussion of Competitive Strategy, Porter observes

Every firm competing in an industry has a competitive strategy, whether implicit or explicit....Left to its own devices, each...will inevitably pursue approaches dictated by its professional orientation and the incentives of those in charge. However, the sum of these...approaches rarely equals the best strategy.⁶⁸

Additionally, reliance on opportunity to the general exclusion of some form of generic strategic plan has been proven to diminish, if not jeopardize, a company's competitive advantage.⁶⁹

Competitive theory is the part of strategy that relates to the creation of competitive advantage. Michael Porter spearheaded the competitive strategist movement as a focus of strategic planning. Porter stated that "[c]ompetition is at the core of the success of failure of firms".⁷⁰ He believes that using competitive strategy involves positioning a business to "maximize the value of the capabilities that distinguish

⁶⁷Ibid., p. 6.

⁶⁸Michael E. Porter, Competitive Strategy: Techniques for Analyzing Industries and Competitors (New York: The Free Press, 1980), p. xiii.

⁶⁹Weremiuk, "Strategic Decisions" p. 89. NOTE: A generic strategy is founded on the principles of cost leadership, differentiation, or focus. For example: a firm with the goal of providing their clients with "the most quality at the least expense" amongst equal competitors would be considered as pursuing a generic strategy of cost leadership.

⁷⁰Michael E. Porter, Competitive Advantage: Creating and Sustaining Superior Performance (New York: The Free Press, 1985), p. 1.

it from its competitors."⁷¹

Porter's concept of competitive advantage focuses on the firm's ability to add value to its basic goods and services. Value, according to Porter, was "what buyers are willing to pay, and superior value stems from offering lower prices than competitors for equal benefits or providing unique benefits that more than offset the higher price."⁷²

Developing a firm's competitive strategy requires a structural analysis of the industry on the basis of "five competitive forces"⁷³ -- new and potential entrants, product or service substitutes, buyer bargaining power, supplier bargaining power, and competition among rivals.

Once the industrial context is understood, a firm is in a position to develop a strategy to outpace its competitors. It can develop a generic strategy based on cost, differentiation, or niche focus for its product. This strategic choice will dictate if a firm markets its service or product to a broad or narrow target and will impact its competitive advantage over time. Failing to develop or achieve a given generic strategy causes a firm to be "stuck-in-the-middle" where it can gain no competitive advantage. Becoming stuck-in-the-middle⁷⁴ is often attributed to the firm's unwillingness to make choices about how it will compete.

Weld Coxe et al, in their book Success Strategies for Design Professionals, develops a concept strategy called "SuperPositioning" that translates the generic competitive advantage tools of cost, differentiation, and focus into terms more appropriate to designers. Using a matrix format, they describe three design technologies

⁷¹Porter, Competitive Strategy p. 49.

⁷²Porter, Competitive Advantage p. 3.

⁷³Ibid., p. 4.

⁷⁴ The previous chapter mentioned the polarization of architectural firms by employee size (i.e., 95% < 5, < 1% are > 300, approximately 1% range between 75 and 300, < 2% are found between 75 and 25, and 2% > lie between 5 and 25). The firms between 25 and 300 are seen to be stuck-in-the-middle, these firms do not seem able to decide if they are global, national, regional or local. Many fluctuate in size and gross receipts as their product offerings change in response to client markets. These firms are likely taking the opportunistic approach to business development rather than planning a strategy that helps frame their choices and market who they are in a consistent but flexible way.

(product strategies) along the vertical axis: strong delivery (cost); strong service (differentiation); strong idea (niche). Along the horizontal axis, they place the organizational values (business strategy) described as: practice-centered business (qualitative bottom-line) and business-centered practice (quantitative bottom-line). This creates six possible firm types around which to focus a management strategy and through which to increase competitive advantage. Coxe et al state that: "Firms that have a clear notion of what they do best (their design technology) and have a common set of goals (their organizational values) always have succeeded best -- for their clients and themselves."⁷⁵

Henry Mintzberg's incrementalist approach to strategy implies that organizational planning occurs in stages and over time; as indicated in his metaphoric statement:

Like a potter at the wheel, organizations must make sense of the past if they hope to manage the future. Only by coming to understand the patterns that form in their own behaviour do they get to know their capabilities and their potential. Thus crafting strategy, like managing craft, requires a natural synthesis of the future, present, and past.⁷⁶

He further suggests that managers who "craft" strategy draw from their experience and personal understanding of their organizations and industries and, that by incorporating this continuous learning into their business vision, they are able to reconcile both change and continuity.⁷⁷

Business Plans

The importance of preparing a business plan in support of any strategy a firm develops cannot be over emphasized. A business plan is the vehicle that takes even the most amorphous corporate idea and places it into the realm of action. It is the dynamic

⁷⁵Coxe et al, Success Strategies, p. 36.

⁷⁶Henry Mintzberg, Mintzberg on Management, (New York: The Free Press, 1988), p. 42.

⁷⁷Henry Mintzberg, "Crafting Strategy," Harvard Business Review, July-August 1987, p. 72.

reflection of the firm and its goals and objectives. The inclusion of an annual business plan in the firm's arsenal of strategies " gives a firm a real *competitive advantage* in the marketplace and a better chance to develop opportunities that are presented."⁷⁸

According to the American Management Association (AMA), the business planning effort begins with the development of a written document that spells out, in considerable detail, where a company's current business is and, more importantly, where it is headed. To be effective, the business plan requires a prior look at "the services a firm offers to its customer base, how competitive the firm is, and what other service it might offer to help reach its goals."⁷⁹ This information is then reassessed in relation to the financial status of the firm.

Strategic planning and business planning overlap. The crucial distinction lies in the length of the planning period and the interpretation of the firm's vision into quantifiable, and therefore measurable, terms. A business plan, as defined by McKenzie and Schoumacher is "a set of goals and objectives that are quantified, are subject to a specific time frame, and have within it the necessary strategies to accomplish or satisfy the plan."⁸⁰ Simply going through the process gives any firm a competitive edge by focusing its thinking.

The elements of an operating business plan are: an executive summary, a mission (or position) statement, a specified period of time (generally one-to five-year planning periods), an opportunities and issues analysis (strengths, weaknesses, opportunities, and threats -- or SWOT), a statement of quantified objectives subject to periodic review, a marketing plan, a financial statement and plan, and conclusions. Additionally, business plans project the firm's growth and guide its leadership by addressing the issues of personnel development, investments and retirement plans, operating expenses, and

⁷⁸McKenzie and Schoumacher, Successful Business Plans p. 13.

⁷⁹Ibid., p. 18.

⁸⁰Ibid., p. 17.

profitability requirements for the overall practice.⁸¹ Business and market plans must support and relate to each other with regards to their implementation, schedule, and profitability projections. Obstacles and issues that could affect the firm's agenda must be addressed. Realistic, specific and clear initiatives are critical to a plan's success. In the words of McKenzie and Schoumacher, "Business planning is the balancing of risks with opportunities and the resulting marketing strategies. Issues have risks, and in these risks are the rewards of prosperity."⁸²

Market Research and Strategy Development

In essence everything a company does in the course of offering its product or service to its clients can be considered marketing. From the moment the phone is answered or the visitor is greeted in the office to the issuance of the last invoice (and beyond into customer service) a firm is projecting its image and marketing message. Although image is critical to a firm's success, the firm must plan what image it wishes to project. This is one of the roles of market strategy.

Marketing strategies are often considered a means to an end, and are consequently developed as a consequence of corporate plans. Marketing strategy is concerned with matching the company's product offerings with market demand through creative activities (service or product offerings) which exploit market segments in a profitable way. The development of a market strategy is also concerned with imbuing the firm with customer orientation throughout.⁸³

Spaulding et al observed that, "Marketing, in a professional service firm, is primarily a tool for creating and managing change."⁸⁴ Many design firms have avoided obvious marketing efforts either because they considered it unprofessional, expensive, or

⁸¹Margaret Spaulding and William D'Elia, Advanced Marketing Techniques for Architecture and Engineering Firms (New York: McGraw-Hill Publishing Company, 1989), p. 130.

⁸²McKenzie and Schoumacher, Successful Business Plans p. 33.

⁸³Gordon R. Foxall, Corporate Innovation: Marketing and Strategy (London: Croom Helm, 1984), pp.247-251.

⁸⁴Spaulding and D'Elia, Advanced Marketing Techniques p. 1.

simply didn't see the need. As the demand for architectural services becomes increasingly competitive, those who already have a system in place will likely pull ahead of the rest. Developing a marketing management system requires more than having a marketing coordinator on staff to keep track of project information. It requires the implementation of a system that enables a firm to plan, execute, and evaluate the way work is obtained.⁸⁵ Sound marketing begins by stepping back from the daily activities and assessing the firm's strengths and weaknesses in the context of the "big picture". To do this requires market research.

Market research and development is an area which holds a tremendous amount of potential through which all firms, design firms in particular, can strengthen their competitive advantage, refine their positions in the market through heightened awareness, and increase their flexibility. Lehman in his textbook notes, "Market research...exists to serve the information needs of both operations and strategy development."⁸⁶ Market research is the data collecting and analysis function of the marketing management effort. Its activities encompass economic forecasting, demographic trend analysis, product and competition surveys, client (preferences and industry) research, and new product and (self) industry trend analysis. In other words, market research focuses on aspects of relationships seen as having a potential affect on the business or industry climate. Market research is also the means through which the efficiency of the marketing (sales) and production functions can be measured provided that information is gathered through financial report and performance control systems designed for evaluation.

The combination of market research and market strategy can lead to market innovation. In business, innovation doesn't have to mean the development of an entirely

⁸⁵Ibid., pp. 2-3.

⁸⁶Donald R. Lehmann, Market Research and Analysis, 3rd ed. (Homewood, IL: IRWIN, 1989) p. 7.

new product or service, instead it can mean merely a unique re-arrangement of skills, service or product mix that is seen by the market in a different way. Market perception as it relates to innovation is a crucial element to new product or service success, and can be influenced by the skill with which the firm brings it to the market.

