



Entrepreneurial Practice Models - A book excerpt from *Designing Profits*

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Introduction below by David Brent Richards, FAIA

In their book, *Designing Profits*, Nunes and Pressman create a case study based on a fictional architectural firm, M&B Architects, and their advisors, Sloan and Warton. The advisors lead the firm principals to understand accounting basics and then help them apply that basic knowledge to managing the firm, growing the firm and making key business decisions, along with reimagining and planning the future success of the firm; proving that it is “indeed possible to be as creative in establishing and operating a practice as in designing and constructing a building.”

Many architects graduate without understanding the basic financial aspects of running a practice that provide the foundation for making wise business decisions. *Designing Profits* provides an accessible format to gain that understanding, describes how it applies to managing a successful practice and makes it feel real through their use of the case study throughout the book.

Late in *Designing Profits*, Nunes and Pressman include the chapter, “Rethinking Practice: Tactical Innovations for Financial Prosperity and Professional Satisfaction”, where they consider “the big picture: what’s profitable, what’s enjoyable and can they intersect?” In the attached excerpt, they consider ways to develop business by reframing resources that exist in the firm.

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ENTREPRENEURIAL PRACTICE MODELS

“This is exactly where the rubber meets the road,” said Joseph Sloan bluntly. “You’ve completed enough self-analysis and reflection to *finally* ask the right questions and have an attitude that leads you to *embrace* change in order to prosper in today’s challenging business environment. Alfred and I were hoping you would arrive at this point (with a little subtle direction from us) so that you would be excited and invested in pursuing new heights in practice with your feet on the ground. By ‘feet on the ground’ I mean that you are well prepared—and this is, and always has been, our mantra—to make wise business decisions informed by financial basics and tools (as described in previous chapters). Going forward, I implore you—as only you two can do as creative architects—to view the development of new practice models as a unique design problem for *your* Firm.”

Sloan continued his discourse. “You recall that the Profit Target Analysis works fine *if* your marketing efforts are successful. Hiring a Marketing Specialist aids those efforts; but, when all is said and done, the Marketing Specialist can only succeed if the steak is there with the sizzle. In other words, what the Firm delivers must be seen by the client as—and in fact be—worth the fee. That’s ultimately the foundation for good client relations, good reputations, growth, and lasting profitability. So we have ideas about some ways to envision, select, package, promote, and perform M&B’s services.

“Some of the ideas we’re going to discuss come from the profession’s literature, others are from other professions, and some are our own. To a very great extent in considering these suggestions, we’ve looked for ideas that require little to no additional expenditure but, rather, can be adopted by reframing and/or redeploying the resources you already have. We recommend that you use the analytical financial tools that we’ve outlined to model and test the ideas you find appealing and to set realistic targets and budgets for monitoring of implementation and ongoing utilization.”

Sloan said that he and Wharton believe these ideas offer innovative practice models and can also trigger creative thinking. Distinctiveness and competitive advantage will be a function of the specific expertise, skill sets, and personalities of the Firm. Building on some of these ideas and inventing new ones are intended to disrupt the Practice status quo in order to spring into an exhilarating and lucrative future:

- 1. *Establish a super-consultancy and offer a spectrum of services on a project basis.*** One way to get more and better clients is to provide additional services so the client truly believes that they only need to hire one firm, with the highest degree of excellence, to solve *all* their problems. You can engage in the exhilarating architectural design that you love to do as one of those services, but also coordinate expert consultants to address clients’ other needs and requirements. In this super-consultancy model, you build on your core services by applying design thinking, along with a host of highly skilled specialists, to solve myriad client-related problems.

A super-consultancy is created by setting up alliances—both virtual and physical—with experts who complement existing skills and who can focus on the specific issues either articulated by the prospective client or surmised by the alliance.³ The super-consultancy can open up new markets including previously unexplored building types, larger-scale jobs, projects with highly technical demands, and work for clients in search of a range of pre-design and/or post-construction services.

Collectively, the talents comprising a strategic alliance can be very powerful. The combination of seasoned professionals with those who provide fresh perspectives could make a convincing argument for providing the best services—and value—for many clients. Here are a few examples (in no particular order) of specialized services that might spark ideas for the Practice.

- Engage in building commissioning to ensure all systems are working to maximize user comfort together with optimal energy savings.
- Conduct pre- and post-occupancy evaluations to quantify benefits of newly designed space.
- Team with commercial real estate brokers for tenant improvements.
- Collaborate with a good constructor for clients who seek design–build project delivery.
- Associate with developers (see “Smart Fees”, below); engage in speculative real estate development.
- Offer a range of facilities planning services, such as maintenance plans and scheduling, and energy optimization strategies.
- Identify and then assist clients to navigate through the swamp of applicable codes and regulations for their projects.
- Undertake historic preservation and adaptive reuse.
- Engage with building performance, especially façade design.
- Research on a variety of architecturally related subjects is becoming an interesting and rewarding niche. Materials, envelopes and façades, and other areas in the realm of building science are complemented by studies under the umbrella of social science, such as quantifying the constantly evolving challenges of open office productivity versus that of more traditional layouts.
- Offer expert witness testimony and services in support of resolving design and/or construction disputes.

