



# Practice Management Digest

News & Best Practices from the PM Knowledge Community



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## Features

### What to Include in a Marketing Plan

Here are some common-sense tactics to get your marketing program rolling.

### Balancing Risk and Quality in A/E Practice

Good quality management invariably promotes good risk management, and vice versa. Although connected in effect, they work best when they are understood and managed as equal, separate drivers of best practice.

### Client Expectations and Communication

Some practitioners believe risk is a professional liability issue, and that the solution to dealing with risk is professional liability insurance. Rather than transfer risk through insurance, it is more important for practitioners to identify and assess risk, and then determine how to mitigate or manage that risk.

### Components of Value for a Competitive Edge

Practitioners are on the crest of a sea change in competitive strategy. In today's practice, real value is the result of a carefully crafted strategy that is based on the culture you create, the principles you express and demonstrate, and the results you are able to retain.

## Resources

Scholarships Available for 2004 Desert Practice Conference *In This Issue*

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## What to Include in a Marketing Plan

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Writing a marketing plan is a time-consuming activity, but one that will pay off in business growth and success for years to come. So what do you address in your plan? Here's a general outline to set you on the right path:

### Goals and Objectives

Where do you want to take the business? List your goals, both primary and secondary, in this section. Attach a timeline for measurement purposes, such as "to increase customer base by 10 percent by (date)." Be specific. Include goals that may be particular to a certain target market and complimentary to your overall objective. For instance, "to increase sales within (market) by 10 percent by the end of 2007."

### Target Markets

Identify your intended customer groups, but don't limit your target markets to prospective customers. Include everyone who should know about your services and the advantages of working with your firm. Other sources to consider include current clients, vendors, employees, referral sources, networking leads, and the media.

### Strategies and Tactics

Ask yourself how you want to be perceived in the marketplace and what you are going to do (in general terms) to communicate that image to the public. Bear in mind that your strategy is the road you'll take to get your firm from point A (your self-assessment) to point B (your goals and objectives) tomorrow.

Tactics are the nuts and bolts of your marketing communications plan—the "to do" list that includes activities from each of the following areas: public and community relations, networking, advertising, promotions, direct selling, and collateral materials (printed materials that represent your company).

Avoid focusing all your marketing efforts on just one area. Putting all your eggs in one basket is risky. Integrating activities will stretch your budget, as some are less costly than others. Also, when you engage in a variety of marketing activities, your firm will be perceived as much larger than it actually is.

### Redefinition of Services and Capabilities

Revise the description of your services. Focus on knowledge rather than product. Identify the unique value you can deliver to your clients, e.g., superior service and personal attention.

### Marketing Budget

Don't skimp here. Your budget must be adequate to reach your objectives.

### Timetable for Implementation

Incremental measurements will allow you to spot strategies and tactics that need revision or replacement. A timetable keeps everyone on track, provides deadlines for task completion, and is a measurement device for the evaluation process.

### Delineation of Responsibilities

Be very clear about who is doing what. Marketing is a team effort, something in which everyone on your staff participates. Include an ownership component in your plan—an assignment of responsibility for each proposed activity.

### Evaluation Method

Include a section on how you will evaluate individual projects, as well as the overall plan. It's acceptable not to achieve all your objectives, but you must

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be able to determine the “why” in order to fine tune your plan for the future.

As you write and implement your plan, keep these points in mind:

- Be consistent in terms of the image you want to project.
- Stick to your objectives.
- Don't bite off more than you can chew. Do as much or as little marketing as you feel is appropriate for your business, but never abandon your marketing efforts.





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## ***Balancing Risk and Quality in A/E Practice***

Charles E. Nelson, AIA

Both quality and risk are frequently managed inadequately by many design practices, principally because of popular misconceptions about the nature of both, and by the perceived overlap between them in the way projects and clients are evaluated. These misperceptions are widespread in U.S. practice, extending even to many industry leaders. The 13th edition of the *Architect's Handbook of Professional Practice* inadvertently reinforces these misperceptions by placing the discussion of quality management within its risk management section.