One of the most accepted, and perhaps logical, "innovation" methods a firm desiring to increase market share can use is the expansion of scope through forward or backward integration. Horizontal market integration is a growth strategy through which many companies increase profits and expand their opportunities to reach and secure their markets.⁸⁷ Integration is a term which describes the extent to which additional products and services are provided to enhance and add value to the firm's existing (core) market mix. An example of industry integration is: Home builders that provide turn-key services (i.e., site selection; land development; interior finishes, custom furnishings or fixtures; mortgages; insurance policies, etc.), along with the house they build, are providing a "fully integrated" product. The same can be said for commercial building contractors that advertise design/build services.

By expanding their scope of service through "forward integration" of their market, firms may augment their profits by targeting "after market" avenues as the means to bolster their current service/product's value. Some forwardly integrated products or services relate specifically to the product delivered, while some are merely an added convenience for the end user. Blockbuster Video's decision to provide candy and popcorn to those renting movies is one example of forward integration in action. Interior designers who procure furniture and fixtures along with overseeing delivery and set-up, as well as offering "move management" services, are also forwardly integrating by these additions to their normal scope of services.

⁸⁷Porter, *Competitive Advantage*, pp. 330-5.

Those who develop backward integration opportunities strive to augment their markets through the provision of "pre-market" value added benefits. A real estate broker (or property option holder) who works to rezone property to improve its marketability and heighten its value prior to sale is one example of this activity. Architects who provide separate pre-design services (site selection consultation, pre-occupancy building evaluation, development feasibility studies, etc.) are involved with backward integration marketing.

This brings us to the term "value-added", a commonly used adjective in today's business jargon. Value-added most often means that whatever product or service is provided to the customer or client, some enhancement to the explicit value is implied. This implication is derived through additional (or better) service or services which are often simply a matter of perception founded in the "value judgment bias" held by the buyer. Augmented services are client-centered and aimed in such a way so as to exploit client preferences and weaknesses through price (cost), uniqueness (differentiation), and convenience (focus). Thus, the ever pervasive influence of competitive theory comes into play.

It is difficult to say which should come first, strategic planning, business planning, or market research. Certainly the tendency of the market is the ongoing current affecting the position of the rudder whether or not the strategic or business plans are steering the "ship". So, to chart an efficient course requires that research into what's in the water, what's on the horizon, as well as what lies ahead be done. Thus, the reason and purpose behind market research is to guide the firm's strategic planning effort and enable it to quickly adjust the business plan if the unexpected occurs.

PART II: TOOLS FOR EFFECTIVE CHANGE

This section will discuss a second generation of thinking about corporate adaptation to change at the implementation level. As globalization "revolutionized"

business, every market became vulnerable to the world's most competitive and able predators. The effects of this impact was felt by some of the most traditionally stable and formerly advantaged companies, as well as their respective industries. From General Electric, General Motors and IBM to Pac Bell, Apple Computer, American Express and Sears the failure to adapt along with or before they were "forced" to, resulted in significant economic loss. Quality consciousness and cost cutting pricing became the name of the game and, as competition grew fiercer, speed and innovation became increasingly important elements of the "race" for market share.⁸⁸

As a means to address these factors, much of corporate America over the last five to ten years, especially firms ranked amongst the Fortune 500, has undergone a downsizing of its operations and a reassessment of its core business. This process has been termed "re-engineering" and has become the "wave" of the present, if not the future, for all companies endeavoring to adjust and adapt to change. This thesis suggests that design firms consider adopting some of the mechanisms used by industry leaders during their re-engineering process to stimulate and frame strategic change within their own firms and profession. The following section identifies some of the ways corporations have approached change, what processes have been used, and how they might be useful to the design industry.

A Return to the Core

A return to the "core" business or expertise has been a primary focus of the re-engineering process. Michael Porter proposed that companies look at the interrelationships of their key business components as a means to direct the broad scope of the strategic plan (a relative concept he termed the "value chain" analysis). Rather than simply asking "What business are we really in?", companies began asking more probing questions such as: "What special skills and know-how do we bring to the

⁸⁸Noel Tichy and Stratford Sherman, Control Your Own Destiny or Someone Else Will (New York: HarperCollins Publishers, Inc., 1994), pp. xxii-xxiv.

businesses we are *now* in that can serve as a foundation upon which *future* businesses can be built?"⁸⁹

Key capabilities -- or "core" -- are considered to hold sources of competitive advantage. Through the employment of these strategic levers, value will be added to the service or product mix. These elements are contained within the corporate collective. They include the skills and knowledge which make up the competencies of management and workers alike. Core capabilities are the unique proficiencies that set the business apart and the reasons why their clients continue to seek them out. According to one recent analysis:

For Sony these capabilities might involve miniaturization and select electronic technologies. At Canon, key capabilities range from fine optics to precision mechanics and also include microelectronics. Honda has evolved a string of businesses -- from motorcycles and autos to lawn mowers, power generators, and boat engines -- from its central focus on building high speed, lightweight engines.⁹⁰

By organizing capabilities around its overarching objectives (or strategy), a firm's innovations will be focused but not limited by a constraining self-image.

Another principle promoted as an initial re-engineering tool is that of "visioning". Through the use of a guided visualization process, often managed by professional facilitators, corporate leaders are asked to create their vision(s) for the future -- both personal and for the firm. By being encouraged to mentally create a new -- and perhaps optimum -- reality, corporate decision-makers free their minds of the constraints placed on them by past experiences and business policies. Success and failures alike can deaden the abilities of a firm to move forward. Visioning helps to break through those barriers.⁹¹ Once the individuals firm up their visions, they are shared either in an open or

⁸⁹Robert Tomasko, Rethinking the Corporation: The Architecture of Change (New York: AMACOM, 1993), pp. 37-8.

⁹⁰Ibid., p. 39.

⁹¹Tichy and Sherman, Control Your Own Destiny, p.xxiv.

private format. They are then eventually merged to create a fresh focus for the organization and they become the foundation upon which future business strategies are based.

Organizational Structure

Because the pace of change has continued to be rapid, the need for nimbleness within the corporation has grown. So, pressures to produce products and service delivery more quickly in order to "beat out" the competition has resulted in a reexamination of the organizational structure, as well as the way business is managed.

To increase flexibility, many corporations decentralized their operations into new strategic business units or subsidiaries. This enabled the firms to identify and develop performance-based criteria for products or services, including some services once organized solely as internal support functions. Originally viewed as a way to reduce company overhead by tying operational responsibilities more specifically to product lines, business unit development has had the effect of creating new markets for "unbundled" services -- innovation as an "accident" of change. As a consequence, unbundled services have often evolved into new service or product divisions (even completely separate operations), that have effectively diversified the companies they have "spun-off" from. Diversification has enabled these incubated firms to grow without encumbering them by preconceptions related to the parent organization and its core business.

Decentralization in management also occurred within some structures through cuts in the superstructure of top management (flattening the pyramid). This brought leadership closer to the fundamental work of the business. For example,

Eastman Kodak has capitalized on its 10 percent work-force reduction, which included 25 percent cuts in its top management, by making a major overhaul in its basic organizational design. This historically integrated company was broken into 17 smaller, autonomous business units as a

response to its chief executive's objective to find a way to encourage a major corporation to behave like a small company.⁹²

Many companies⁹³ that originally jumped on the decentralization "band wagon" found de-layering to be a positive step towards making a organization more nimble. However, some still require a certain amount of centralization to ensure that all "rowers" are pulling in the same direction.

One of the most widespread ways in which organizations have changed is through the development of team-based management, as opposed to bureaucratic, strictly hierarchical managerial structures. The environment that is most hospitable to this style of management is a "boundary-less", learning organization.⁹⁴ Flexible hierarchical boundaries, or "boundary-less" organization, are terms used to describe more decentralized corporate structures that allow the firm to draw expertise and, consequently, leadership from various divisions and levels depending upon the role or initiative necessary. Often formal titles are absent and loyalty, personal responsibility and trust are the means through which work is controlled. This type of organization -- sometimes called a "learning organization" -- theoretically, has at its core a shared value system, vision and commitment to a common goal or cause held by all who work there. The goal is somehow related to lifelong learning and continuous strategic assessment made possible through the application of a discipline called systems thinking.

However, teams of some form or another are found in every modern company today. Team management supports an amorphic structure with inherent flexibility which allows a task or project to be assigned to the best people for a given job, allowing them

⁹²Robert Tomasko, Downsizing: Reshaping the Corporation for the Future (New York: AMACOM, 1990), p. 242.

⁹³NOTE: For greater detail, see Tomasko's interesting discussion of "Flattening the Pyramid", Chapter 6, pp.139-89 in Downsizing: Reshaping the Corporation for the Future.

⁹⁴Larry Hirschhorn and Thomas Gilmore, "The New Boundaries of the 'Boundaryless' Company," Harvard Business Review, May-June 1992, p. 104-115 NOTE: See this article for a good dicussion and clear examples of how this structure can work.

to come together for a specific purpose and to break apart when the assignment is complete. Fortune magazine in its cover story in the September 5, 1994 issue discussed the effects of this managerial style and the future of the "job", attributing the current popularity in team-based project management to increased complexity, accelerated time frames and the need to draw from multiple skill sets and talents.

Project complexity, increased quality expectations, and heightened mobility have added to the need for quick co-joining of forces in new geographic locations or under circumstances that require local or specialized expertise. To provide expanded services without adding expensive or cumbersome overhead, many professional service firms are operating through the use of strategic alliances. Several terms -- partnering,⁹⁵ joint venture, preferred provider, and collaboration -- all carry the same or similar meaning: sharing the responsibility for the work among independent workers via temporary junctures. Although much has been said about the actual effectiveness of alliances (some of it quite negative) this approach is still seen as one of the best ways to provide everything a client needs to accomplish a particular business objective with speed and alacrity. Most proponents caution, however, that such alliances require relationships built on trust, a concept which in business is often considered an oxymoron.

Organizational Improvement

People who manage in dynamic settings need new ways of thinking about the world. Systems thinking is the exercise of this practice and for which Peter Senge, the director of MIT's Center for Organizational Learning at the Sloan School of Management, has named his fascinating book The Fifth Discipline. He states that "systems thinking is the cornerstone of how learning organizations think about their world." In his words:

⁹⁵NOTE: See "A Project Partnering Guide for Design Professionals" published jointly by the ACEC and the AIA for a concise and informative guide to the subject .