³ For detailed guidance on working effectively with partners in an alliance, see Andrew Pressman, *Designing Relationships: The Art of Collaboration in Architecture*, Abingdon: Routledge, 2014.

Many other services can be packaged together—or separately—to distinguish the Practice. Alternatively, some of the services noted above could be offered independently—with the prospect of an architectural commission in the future. Services related to a fundraising effort for institutional or community buildings are an example: expressing client wishes and dreams through exciting design ideas in the form of three-dimensional architectural renderings with their associated probable costs are much needed for certain client types. Moreover, an architect can serve as a spokesperson and advocate for the project as well as identifying recognition opportunities for donors. So a new fundraising component of the Firm, involving lots of creative design and communication with potential donors, could be dedicated to that service. Architects are indeed *vital* to the success of many capital campaigns, and it is incumbent upon architects to demonstrate how.

With the right alliance, design can be part of a great continuum of services to ensure project success.

It's important to note that we are *not* talking about more subcontractor work with its anemic 10% markup. We *are* talking about arrangements where the Firm gets additional work for itself with good fees *and* obtains a commission of sorts for its ally for providing the work opportunity; e.g. one-fifth to as much as one-third of the ally's fee. This is a model regularly employed by lawyers, for example. To paraphrase their usual description of shared compensation arrangements: "You eat what you kill, but if someone else drives the kill to you, they get a healthy bite."

- 2. Create a niche of specialized services.** Given passion and skill, any one of the services suggested above could potentially be developed into a specialization (or possibly a separate profit center) for the Practice with all of its attendant benefits. Securing a reputation as an expert and as a thought leader could help the Practice market its services locally, nationally, and globally—at the very least, well beyond its current market area.

Here's another example of a niche design service that would especially appeal to Bob: Focused residential design consultations that provide services for schematic design, materials selection, or even an aspect of construction detailing—whatever the overarching idea is toward fulfilling a client's wishes and making poetic, magical space. This could yield a decent profit for the architect, and it is something clients might embrace as well because of the relatively limited scope (and, therefore, fee). There would certainly be a loss of control on the final outcome, but there would be strong design input that would surely influence the project for the better. That concept would direct your Marketing Specialist to focus on a way to publicize within—and outside—the profession.

There are no limits to discovering a unique niche when design thinking is applied to creating an entrepreneurial model that distinguishes a practice with special talent. For example, Mobile Design Studio demonstrates how an innovative design process can result in a niche service.⁴ Their approach is to move their studio on-site for various project phases to collaborate more effectively and, ultimately, significantly speed up the process. With new equipment and technology, this is an updated version of the 1950s "squatters" (the Caudill Rowlett Scott term for brainstorming and collaborating on the owner's home turf).

- 3. Expand the architectural services pie.** Thomas Fisher has suggested that: "Our clients really should be everybody who owns a building."⁵ His argument is that building diagnostics has been a role that architects have relinquished to others; i.e. building or home inspectors (who are typically hired only when there is a sale) or contractors and constructors. Architects are perhaps better suited than anyone to perform this type of work to the highest degrees of excellence given their background in design and construction and their network of industry contacts. Raising this service to professional status could be highly advantageous to both architects and building owners. Catching problems early can

4 Erica Malouf, "Real-Time Design," *AIArchitect*, October 10, 2014.

5 Interview with Thomas Fisher, "Models for the Architectural Profession," in Andrew Pressman, *Professional Practice 101: Business Strategies and Case Studies in Architecture*, Hoboken, NJ: Wiley, 2006, pp. 271–276.

save owners lots of money, which can be documented. Analogous to HMOs (health maintenance organizations) in healthcare, architects could create alliances of BMOs (building maintenance organizations) for diagnostics or diagnostics and repair. This would be a recession-proof service since buildings leak, are too hot or too cold, rot and decay, grow mold, and so on, independent of fluctuations in the economy. Taking this a step further, compensation models could be creative as well; i.e. annual premiums. As a function of specific building types, there could be arrangements for periodic building inspections and tune-ups, similar to auto dealerships.

What are some other ways that architectural services can be expanded? Tailor your response and add your own spin by applying creativity and design thinking to forge new entrepreneurial practice models (as in Fisher's example). This could lead to many eureka moments, more work, and more revenue.

4. **Brand new branding.** In the effort to seek a competitive advantage and differentiate the practice, it makes sense for professional service firms to learn from the corporate world and interpret the notion of branding. In this context, branding obviously can be much more than a well-designed logo; it can embody reputation, expertise, design excellence, firm culture, trust, professionalism, aspirations, and so on. The brand is a tangible manifestation of the Firm's mission and vision—its *distinctive* attributes—reflected by completed projects, staff, consultants, and *everyone connected with any related alliance*. It can serve to engender loyalty with clients (who will also refer the Firm to others), acquire new work, and even help to recruit the best talent. Show what it is you do that's so great (perhaps even indispensable) and how you do it. Easier said than done; this—along with the subjects of marketing and business development in depth and detail—are yet more design problems (and subjects for another book). We would add that embracing an entrepreneurial practice model as suggested above will greatly facilitate and drive an effective marketing campaign.