Risk perceptions in the main reflect efforts by architect/engineer (A/E) insurers to educate their clients to the dangers of working without contracts and working under contracts that give them risks that are difficult or impossible to manage, together with warnings about the risks of using potentially risky materials (such as smooth tiles and flat roof membranes).

Quality perceptions in the main are grouped around three ideas: technical and design excellence, quality control (as in checking bid documents and shop drawings), and quality assurance, which is typically perceived as an unproductive paper-trail creation to prove you've done what you should do anyway. In both risk and quality, awareness and sophistication of management techniques is fairly unusual.

Quality is often portrayed (by PSMJ Resources and others) as the "balance" point between the frequently conflicting goals of scope, time, and cost. Upon immediate thought, it might appear that risk isn't involved. I suggest this is because we see these aspects of a project two dimensionally, and that quality has a hidden twin: risk.

Let us consider some metaphors to describe the risk-quality relationship. For example, consider the Chinese idea of yin and yang; both essential to a balance by virtue of their counterbalance. Or, for example, the idea of a dumbbell: two connected nodes; or of a double helix, two intertwined and balanced structures, each incomplete without the other yet separate.

In all of these metaphoric models, quality embodies the creative force in practice, i.e., innovation, cutting edge, unique competitive marketing advantage, award winning, star reaching, boldness, adventure, the excitement of the new.

By contrast, risk embodies the survival force in practice, i.e., the ever-watchful eye, the ear tuned to the hidden dangers lurking in the jungle, caution, self-preservation, nuts stored up for winter, prudence, and healthy skepticism of anything too good to be true.

My preferred metaphor is that of a sailing yacht: Quality is the highly visible sail that drives the practice forward. It seeks the practice vision, the farther shore, at maximum speed. Risk is the comparatively hidden keel whose main business is to keep the sale up and not run aground. Big sails need deep keels.

Let us return, though, to the topic of management of the quality. First, we need clarity about some terminology, and I suggest some non-official definitions. Quality assurance (QA) is often misunderstood as being mainly about paper trails. QA literally means we are assuring the client (and possibly the public) about our ability to deliver quality. QA is a promise to the client, which includes both implicit (e.g., code compliance) and explicit parameters (the latter meaning meeting client-specified requirements and anything we add, such as exceeding client expectations). Quality control (QC) is typically correctly understood as checking requirements prior to document release, ensuring that documents are reasonably free of errors as well as responsive to contractual requirements. Verification is independent confirmation of the

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adequacy of the design, e.g., recalculating forces and sizes for a structural design. Validation is in-service evaluation of the adequacy of the design (in A/E work or postoccupancy evaluation). Quality management (QM) is everything the practice does to deliver on its promise to the client.

The misguided perception of QA is in part reinforced by auditors, some of whom still find the paper trail approach simplifies their audit role, often without going behind the paperwork to determine if the processes really are delivering to the promise.

QC and verification are two places where risk management very closely interfaces with QM. Where you need or don't need verification and how much QC you need are questions best answered by the project risk profile.

With regard to management of risk, the unique nature of A/E projects, for the most part, makes complex, detailed risk approaches (like Monte Carlo simulations) both unnecessary and hard to justify on a return-on-investment basis. In general, a healthy appreciation of risk issues throughout every level of design and production, with the use of simple risk assessment strategies and tools, will be appropriate for at least 95 percent of all A/E projects and 100 percent of projects in most A/E practices.

To establish training programs to heighten this awareness at the "shop floor" level requires practice leaders to develop a coherent risk approach, consistent with the terms of its insurance coverage and the nature of its business, that appropriately blends risk avoidance, acceptance, mitigation, transfer, and management principles. This approach then must be translated to a summary guidance document of about one page that can form the basis for all staff to use in implementing project risk plans.

Besides the more obvious links noted above, every project decision a practice makes has some element of both QM and risk management (RM). For example, a go/no go decision to accept a project contains a risk assessment, a commercial assessment, and a quality assessment (how the project will contribute to the overall image of excellence of the practice).