Systems thinking is a discipline for seeing wholes. It is a framework for seeing interrelationships rather than things, for seeing patterns of change rather than static "snapshots." It is a set of general principles distilled over the course of the twentieth century, spanning fields as diverse as the physical and social sciences, engineering, and management. It is also a set of specific tools and techniques, originating in two threads: in "feedback" concepts of cybernetics and in "servo-mechanism" engineering theory dating back to the nineteenth century. During the last thirty years, these tools have been applied to understand a wide range of corporate, urban, regional, economic, political, ecological, and even physiological systems. And systems thinking is a sensibility -- for the subtle interconnectedness that gives living systems their unique behavior....Systems thinking is a discipline for seeing the "structures" that underlie complex situations, and for discerning high from low leverage change....it is...concerned with a shift of mind[.]⁹⁶

Two key terms in the lexicon of change -- employee empowerment and total quality management (TQM) -- should be considered together. The concept of total quality control as a management technique was developed in the United States by Dr. W. Edwards Deming. It features solutions to quality problems through the use of scientific techniques and company wide participation by all employees, from the grass roots level up to the CEO.⁹⁷ TQM is facilitated by "quality circles," programs designed to involve workers in corporate decisions through their participation in problem-solving committees. This process had the effect of "empowering" the employees as they took responsibility for the quality, methods and productivity of the process. In addition to improving quality, the process heightened morale and commitment as well. Through this type of self-regulation, manufacturing companies in particular learned new ways of eliminating waste, were able to refine processes, and made systems improvements that they may have overlooked without help from those working close to the problem.

⁹⁶Peter M. Senge, The Fifth Discipline: The Art & Practice of the Learning Organization (New York: Currency Doubleday 1994), pp. 68-9.

⁹⁷Garold D. Oberlander, Project Management For Engineering And Construction (New York: McGraw-Hill Inc. 1993), pp. 188-9.

A new term, total quality management/continuous improvement (TQM/CI), has been coined by Clive Shearer,⁹⁸ a civil engineer and management consultant, to describe a process by which professional service companies can maintain quality through proactive, ongoing improvement management. TQM/CI is driven by process improvement teams (PITs), who represent both service providers and clients (all viewed as stakeholders in the firm), work together with them to determine and achieve process improvements with the support of top management.

One example of the way a similar learning process worked in action is evidenced by the recent re-engineering that occurred at Aldrich Eastman & Waltch (AEW), a Boston real estate and investment management group. According to Sylvia Ferrell-Jones, Sr. V.P.,⁹⁹ the company redesigned its portfolio services around the client by developing specific service plans for each. AEW spent six months interviewing clients and six months designing the new operation. What evolved is a pivotal support position, called a "Client Advocate", which reports directly to the executive director of a portfolio specialty. This position serves as a communication agent between the Portfolio Managers (service providers), the client, and top management. The Client Advocate provides the client with a continuous point of contact, one that is always familiar with their concerns and keeps their objectives in mind. Although requiring a different skill set from those of portfolio management, the advocates must have a firm grasp of that business function. At the end of the first year of offering this new service, AEW evaluated the company's performance by asking clients to complete an evaluation form for everyone with whom they have had contact (high to low involvement). The response was overwhelmingly positive. Client evaluations are performed on a continuous basis, and individual compensation relates directly to the results of the ratings.

⁹⁸Clive Shearer, Presentation to Symmes Maini Mckee Associates, Woodstock, VT, November 6, 1994.

⁹⁹Sylvia Ferrell-Jones, Presentation at the M.I.T. Center for Real Estate as part of "The Rose Lunchbox Series", November 1, 1994.

Performance-based criteria are used to measure the results firms receive from internal and external service initiatives, as well as the way to tie incentives to individual, group, and overall company performance. Many service companies today offer performance-based compensation packages not only to its production-related employees, but to those in management positions as well. Additionally, according to the Institute of Real Estate Management (IREM), property owners have increasingly taken a pay for performance posture with their management firms. Thus having the financial reporting information in place by which to gauge performance can be critical to both sides.

The Role of Information

Marketing, as mentioned earlier, should be viewed as a strategic planning and research tool that can be utilized to the benefit of competitive advantage. However in order to realize it to its full capacity, information regarding current status and trends -- economic, demographic, and financial (income and expense) -- must be readily available and an integral part of the market research effort. Data integration is the order of the day. The reliance on a well-formulated marketing information system (MkIS) has become even more critical to firms who are sensitive to change (or wish to be less reactive). One example of the need for this type of information which has grown more prevalent of late is the reliance on cost/benefit analyses utilized by corporate real estate firms in their effort to assess corporate location and relocation.¹⁰⁰ Corporate relocation decisions are tied to labor costs, typically the single greatest cost component of a firm's business. Often, companies like Ernst & Young are asked "to explore relocating back-office and dedicated product groups out of central cities to lower-cost labor markets."¹⁰¹ Another tool increasingly seen as useful to business, especially for location decisions and

¹⁰⁰Michael L. Evans, "Survey 1994: Role Reversal: *Users* Will Dictate the Development of Tomorrow's Real Estate," National Real Estate Investor, September 1994, p. E&Y-3.

¹⁰¹Ibid. NOTE: The act of relocating back-office functions to the suburbs is referred to as "green-field development."

demographic trend analyses, is the information derived from geographic maps and community data called geographic information systems (GIS).¹⁰²

The above can also be seen as examples of the some of the ways firms are keeping tighter controls over their economic destiny. Another benefit that has come from re-engineering has been a new look at what process improvements can be made by a closer examination of what adds value to the business and what doesn't.¹⁰³ Functions like "waste accounting" which, when coupled with more specifically applied data as a result of better information, enable a company to discern potential problems early on. "Value engineering" is the means through which project costs (whether they be time, material, or labor-related) are scrutinized line-by-line for potential reductions. Many construction projects are reviewed in this manner before getting off the "boards". Some people, especially architects, feel that design and sometimes function suffers at the expense of lowering costs. Finally, managing risk,¹⁰⁴ particularly as related to the firm's financial stability, is one more concern facing those managing a firm's economics, and has become a crucial element of the decision-making criteria that a company uses to determine its future path and endeavors.

The quantification of corporate America's operations has burgeoned. It seems that the more information available, the more we want. To manage all this data, corporations of all sizes are relying on advanced information technology (IT) and management information systems (MIS). Communication between operations, clients and mobile employees has become more easily facilitated both in-house and between facilities (using voice-mail, e-mail, and other group-ware systems). To aid users in their daily activities and to ease the interface transition, firms have incorporated specialists in IT/MIS into the fabric of their organizations, and many have created a top level position

¹⁰²Tod Newcombe, "GIS Not Just a Pretty Map," Urban Land, May 1994, pp. 21.

¹⁰³Evans, "Role Reversal", NREI, p. E&Y-4.

¹⁰⁴NOTE: For more information on this topic see the "Special Report: Managing Risk" Business Week, October 31, 1994.

(chief information officer or CIO) to deal primarily with communications and information systems.

Information sharing between manufacturers, suppliers, and retailers within an industry -- even among competitors -- is on the rise. Part of the reason for this has been to develop a comprehensive, reliable database on customers to assist businesses in honing their product offerings and marketing skills while increasing their agility.¹⁰⁵ Benchmarking¹⁰⁶ is the "new" term for the activity that is used among service industries to compare their delivery systems, performance, and scope of services to that of the competition. Fee structures and performance-based criteria are tested this way, as well. By sharing "war stories" as well as data, firms have a better sense of where they stand in the industry, and where or how they need to change.

Client Orientation

As corporations focus more keenly on their bottom-line, they are becoming increasingly aware of the *true* focal point of business -- the end user. Whether product or service-oriented, every corporation has at their core the need for clients. Additionally, more and more companies are realizing that in many ways they have two types of clients, both internal (employees and business units) and external (customers), and that only by managing the needs of both will they be able to sustain success.

Chapter Summary

This chapter has described some traditional and some new tools firms are using to assess and improve their positions within their industries. Design firms would be wise to consider how they apply to their own profession through the use of a comprehensive "mixed-scanning" approach. For, as Etzioni pointed out:

¹⁰⁵Evans, "Role Reversal," NREI, p. E&Y-4.

¹⁰⁶NOTE: See Adler's article on "Benchmarking" in the May 1994, NREI for more discussion.

The decision on how the investment of assets and time is to be allocated among the levels of scanning is, in fact, part of ... strategy. The actual amount of assets and time spent depends on the total amount available and on experimentation with various interlevel combinations.¹⁰⁷

In brief, the mechanisms corporate organizations are using most extensively to develop their own frameworks for strategic assessment and implementation are:

- A need to return to or redefine the "core" business function in order to maintain competitive advantage (*re engineering, strategic assessment or visioning*);
- A need to re-engineer the organizational structure to efficiently support the product or service delivery function (*re-organization through centralized decentralization, diversification and business units, team-based management, strategic alliances, and flexible hierarchical boundaries*);
- A need to incorporate elements of quality control, continuous improvement, and learning within the framework of the organization (*performance-based rewards, TQM/CI, and systems thinking*);
- A need to keep abreast of -- almost to the point of predicting -- market forces, economic and demographic shifts (*MkIS systems, market research and development*);
- A need to rapidly integrate current technologies coupled with a desire to be on the cutting edge (*benchmarking and information sharing networks, MIS*).
- A need to be in control of the firm's economic destiny (*managing risk, portfolio theory*) through customized marketing techniques (*forward and backward integration, niche markets, higher margin services*);
- A need for all corporate activities to contribute in some economically justifiable way to the bottom-line (*cost/benefit analysis, value engineering, or value-adding*).

The next two chapters will suggest how these mechanisms might be used by design firms trying to decide on whether, and how, to incorporate a new function into their scope of service. Some may be appropriate to design firms and easily adapted to the profession and the nature of the individual practices, while some may require greater

¹⁰⁷Etzioni, "Mixed-scanning," p. 224.

adjustment. Chapter Four and Five will endeavor to assess their "fit". Chapter Four will examine facilities management as an example of a promising new area of opportunity to be viewed as a possible option through which architects can stabilize and grow their businesses. Chapter Five will help to qualify the initiatives used by industry (as delineated above) and discover which are most appropriate or useful to the business of design by applying them to one possibility for change: the provision of facilities management services.

CHAPTER FOUR: FACILITY MANAGEMENT SERVICES -- What Every

Architect Should Know

It's the summer of 1994 and as the CEO of a growing mid-sized architectural design firm you are still concerned about ways to retrench and re-focus. You're convinced that there must be a better way to approach the business than in the past. The company needs to stay in front of the client and one way, you've heard, is to provide facilities-related services because they are considered value-add. *BUT* what are they? Are they real estate services? Are they planning services? Are they what architects call continuing or extended services? Are they niche services? So, you ask: "Who can tell me? What do I need to do to find out? How do I discover the right information and what methods would be appropriate? What does an endeavor like this require? Who would use these services anyway? What's the market like? Who would our competitors be? Do we have the skills in-house? Is there anything else we should know?"

Chapter Objective

The information and discussion which follows is intended to frame for architects, and other building designers, the opportunities as well as the possible barriers to entry in the field of Facility Management (FM). This information is provided in a synthesized fashion and is structured so that designers can use it to focus their strategy should they wish to expand their services in this direction.

Facilities Management Services: The Opportunity

Some recent commentators have suggested that providing facility management services (a subdivision of real estate services) is a way that the design professions should consider to stabilize their businesses and stay viable in the 1990s and into the future. Three seminal articles on this subject are discussed below.

In June of 1990, Eric Teicholz, a former professor at the Harvard Graduate School of Design turned facility management consultant, wrote an article for Progressive

Architecture¹⁰⁸ to explore the role and use of computers by architects in the provision of corporate facility management services. His justification for looking in this direction was similar to that put forth in this thesis. In Teicholz's view architects were losing revenues due to declining markets. Automation in facility management and design firms, through the provision of computer aided design and facility management systems (CADD/CAFM), was on the rise. Teicholz thought that architects' most logical source of new or expanded services should come from their existing client base.

Citing a recent survey which assessed the extent of architectural involvement in facility management (FM), Teicholz noted the minimal technology involved in these services. He identified the "most interesting" services from among those reported to be work flow analysis, retail store management, predictive maintenance management, energy management systems evaluation, specifications databases, and environmental audits for real estate acquisition. Teicholz also mentioned the results of a survey he had personally administered through which he arrived at a much more generic list: space planning and furniture standards, long-term space planning, maintaining as-built drawings, space allocation determination, and small-scale design. Of these, he felt that small scale design (due to high churn rates in corporate office space) held the most future promise, especially for design firms that were automated.

In May 1993, Stephen M. Campbell wrote an insightful piece, "What The Owner Wants"¹⁰⁹, for Interiors magazine. Then President of the Baltimore Chapter of IFMA, Campbell spoke of opportunities for "design firms willing to redefine their role and the services they provide" as a result of organizational restructuring. Citing the facility managers' increasing need for feasibility studies, architectural design services, and asset management, Campbell explained why competition to designers has been coming from

¹⁰⁸Eric Teicholz, "New Client Services: The Architect as a Facility Manager," Progressive Architecture, June 1990, pp. 145-7.

¹⁰⁹Stephen M. Campbell, "What The Owner Wants", Interiors, May 1993, p. 62.

new directions: "other players within the industry -- furniture dealers, developers, real estate brokers, and design-build contractors -- are supplying the owner ... services bundled with their specific product."¹¹⁰

These competitors are able to provide such services either heavily discounted or rolled into the cost of the total package. Consequently, the expense may be spread out over a longer period of time as opposed to the one-time payment of the architect's fee. He cites reductions in the time frames that corporate facility managers have to produce a project as the reason for the growing use of turn-key arrangements which afford a single point of contact. Campbell criticizes the design community for its lack of attention to the needs of facility managers for synthesized problem solving and reduced costs.

Campbell blames designers for failing to see how information databases can be applied to space, real estate and property management inventories and, thus, interjected into design in a cost-effective and unified way. He points out that more agile, specialized firms (data processing and computer support companies) -- are encroaching on the designers' "turf". In closing, Campbell states that: "it is critical for architects and designers to offer expanded services in order to survive",¹¹¹ and exhorts the design community to recognize the impact of the permanent and structural marketplace changes on their businesses and adjust their roles and service accordingly.

Upon establishing the various facets of facility management, Robert Miller described a movement to develop the facility management field as a separate profession. He points out that some universities are now offering accredited FM programs. This trend is supported by IFMA, which also offers a national certification program for experienced professionals. Miller's discussion, carried in the October 1993 issue of Architecture, also implied that architects may be "a day late, and a dollar short" in their

¹¹⁰Ibid.

¹¹¹Ibid.

pitch to be the key providers of outsourced facility management services. Miller said that:

[w]hile architects were honing specialized FM tools, a new generation of FM guerrillas was positioning itself to embrace a much larger whole: location, finance, productivity, and operations, with construction as a low priority. In the flexible, organization-integrated discipline, architecture would be the add-on service.¹¹²

However, Miller also says that, the architect's:

generalist understanding -- ranging from building codes to broad social and cultural concerns -- and training as business-to-business communicators suggest [that] they can become a strong, positive competitor in this market, whether as an in-house FM specialist or on a consulting basis.¹¹³

Likewise, he states that architects can bring problem-solving and specifying skills to the table. Miller feels that if architects are willing to adjust both their image and functions to meet the opportunities unfolding in the field, their skills lend them an added advantage in attaining the work.

Facility Management: What It Is

For those relatively unfamiliar with the term, facility management, a brief description of its role in the organization, and a few accepted definitions follow. The traditional scope of services generally falling under the purview of facility management will be listed, then expanded to stimulate the thinking of possible service provider entrepreneurs.¹¹⁴

¹¹²Robert L. Miller, "Facility Managers' Growing Clout", *Architecture*, October 1993, p. 107.

¹¹³Ibid.

¹¹⁴NOTE: This information is a synthesis of the writings and definitions culled from the works of the following experts in the field. See for example: Becker, Binder, Brauer, Hamer, Teicholz, and White.

Facility Management is an evolving field which encompasses numerous multidisciplinary functions. Recent years have altered and broadened the possible scope of the facility management professional's responsibilities. This is partly the result of technological advances; more stringent building and life safety codes; downsizing and re-sizing of corporations; team-based work styles; and, the infusion of systems and strategic thinking into organizational management. Many articles and books written on the subjects of real estate, property management, facility design, construction, and corporate relocation or planning allude to FM and its overall importance to the successful and cost-effective operation of the organization, facility, and/or project. Facility Management is a system of services that relates to and involves all of the above functions, and more.

Facilities Management is defined by the International Facility Management Association (IFMA) as "the practice of coordinating the people and the work of an organization into the physical workplace". Jim Steinmann of Steinmann, Grayson, and Smylie defined the field as "the systematic method of inventorying, planning, designing, allocating, and maintaining space, equipment, and furniture for general or special purpose facilities that are subject to a need to be flexible to accommodate change." Franklin Becker, Professor and Director of Cornell University's Facility Planning and Management Program, defines facility management as "the activities in planning, designing and managing complex facilities such as offices, hospitals, and schools." He states that this discipline differs from the traditional practices of interior design and architecture because it deals with buildings in use -- the planning, design and management of occupied buildings and their related systems, equipment, and furniture -- in a way that enhances the organization's ability to meet its business or programmatic objectives. Becker sees facility management as integral to organizational effectiveness.

One could say that facilities management is a function that, if implemented and coordinated effectively, can measurably affect the competitive ability of an organization. One can also see the potential relationship that facilities management services may have

in aiding corporations, and other real property owners, to realize their strategic goals. As real estate continues its transition (as discussed in Chapter Two) and as corporate organizations continue theirs (as discussed in Chapters Two and Three), opportunities to shape this change through facility management will abound. The following information, in conjunction with what was learned above as well as in previous chapters, describes the scope of the opportunity.

FM Services: Traditional

Facility Management activities are often provided in a linked manner due to their pro-active nature. So, while they should not be considered as isolated functions, the more traditional way of framing the services includes the following:

- Inventory management
- Requirements programming
- Space planning, allocation, and standards
- Design and specification
- Drafting
- Budgeting
- Cost accounting
- Project administration and implementation
- Purchasing coordination
- Move coordination
- Maintenance planning
- Systems management
- Site selection, acquisition and management
- Master planning
- Real estate strategy -- location/relocation, buy/lease, disposition

FM Services: Expanded Selection

Table I below represents an expanded offering of services (in no prioritized form) along with some related activities that reflect the broadened perspective of the future role Facilities Management may soon play in assisting the corporation to increase its

productivity and/or competitive advantage. FM, as proposed by some authorities, could eventually involve some element of each of the following:

TABLE I
Expanded Array of Facilities Management Services

Δ Financial: Accounting & Analysis	Δ Design Management: Graphics, Signage,
Δ Organizational Evaluation	Multi-media, Presentation, etc.
Δ Human Resources Planning	Δ Landscape Design, Installation &
Δ Training & Facilitation	Maintenance
Δ MIS: Hardware and Software Management	Δ Building Evaluation: Pre-purchase,
& Training	Occupancy & Post-occupancy
Δ Demographic & Trend Analysis	Δ Programming
Δ Economic Analysis	Δ Space Planning
Δ GIS Mapping	Δ Adjacency Analysis
Δ Architectural Planning and Conceptual	Δ Data Collection & Inventory Management
Design	Δ Building Design Standards
Δ Engineering Design & Consulting	Δ Asset & Portfolio Management
Δ Site Planning & Analysis	Δ Property Positioning Studies
Δ Project Specification & Review	Δ Property Disposition Analysis
Δ Property Maintenance	Δ Location Analysis
Δ Cost Containment and Review Analysis	Δ Traffic Studies
Δ Contract Administration	Δ Energy Management
Δ Contract Negotiation	Δ Brokerage -- Sale, Lease, Lease-back, Trade
Δ Purchasing	Δ Appraisal
Δ Construction	Δ Marketing
Δ Construction Management	Δ Lease Negotiation
Δ Project Management	

Certainly, if this broadening of scope occurs, it could be argued that FM will "take over" the roles of Human Resources, Finance, Marketing, and General Management, et al. In reality, these functions will still remain intact but begin working with Facilities Management in a synergistic manner. FM, either operating as a division of corporate real estate or as a separate department, would be the coordinating link responsible to the CEO for the development of the overall and specific "program", for determining the services required, and for decisions (based upon established selection criteria) as to which service provider to call. Obviously, if this is the impending future of Facilities Management, then FM departments and their managers will wield a significant amount of power. Real estate service providers should consider them a major source of potential business.

FM Services: The Demand and Supply Sides to the Potential Opportunities

Many companies and organizations either have the responsibility of managing their own voluminous real estate holdings or, as mentioned in Chapter Two, are managing properties in trust or as agents for others. It would be impossible for these managers to provide all the FM services listed above via in-house experts. So they are turning to others to stem the rising tide.

"DEMAND"

Four major categories of FM users, each followed by an abbreviated assessment of the reasons behind their growing demand for services, are described below.

Corporate America

Reorganization of the corporation for a time brought with it a certain amount of disorder. In order to have someone overseeing facility operations while other aspects of management were being more critically scrutinized, CRE functions were often completely, or partially, outsourced¹¹⁵ to existing or new service providers. In addition,

¹¹⁵NOTE: Outsourcing is defined as the use of third parties to perform work or provide a service which was once handled in-house.

restructuring caused these departments to be downsized and experienced people were let go, but the work continued. Outsourcing made sense, especially when it was to third party consultants with previous or specific knowledge of the corporate facility or function required. Financial advisor firms were able to provide (among other services) financial analysis of properties, re-structuring debt, and real estate investment advice. These activities, elements of asset management, assisted CRE managers to decide which properties should be kept, repositioned, or disposed. Real estate advisor groups were similarly helpful and provided lease negotiations and review, as well as managing the disposition of properties through their brokerages. For a time, outsourcing seemed the most cost-effective way of dealing with corporate facility and real estate needs that arose, although a recent survey by NACORE indicates that the costs may not be equivalent to the benefits.¹¹⁶

External forces have also come together to heighten demand. The increased complexity of projects and buildings has brought with it a growing awareness of how technological innovations affect facilities management and thus require new levels of expertise. Globalization of corporate operations, organizational decentralization and mergers have all affected the FM function. At the same time, the industry and its clients has expected faster response times and thorough knowledge of local and regional markets. Finally, more intensely scrutinized loan and funding requirements as well as new regulations have added to the need to create electronic inventory management systems and provide benchmarking studies as documentation support.

Institutional Advisors and Managers (for Insurance Cos., Pension Funds, REITs)

The rise in performance focus due to capital market scrutiny has translated into a need for well-managed properties and functional building design. Up to date information on space, costs, and occupancy are needed to support the asset and portfolio

¹¹⁶Bergsman, Steve, "Pace to Outsource Slows a Bit as Companies Assess Cost Savings," National Real Estate Investor, August 1994, pp. 41-42.

management reporting functions, and economic and demographic trends and information aid in the quality of investment decisions. Property valuations, evaluations, and appraisals are all useful, especially now due to the rise in consolidation or disposition of real estate assets. Risk management concerns and insurance certification requirements add to the demand for facility information services.

Governmental, Quasi-governmental and Non-Profits (Cities, School Districts, Private Schools, Universities, Hospitals, Public Agencies)

Demographic shifts along with the expansion and contraction of communities have resulted in a growing demand for new and expanded facilities to serve the public. In some areas, expertise is needed to help reposition and dispose of excess properties. Accountability issues -- similar to shareholder concerns which instigated private sector consolidation -- are bringing these properties increasingly under scrutiny as to how they actively provide public (or constituent) benefits. Facility design, planning and construction services related to changing code requirements as well as building life cycle or public health issues (the age of public buildings often require special maintenance and remediation) are areas of service opportunity. Mergers between agencies or districts have also caused a need for real estate strategy assistance, disposition and repositioning services, or new facilities. Finally, increasing or declining enrollments in private schools and universities make them prime candidates for FM services. Facilities are increasingly viewed as a differentiation tool that schools can use to attract students, therefore they have assumed a greater importance in the "marketing mix".

Developers/Real Estate Holding Companies/Brokers

Although this group of potential clients tend to provide their own real estate services in-house, both for themselves and to their clients, they *do* use outside specialty services such as: traffic studies, appraisal, design and redesign, energy management, site work, construction, maintenance, signage and graphics. This category of FM service users is also a great source of potential strategic alliances and partnered projects.

"SUPPLY"

Ever since corporate real estate divisions were downsized to comply with corporate re-engineering initiatives, the numbers of real estate service providers have increased as a means of filling the gap. In general, they have come from the following five directions.

Financial Services Companies (Investment Management and Advisory Companies, and Accounting Firms)

These firms appear to be providing corporate and institutional real estate and facility-related services in-house as a complimentary profit center focus. Their existing and targeted client base often uses facility services on an ongoing basis. Real estate and facilities services augment the “core” product line and facilitate client retention by allowing these these service provider firms to remain in touch and assist in the provision of strategic facility services. They have stayed closer to the “action” by knowing the details of the client's business. This continual contact keeps relationships alive and makes money. Additionally, the ease with which these firms can now cross-utilize information and data through advanced technology translates into profitable *value-add* services. The overall profitability of the firm is enhanced since database cross-use allows for the spread of depreciation for equipment and software investments across "product" lines. Finally, since these companies are financially-based, they are well positioned to manage real estate, now considered by many to be a financial instrument.

Management Consulting Firms

Large firms that function as business consultants fall into this category; most small consulting firms do not provide facility services in-house. Management consulting firms are operating from the same incentives that the financial services firms are. They are providing an augmented service that is complimentary to the services that their clients hire them for. If a management consulting team recommends reorganization that affects size or location -- or even space adjacencies between departments -- facility

services are necessary. Often companies of this nature provide a core of organizationally-related services and the rest through strategic alliances, consultants or independent contractors kept on retainer, and through other similar strategies. This allows them to have the expertise on their letterhead without the expense of long-term carry.

Property and Real Estate Management Companies

For these companies real estate management *is* their “core”. They provide the resources -- either in house or through using others for specialties -- in the most cost effective way in order to maximize their profits. Hines Interests is typical of the very large, most sophisticated firms providing these services nationwide (even worldwide). Hines (the nation’s largest Real Estate Management Company) operates from five regional offices plus one main resource office, with 26 small branch offices designed to give them a presence either in or near the city of their clients' operations.¹¹⁷ Selected members of Hines' own “pool” of specialty talent located at the resource center are coupled with staff closer to the client (and sometimes very specialized services pulled from outside), to form a team to compliment the client’s in house staff. Firms in this category work on fixed fee, retainer plus fee, square foot/unit, or task and hourly bases.

Facility and Real Estate Consulting Firms (Interior Designers, Architects, Engineers, Space Planners, Real Estate Brokers, and Design/Build Contractors)

These firms often provide some aspect of facility services (though are rarely "full service" providers) as a augmentation of their existing (core) scope of service; as is the case with architects who provide "continuing" or "pre-design" services. While the specific functions they perform are often related closely to their “core” business, sometimes this function has become or is their core business and sole, in-house expertise. The reason these services are provided is usually linked to client requests stemming from

¹¹⁷Information taken from Hines Interests Limited Partnership brochure.

existing projects or ones that they are (or have been) involved with. Originating from client needs, facility services often evolve into additions to an existing scope of service if found to be profitable and/or marketable. Most design firms that are not operating as consultants do not actively sell these services. Many provide them reluctantly at the request of their clients, and then only as an addition to others considered more central.

Furniture, Finish, and Equipment Suppliers (Manufacturers, Installers and Data Systems and Support Vendors)

Often these types of suppliers have ongoing purchasing agreements with corporations and provide space planning, move management, inventory control, bar-coding and communications networking assistance as part of their previous or current service contract. Because these functions are bundled into existing projects, their cost is blended into the corporations' previous or future budgets shifting the expense or allowing significant discounting. The incentive to provide additional services of this nature is similar to the aforementioned: ongoing relationships and future work.

FM: Skills and Sensibilities

Clearly, the field of opportunities in the realm of facilities management is being explored by several types of companies. However, there is still room for service providers with varying skill sets and talents, particularly those providing new services less related to finance and more closely aligned with human ecology. While design (art), education, communication, psychology, sociology and environmental studies are often, and perhaps appropriately, termed "soft" sciences, they all affect human potential and sense of well-being. Skills in these areas will most assuredly become more valuable, particularly when applied to the management of facilities. Facilities are the setting through which we view and manage work. Especially in an era of worker empowerment and emphasis on human resources, the settings for work will be considered vital to productivity.

Some of the words or terms used to describe the skills and qualities necessary to the provision of facilities services are:

- ⇒ Financial Analysis
- ⇒ Cost Accounting
- ⇒ Organizational Evaluation
- ⇒ Teaching
- ⇒ Negotiation
- ⇒ Demographic and Statistical Knowledge
- ⇒ Economic Perspective
- ⇒ Design: Architecture, Engineering, Interior, Graphic
- ⇒ Management
- ⇒ Facilitation
- ⇒ Coordination
- ⇒ Time Management
- ⇒ Common Sense
- ⇒ Communication
- ⇒ Presentation
- ⇒ Analytical Orientation
- ⇒ People Skills
- ⇒ Marketing & Sales
- ⇒ Team Player
- ⇒ Independent Self Starter
- ⇒ Detail Orientation
- ⇒ Big Picture
- ⇒ Writing Skills
- ⇒ Computer Skills -- WP, Spread Sheet, Database Mgmt., CADD/CAFM, Multi-media
- ⇒ Multi-task, Multi-project, Multi-priority
- ⇒ Flexibility
- ⇒ Realism

Some of these qualities and skills relate well to those typically embodied by designers.

For that reason alone, design firm may be considered more (or at least equally as)

qualified to provide facility management services than many of the other types of firms currently involved in FM.

Given the trends in facility management, the nature of the demand side, the type and level of competition/service providers, and the skills required to adequately provide these services; Chapter Five will discuss how a mid-sized architecture firm might proceed to determine if and how it should expand into this "new" service area.

CHAPTER FIVE: DECISION-MAKING FRAMEWORK

It's now the beginning of 1995 and the firm is really busy. In fact, it's now doubled in size from a year ago. Just the same, you want to finalize your decision about adding facilities services. You're surprised how long it has taken to do the research and get the information compiled. But it's *done* now and it's time to look it over. Let's hope it provides some answers. Still ... you wonder: "Will my colleagues (the other principals) and I agree on the results of this quest? And, if we don't, should I just provide them with a 'fait accompli'?" You wonder about the level of commitment (time, labor and capital) that an endeavor like this is really going to take ... knowing full well that no one can accurately predict. And you find yourself asking: "What's my own level of commitment? Do we *really* need to create a new service division? How will it fit in? Should we move forward on this idea, or not? What are our options?"

Chapter Objective

Chapter Two gave a perspective on architectural practice and the personalities drawn to the field. Chapter Three synthesized both new and traditional ways of looking at aspects of their changing business landscape as firms work to remain competitive and flexible enough to take advantage of change. By coupling the information in Chapter Two with the instruments for corporate strategic adaptation, a framework for decision-making can be established to guide design firms as they seek new ways to approach change. This chapter will outline the steps required to determine if and how a firm might broaden its scope of services using the example of facilities management discussed in Chapter Four.

Methodology

While no one firm or designer is the same, this study has endeavored to address the issues of change affecting the architectural design profession, as well as to suggest some ways for firms seeking guidance in moving beyond their established roles and/or business focus. All design practices will need to customize their approach in any

particular direction to match their values and goals. It is the act of assessing their values in the context of the market and with regard to specific talents and objectives, derived from the owners and operators of the firm, that begins the "strategic assessment" phase of a firm's evolution. This chapter allows us to apply those strategic "change agents" to a particular option through the eyes of a mid-sized architecture firm.

First, we will discuss the manner and tools through which architectural firms might choose to select elements of facility management services. Then, as an example, a basic array of new services will be selected for our hypothetical, mid-sized architecture firm. Once chosen, some of the methods and/or mechanisms from Chapter Three will be considered as ways to integrate these newly selected services within the firm. Some of the other strategic options will be compared and contrasted to those already chosen. A generic decision-making framework, appropriate to the chosen strategy, will then be presented. Finally, a brief discussion of market perceptions and client acceptance will be undertaken to round out the analysis of which services might be appropriate and/or uniquely adaptable to the architecture firm. This evaluation will comprise the analysis of fit between architects and real estate/facility services.

Hypothetical Firm

For our purposes, the firm undertaking this assessment is a 100-person, regional architectural firm that has almost 50 years of business experience, has gone through one ownership transition (five years ago), and is organized as a practice-centered business.¹¹⁸ The firm is technically-oriented (uses CADD and has many engineers on staff), has a well-rounded site department (comprised of landscape architects and civil engineers) and a handful of interior designers, but is not diversified further. Its typical clients have been major corporations, although some of its work in the last two to three years has been institutional. Within these general areas, the firm has developed a few areas of focus,

¹¹⁸NOTE: As defined by Coxé in Success Strategies for Design Professionals.

creating three potential niches. The leadership, especially the CEO/President, is aware of changes in the firm's marketplace and has just brought in an experienced Marketing Director (MD) partner to manage this function. Most of the strategic planning effort, to date, has been handled by the two of them. The CEO originally hired the MD as an independent consultant to help him envision the direction of the firm. A formal Strategic Plan evolved from that exercise, but it has generally been considered a "talk piece" to stimulate discussion by the rest of the firm. Interests in protecting the firm from erratic, external forces and in growing the business have resulted in a good deal of discussion. One of the new service "options" the plan suggested as a means to stabilize and maintain client base was facility management services. However, not everyone can agree how, or even if, to proceed.

Strategic Assessment Process

Looking through the "eyes" of our hypothetical design firm it becomes clearer how the whole process begins. First, some recognition of the need or desire for change is required to instigate the search for a new approach. Whether this is the result of marginal or declining income, awareness of market changes, a transition in ownership or all three, something will likely happen to catalyze the restlessness leading to change. At this point, the firm's owners will begin the process of seeking answers or alternatives to the status quo. This is the time to consider the development of a strategic plan that will guide the firm into the future. If the leaders of the practice are willing, this is also time to develop a vision for the organization¹¹⁹ that allows them to "see" beyond their boundaries and begin the mental sculpting process which will help them shape the firm's future according to their own particular needs, those of the company's stakeholders, and within the context of their specialized craft (industry).

¹¹⁹NOTE: For a step-by-step discussion and process guide by which a company can begin visioning, see Peter Senge et al, The Fifth Discipline Fieldbook.

As stated in Chapter Three, there is a significant amount of overlap between strategic planning, business planning, and market research and development. While it is not so critical which activity comes first, the important thing is that all aspects of devising strategy are considered and that some element of each occur before a new strategic direction is launched. During the initial planning and assessment stage, the firm's leadership should begin to define the core of the organization by critically analyzing what the firm's true business is. This is also the time to discern what talents and unique skills the "collective" embodies, what they see themselves doing better than anyone else, what the values of the firm are -- as well as what they and their people *enjoy* doing -- in order to develop a strategy that all can "buy into": one designed specifically to fit their organization.

This strategy should take into account their firm's particular focus or market niche(s) because these are areas that may be significantly impacted (or vice versa) by a decision to change. By adapting the decision-making activities through a combination of competitive advantage (conducive to company strengths or niches) and strategic focus (future goals) the firm will be maximizing the value of its distinguishing capabilities. If it is to play to its strengths, a business strategy should consider both realized and unrealized skills, as well as those perceived by their clients, as opportunities for competitive advantage.

Therefore, when making the assessment regarding which real estate or facility management services to provide, a firm should first consider those services that are particularly suited to the firm's skill set, experience, and client focus -- at least initially. If the new services are to be provided by employees, as an addition to an existing scope of services for which the company is known, and by drawing on existing or similar skills, it is especially important to market acceptance that they be viewed as integral and compatible to the firm's current thrust.

By taking their strategic plan one step further, into the realm of market research, the firm can begin to decide which, if any, facility management services fit with its organization, its skills, its culture, and its clients needs. Understanding the business of facility management, what its trends are, the nature of the demand for services, the type and level of competition among service providers, and the skills or tools required to provide them, is necessary to ensure that the decision is established in awareness and knowledge of the field.

Matching of Skills

Before making a decision to get into real estate facility services, our firm (having done the research) would first look at how the skills embodied by their staff compare to those suggested by the review of the "market" (as provided in Chapter Four). It's leaders notice that many of these skills and characteristics (as identified in Chapter Two) are closely aligned with those that architects typically employ. Skill sets and personality traits most often generalized across the profession are:

- ⇒ Design--conceptual and practical
- ⇒ Detail-orientation
- ⇒ Problem Solver
- ⇒ Independent
- ⇒ Self Starter
- ⇒ Teaching/Mentoring
- ⇒ CADD Knowledge
- ⇒ Communication Skills
- ⇒ Multi-task, Multi-priority

Additionally, many architects have worked in environments that have required them to develop their presentation skills, to manage others or work as part of a team, to

hone their writing and word processing skills while preparing proposals for clients, and to evaluate building structures or organizations prior to proposing design solutions.

With the exception of business and financial skills, architects are competent at most of the skill sets necessary to be facility management service providers.

Basic Array of Services

After a cursory glance, the firm's leadership also determines that the following facility services could easily be provided in-house:

- △ Facility Design--conceptual and complete working documents
- △ Site Planning & Analysis--design and suitability
- △ Site and Landscape Design
- △ Building Design Standards
- △ Graphics Management
- △ Programming
- △ Space Planning & Standards
- △ Adjacency Analysis
- △ Building Evaluation--Pre- and Post-Occupancy
- △ Facility Evaluation--Energy Systems, Indoor Air Quality, Lighting Studies
- △ Renovation, Re-use, and Re-positioning Design Studies
- △ Renovation, Re-use, and Re-positioning Working Documents
- △ Specifications--Building or Site: Project, Maintenance and Substitutions
- △ Specifications--Interiors: Furniture, Fixtures, Finishes, Maintenance & Substitutions
- △ Owner's Representative/Project or Program Management
- △ Materials and Instrument Handling Design Studies
- △ Data Collection & Inventory Management--Space, Equipment, Furniture, As-builts

Exploration of Alternatives

Once the design firm has completed its market research to find out about facilities management and it has convinced itself that no radically different skills are necessary to provide corporate facilities services, its leadership must make a decision. Are they committed to providing new services in new ways to their clients, or are they better off re-focusing their time, energies, and talents back on their existing business by using some of the basic business management tools?

For the purposes of this decision-making process, the only alternatives considered by the firm in question are "Go"/"No Go" decisions, and although variations are possible they will not be explored.

"NO GO"

While the firm might see a link in their skills to the services desired, it still might decide that the time and trouble it will take to develop or acquire sufficient dexterity in the new area is not worth it and will, thus, choose a "No Go" route. This is where the firm's values will come into play. It is recommended that if a firm decides to opt out of providing facility services that they continue to provide their existing scope of services only in better ways. Some of the methods (outlined in Chapter Three) they might use are: improved marketing and market research techniques; competitive advantage initiatives as described by Weld Coxe and Michael Porter; a balanced "portfolio of activities" structure; restructuring -- if necessary; TQM/CI; employing ongoing mentoring and training programs.

"GO"

It is suggested that a design firm choosing to proceed under the circumstances should employ the techniques described above in conjunction with following. The decision-making framework and analysis process as shown below indicates where the firm "stands" at this point and prescribes a pro-active direction to follow. A discussion ensues.

STRATEGIC DECISION-MAKING FRAMEWORK:

- Commit to the development of a new direction
- Create a vision, mission or purpose, and strategic plan for the firm's future
- Commit to vision and new outlook and purpose
- Consider the core and collective strengths/competitive advantage through niches
- Do market research to discover potential options
- ***Explore Alternatives***
- Reconsider who the client is and gear market direction to reflect this "shift in focus"
- Perform a skills and goals assessment of existing talent pool, staff and principals
- Meet with clients (current & former) and ask them about their specific facility service needs, desires, and perceptions of the firm (now & as facility service providers)
- ReVision (*redefine*) and commit to the new direction
- Augment services accordingly through forward and backward integration (thereby possibly creating a hybrid design firm)
- Unbundle services so they can be "sold" separately (this will improve market perceptions)
- Accept and embrace the increasing role that alliances and collaborations will need to play -- consider this as a possible move towards developing a service provider co-op

Additional Considerations

- Consider becoming a holding company that is diversified along complementary, "portfolio" activity lines.
- See selves as systems thinkers.
- Consider the perspective of architecture as a communication "tool" in guiding the firm forward.
- Become prescriptive of client needs rather than reactive -- become advocates.

Moving Forward

Having decided that the firm should expand its existing scope of services to encompass some facility management functions, a change in perspective is required if the firm is to actively compete in the facility management/real estate services realm of the industry. In particular, it is important that the professionals guiding the firm's marketing efforts begin to revise their conception of who the client is. As shown in Chapter Four, and as mentioned in Chapter Two, real estate and facilities are being managed at different levels and through various entities, particularly third parties with bottom-line perspectives. The service provider, therefore, must re-direct the marketing effort to "hit" the appropriate persons.

Architects are accustomed to dealing with top management, developers, and owners of properties in their standard practice of network marketing. Now, however, those contacts are dwindling in influence and, in their place are a new set of business contacts that architects should be aware of. The new "power brokers" will likely be the facility managers and their current supply of consultants and service providers. Architects must be willing to change their client focus, swallow some of their pride, and begin to see that a multiple-pronged marketing approach will be in their best interest. Many business people know that one of the best ways to make contact (and lasting relationships) with project decision-makers is to get the assignment first -- through whomever and however they can -- and to "cultivate" the relationship during the course of business. This means that architects could be marketing both to those they view as clients (i.e., end users) and those they might heretofore have perceived as "competitors" or "suppliers".

At the same time, two directed marketing research approaches should be undertaken with the support and participation of the firm's leadership: one to discover client needs and interests in the area of facility services and, the other, to assess the skills and interests of the firm's professionals, staff, and principals. The importance of these

activities are critical to the selection of an appropriate array and successful adaptation of specific services to the existing talent and client mix. These discussions with the firm's stakeholders allows it to "test the waters" prior to making the final commitment which will require more than interest, it will require money and time.

Meeting with current and former clients to establish their uses for the new service area will create a sense of involvement that will spill over into the firm's everyday business. A symbiosis will occur as firm and client share in the development of services designed particularly for them. Likewise, by having a comprehensive grasp of the talents and goals of those in the firm's employ, those managing a "facility service center" will know upon whom they can rely (and, in emergencies, who is the second and third string) in the course of responding to the fast-paced, "answer needed now" corporate facility manager. This understanding and the anticipatory, pro-active attitude it inspires is the essence of value-added service that will keep clients coming back for more.

The above three steps, once taken, will likely reveal new and unexpected insights which may require a "re-visioning" of the firm's objectives as it embarks on this journey. This is an iterative process, much like that described by Mintzberg in his discussion of crafting strategy.¹²⁰ For, as he said, a firm's

world continues to change, sometimes slowly, occasionally in dramatic shifts. Thus gradually or suddenly, the organization's strategic orientation moves out of sync with its environment ... [Then] that long period of evolutionary change is suddenly punctuated by a brief bout of revolutionary turmoil in which the organization quickly alters many of its established patterns [and] ... reestablish[es] an integrated posture among a new set of strategies, structures, and culture.¹²¹

In crafting a strategy, this pattern would be repeated as often as is necessary to assure that the firm remains competitive. So, before proceeding to the final stage of defining

¹²⁰Mintzberg, "Crafting Strategy," pp. 66-75.

¹²¹Ibid., p. 72.

the actual services and methods of delivery, the firm's leaders should re-evaluate what they have learned and then commit again.

Facility Management Services: A Business Resource

At this juncture, the firm is ready to develop its "initial offering" of services. It must also decide how it intends to market them and provide for their facilitation through the existing organizational structure. Assuming the firm intends to provide the full array of services shown above, the resources within our hypothetical firm are probably enough to start with. Someone, either from within the company or hired from the outside, with knowledge of the firm's market(s) and real estate facility awareness will be required to spearhead the new initiative. Because the firm will want the flexibility to deliver specialized aspects of FM projects through strategic alliances it will require a key person on staff working specifically with these arrangements. The expertise of the person performing these functions should be similar to those architects have and encompass an understanding of the practice of architecture, as well as how it fits into the picture of real estate and facilities management. The individual will also need to be versed in the art of negotiation and business dealings and display strong interpersonal skills and team leadership qualities.

A separate service group or center should be set up to accommodate the new work; it will require its own budget and expenses to keep track of initial profitability. For a firm of this size, one to three employees should be designated specifically to the administration of the facility resource center for the purposes of marketing and coordinating the services. Certainly, this may change with the actual level of demand and over time. It is also suggested that this service center be a separate business unit within the firm to enable it to "spin-off" more easily at some time in the future if identity problems hinder its growth and evolution. Additionally, by being established as a business unit, it can charge back its time to other departments within the firm as

architecture, site, or engineering start to clamor for auxiliary services to augment their projects.

As mentioned above, and upon closer examination, real estate facility services are extensions of the services a design firm (possibly many design firms) currently provide(s) to its developer, owner, or corporate clients. However, the "unbundling" of these services enables the firm to "retail" them individually. This concept of service delivery may hold less appeal for architects because of their professional orientation. However, by being able to sell individual, well differentiated services to a potential client to assist in the delivery, management, or maintenance of a project, the architectural design firm is able to compete in markets other types of firms are entering. This method is one that design firms can use to re-integrate their skills into the facility management service provider industry while creating further opportunities and making a profit.

Architects traditionally have structured their businesses to promote their aesthetic vision, rather than to maximize profit. However, by organizing their marketing strategies around their strengths, and selling those strengths to corporations who need their skills, in ways that are acceptable to (if not expected by) the market, they can both fill a need and remain viable in a market characterized by change.

Additional Recommendations and Conclusions

By employing a balanced "portfolio" of activities (i.e., developing particular design and service niches) and possibly by expanding these into multiple regions (each with their own economic cycles)¹²² a design firm will be more likely to stay both busy and successful. Diversifying the firm in this manner will help to stabilize it in two ways: first, as one area experiences decline other niches will help to support the firm; and second, should the declining "specialty" appear to be permanently demising, then the firm will be able to retrench and re-focus without major shifts in personnel and financial

¹²²SEE: Veshosky, "Portfolio Approach to Strategic Management of A/E Firms" for an interesting discussion of this topic.

stability. The type of design firm that will be most conducive to the employment of this portfolio strategy is the flexible, hybrid organization that embodies a generalized set of skills that can be applied to multiple project types through various methods.

To stay viable, architects will need to overcome their resistance to business dealings and new approaches to providing desired services. Two of the ways corporations are working to enhance flexibility, as mentioned in both Chapters Two and Three, are team-based project management and strategic alliances. While architects are used to working in design "production" teams because of the numerous disciplines that need to be brought together in the design of a building, they are not accustomed to being only part of the team or to working with others as equals with ongoing, overlapping responsibilities. This is something the design professions should work towards in practice and in education.

Projects are increasingly complex and quickly executed. Ideally, all involved will soon share information so that the point person on the job on any given day will be able to handle much of the responsibility for the total project. By tapping into the information technology available to the CADD/CAFM supported firm, and learning to use groupware connections, architects with the capabilities of our hypothetical firm, are well positioned to be the facilitators of that information flow. This will afford them added advantages in the provision of facility services and go a long way towards making them known as "team players".

When discussing added advantage, it is important to be reminded that architectural designers¹²³ are the only profession licensed to design and seal building plans and working documents upon which construction permits are let for all non-owner occupied residential and commercial structures, as well as interior fit-outs. Although architects do sometimes rely on this fact to cement certain business arrangements, it

¹²³NOTE: Engineers are included in this description.

should be viewed as one of their most useful tools in gaining competitive advantage in the facility management services arena. This "ability" and their knowledge of design as it relates to building structure is the key to their success in this field.

Since architectural designers are generally risk adverse, they have allowed their concerns to spill over and affect their involvement with many aspects of building activity. Consequently, these designers may decide that to regroup and reestablish their firms as the integrators of the facility management process they will need to "re-vision" and accept more risk as they also learn to innovate.

In the past, architects have often stayed within the "confines" of their own expertise and have not sought new ways of looking at their world. They have become particularly skilled at doing what their clients expected or asked of them and did no more. Being good listeners, problem solvers and translators of information into building form through the development of design is a core strength that those involved in facilities management can appreciate and most certainly need in order to make facilities "work". By applying a combination of systems thinking and environmental psychology to their building design skills designers can reinvent their roles.

If architects are to be truly successful at providing corporate clients with real estate and facility services, however, they need to enhance their awareness of the entire building process. In addition to becoming facilitators of communication, designers must increase their knowledge and understanding of the client's daily activities, economic constraints and ongoing needs. Facility managers need buildings that are efficient and cost effective. Thus, if architects are willing to expand their range of skills beyond those they traditionally provide, they will become more competitive in the growing field of FM.

By paying more attention to the "softer" sciences, aesthetic senses and intuitions, architects can begin to develop some of the inherent strengths that they have brought to their profession and translate those into the areas of real estate and facility management.

Property owners and managers need the skills of design coupled with a sentient knowledge of human ecology, psychology, and spatial relationships in order to develop productive, humanly compatible building environments. Additionally, they can use this particular combination of skills to help them think and strategize about new ways to provide workspace to their occupants and employees.

By combining new ways of thinking with new tools for innovation, designers can increase their value to their clients and enhance their marketability as facility service providers. Thus positioned to assist their clients through the anticipation of their needs, architects will be able to supply prescriptive actions, solutions, and advice rather than simply responding or reacting to each newly surfaced problem.

CHAPTER SIX: SUMMARY CONCLUSIONS AND FINDINGS

Research Summary

This research sought to decide if architects and other designers could competitively provide corporate real estate and facility management services. The second chapter described the changes which have occurred in the real estate industry as they affect the user market and explored the effects these may have on architecture and building services. It also discussed architecture as a professional practice, gave an assessment of the personality types drawn to the field, and identified current issues and concerns regarding the future of the profession. Both were offered to lend perspective into the real estate and facility service clients' and providers' worlds.

Chapter Three sought to synthesize, for design firms, the traditional and new ways of looking at and effecting change in the organization. Strategic, business, and marketing research planning methods were considered. Attention was paid to those mechanisms recently employed by industry in their own re-engineering process, particularly those related to corporate innovation, organizational flexibility and the provision of expanded services through the focus of comparative advantage.

Chapters Four and Five presented the option of Facility Management as a potential new service opportunity for architects considering modifications to their service mix as a way to sustain viability. Bringing in the information learned previously, approaches to decision-making were described through the "eyes" of a hypothetical mid-sized architectural firm. A strategic assessment process was viewed from this perspective and a decision-making framework overlaid to draw conclusions regarding the provision of FM services as a means to balance and grow the firm. Other considerations for design firms endeavoring to "break into" this field were considered

and recommendations made. This chapter will summarize and draw conclusions salient to the issues posed, based upon the information discovered in the course of the study.

Research Conclusions

In response to the question, "Can architects provide value-added real estate and facility services?", the answer is "Yes, they already do". Architects create value through the creative design and use of space that shapes how facilities are developed and used. By using their abilities to creatively design or redesign space and working with others in new ways to provide a balanced facility management process -- one that takes aesthetics, human ecology and cost principles into account -- FM services may well be an area in which architects can shine.

Real estate and facilities services should be given serious consideration by design firms seeking to retrench and re-focus their direction during this era rife with change. Nevertheless, FM cannot be viewed as a panacea, but rather as one tool through which to achieve a sustainable practice. By employing a balanced "portfolio" of niche design activities an architectural firm will be more likely to stay busy and viable, for as one area experiences decline another niche will help to support the firm.

Although there appears to be a great deal of opportunity to provide corporate real estate and facility services, another growing area of demand should not be overlooked. Opportunities lie in the public sector as governments and agencies continue their privatization.¹²⁴ Since these organizations are also experiencing great change they are potential and future candidates for the same initiatives that the private sector is going through and as such should also be included in a firm's marketing approach as they seek to expand services into the realm of FM. By doing this, the firm may find that they have accomplished a preemptive "strike" that gives them "first mover"¹²⁵ stature and therefore increases their competitive advantage.

¹²⁴SEE: Roberts and Basile, Local Officials Guide to Public Real Estate Asset Management.

¹²⁵Michael Porter, Competitive Advantage, pp. 194.

Architecture: The Future Challenge

If the profession is to remain competitive as the future unfolds, especially in the field of real estate facility services, architects will need to be well versed in the terms used by business and industry, particularly economic and financial issues. If architects are able to translate "design speak" into "economic speak" for their clients, they will increase their value and improve their competitive edge among other facility design and building service entities.

We have seen that there are many conditions framing the creative process -- both externally and internally imposed -- via changes in the real estate industry, economic and business cycles as well as through increased competition from all sides through design field fragmentation and other service provider infringement. Since this is so, how can design -- and, therefore, designers (architects) -- regain or attain their position as valuable, integral members of the real estate product innovation and delivery system? Although this issue is not new, nor even unique to the business of design, it continues to be debated since increasingly design, and thus the entire architectural industry, continues to be at the whim of market forces. Because architects have generally been risk adverse and have allowed their concerns to spill over into their building project activities, to re-establish their firms as the integrators of the facility management process will require that they "re-visit" and learn to accept more risk as they also learn to innovate.

A firm's size and organization structure must support its ability to innovate in ways other than those traditionally seen as within the "realm" of design. A flexibly designed firm will allow for this type of innovation and add to its competitive advantage. Innovation for architectural firms will become increasingly critical as the real estate user market continues to evolve. Leaders within firms will need encouragement, mentoring, and training to develop their inherent and latent skills as well as to give them the support to create new avenues of interest and ideas.

Developing the potential of the employee and valuing their perspective and interests as important to the firm will also enable it to attract and keep those individuals who can make significant contributions to the business. To do this a firm's top leadership must be willing to recognize that while good people often rise through the ranks seemingly on their own some need to be "discovered" through positive encouragement, and given the proper time and environment within which to develop their strengths and creativity.

To accomplish flexibility and maintain viability, design firms should continue to strive for excellence in design as well as in organizational structure. They will be best served in their endeavors if they reconnect with all of the elements of design either through collaborations or by becoming large firms which have multiple disciplines on staff, and specialties on call. Either way, these firms will need to be well versed in the delivery of projects through strategic alliances and will therefore need to have personnel on staff to work specifically with these types of arrangements. The type of design firm most conducive to this strategic form of service delivery is seen as a hybrid organization that embodies a generalized set of skills that are applicable to multiple project types and can be employed in various ways.

One of the ways that the architectural profession needs to address moving forward is through understanding its competition and reassessing how industry, project, and performance information can be integrated to provide an accurate and reliable foundation upon which to formulate decisions. By using some of the technological tools now available, by benchmarking their activities against others in the field, and by tying project or niche performance criteria to compensation as incentives, architects will be able to develop stronger professional leadership and business sense. To do this, however, they will need to overcome their reluctance to share information with others in their same industry. This may become easier as designers are able to select from among

a growing number of engagements. This "luxury" will be afforded them as they become increasingly competitive as service providers in the real estate and facility field.

Certainly, architects must be aware of the "world" they design in whether it be corporate, industrial or institutional and to help them it is suggested that they consider applying the elements of systems thinking to the way they do business as well as in the way they perceive their design function. In doing so, they will become process-oriented to some extent, yet this concept may be too limited or restrictive for the creative minds that architects have. Instead, designers should consider learning how to work with those who *are* process-focused. Then they can act as catalysts in the creation of innovative and synthesized solutions to the built environment that will surpass those designed or developed heretofore. To do this will require that architects discipline themselves to understand and employ process management techniques. By doing so they will make better partners in these arrangements and become increasingly valuable (and valued) in the chain of events that comprise the activities of the real estate facility industry.

Additionally, architects will need to develop trust in others when it comes to facility management and future project development. They will need to do this because projects will continue to require multiple solutions or components that add to the numbers of people and disciplines involved. Busy architects cannot allow themselves to be fettered by the need to control every step of the process. By vesting interest and delegating responsibility to other capable individuals and trades involved in the projects, they will be able to move on to the next engagement giving that their full attention.

While the very nature of architecture and its personalities is often criticized by participants during the design and development stages of projects, the same characteristics may be employed by these professionals to assist in developing collaborative agreements that work. By using their similarities to those in other disciplines (as well as their differences) to their advantage, they can blend well with all design-related professionals and building trades people while enhancing both their own

interests and that of the client's. In this way each specialty can bring their individual strengths together "to the table" while still making separate contributions. Increasingly, overlapping responsibilities will be handled on a democratic basis. Architects on the whole are intuitive individuals, thus by following their instincts regarding people they will be able to develop the level of trust required.

One additional way architectural firms should consider to remain viable in this age of change is to diversify as businesses through vertically integrating into complimentary service areas that support or can potentially "feed" them design opportunities. This, coupled with the portfolio concept approach to activities or regional locations, could significantly alter the fluctuating nature of their business. Through a combination of considering the client and seeing themselves as "systems thinkers", architects could conceivably begin offering expanded design services through a type of "preemptive strike" marketing. By realizing that they design buildings around organizational communication, they can begin viewing their core strengths a bit differently, and begin to envision themselves as the agents of the end user in the development of communication flow.

Concluding and Personal Comments

Architects need to remember to play to their strengths in the employment of any new or expanded service. Their willingness to integrate design with the economic realities of the situation can enable them to start looking at new ways of bringing aesthetics into the design of facilities. They should also individually and as a profession work more continuously and consciously with manufacturers or suppliers to develop cost effective but aesthetically pleasing and environmentally sound solutions to the development of new building products and materials.

The value of beauty in all surroundings, particularly the workplace, is an area for future study. However this researcher believes that many people are affected by their environment in ways not as yet understood. For these still undetermined impacts as well

as those having to do with known worker productivity benefits, architects should continue to seek the answers to questions provoked by human ecology issues and to provide and promote them through design solutions. New techniques, such as those employed in sustainable architecture, should be viewed as opportunities for the promotion of the profession and as a chance for architects to take the lead in the design and development of facilities and their components.

A final note upon which to ponder ... if architects do become comfortable with integrating both the soft (human ecology) and hard sciences (technology and economics -- finance and cost) of building design delivery and services, they will not only be called upon habitually by facility managers to plan and design the project but some may evolve into a new breed of developer as well. At the very least, architects will have become the professionals responsible for bringing together all the disciplines related to the facilities management process and getting them to work synergistically from start to finish. Is this not a far better solution to their current dilemma than watching their roles dwindle for a lack of direction?

The ongoing nature of this issue is one which requires that architectural designers cultivate a new outlook towards facility services and a different approach to service delivery, as well as learning new mechanisms in order to remain competitive as an industry. This approach is grounded in its orientation towards a more justifiable concept of value-add as it relates to design and the needs of the client. Certainly, in order to be competitive and to remain viable as an industry, designers (architects) must be more fully cognizant of their client's needs, business focus and goals, as well as more knowledgeable and aware of economic and general business trends. This new focus can be the beginning of "revisioning" the role the designer takes, from that of being a qualitative component/creator or an advisory "tool" into a fully collaborative synthesizer of value-adding, real estate-related initiatives. But, to do so will require that many of us, designers and clients alike, begin to view the role of architecture in a more holistic way.

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