Good QM invariably promotes good RM, and vice versa. Although connected in effect, they work best when they are understood and managed as equal, separate drivers of best practice.

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## Client Expectations and Communication

*Reprinted with permission from Concepts in Risk Management by CNA and Victor O. Schinnerer and Company Inc.*

Most clients want more than plans and specifications. They employ the expertise of the design professional because they want professional recommendations that address the unique aspects of a specific project. Part of the expertise involves knowing the industry well enough to help the client produce a successful and profitable project.

Improving communication with clients reduces the risk of claims. In addition, establishing documentation standards and record retention policies, and setting up dispute resolution options prior to any disagreement reduce the likelihood of events that could lead to claims.

Some practitioners think risk is a professional liability issue, and that the solution to dealing with risk is professional liability insurance. The transfer of risk through insurance, however, is usually not the best method of protection. What is more important is to identify and assess risk, and then determine how to mitigate or manage that risk.

When risks are ignored or mismanaged, parties can be harmed, disputes can be generated, and claims can result. All disputes have a negative impact. Disputes that result in demands for remedial services or money can ultimately destroy a firm's profitability. The best form of risk management is for the design professional to know the client thoroughly and respond promptly to the client's needs, desires, peculiarities, and level of sophistication. Some of the specific client attributes that must be identified include:

- Is the client a regular or first-time client, or someone likely to require special attention?
- Does the client have funding in place?
- Is the client realistic about time and budget constraints?
- Does the client understand the professional nature of the services?
- Are there special issues that must be addressed in drafting the professional service agreement or through distinctive practice management techniques?

The process of serving the client also means the design professional should be aware of those factors over which the design professional and the client have little control. Such factors can turn a straightforward project into one with delays and problems. When external forces have a significant influence on a project, the working arrangement between the design professional and client can be strained; relationships start to deteriorate and trouble results.

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## ***Components of Value for a Competitive Edge***

Marjanne Pearson, Nancy Egan, and Paul Wesley Nakazawa, AIA

How can your firm achieve real success? As markets become more competitive, clients are looking for real value from professional service firms.

In contemporary practice, the foundation of value comes from our culture, values, and aspirations. Our core assets lie in the talents and resources that we have within our firms and that we can draw upon through outside collaborations. Our intellectual property, methods of approach, and work processes provide the opportunity to create distinction.

But it is not enough to assemble these components. Firm leaders need to understand and articulate who they are as a practice, where they fit within the competitive environment, and how they can leverage their talents and resources to maximum advantage. To ensure sustainability of your practice, it is essential to create a practice framework that enables continued creation of value within the context of our venues of practice, i.e., markets, clients, and projects.

### **Evolution of Practice**

Traditionally, most design firms begin life as an opportunity-focused general design practice, with one or more principals who have the desire to build a portfolio of work. They have a diversity of building types and clients, often within a defined geographic reach. The principals might determine they like the challenge of different types of clients and projects and choose to build on that diversity. They might also learn they have the ability to develop relationships that guarantee access to decision-makers and decision-influencers, which will enhance their value in the eyes of their clients and potential clients.

### **Service Partner**

In the 1980s, the nature of the client role changed significantly in many market sectors, with expansion in the position of the client facilities manager. Design firms were no longer working directly with the highest level of decision-makers or decision-influencers, but instead working with gatekeepers who reported to a variety of stakeholders within their organizations. As a result, professional services were often viewed as a vendor-based commodity, evaluated on the basis of price and deliverables, and customer relationship management (CRM) became a more important differentiator.

This evolution encouraged the rise of the client-focused service partner model, in which a practice seeks to form enduring relationships with key clients. The value of this model focuses on relationships—building a significant connection or involvement for two or more people or groups.

The service partner relies on leaders who have excellent CRM skills and who work in alignment with specific client types. A successful service partner will understand the characteristics of their best clients and seek opportunities to develop relationships with potential clients who meet those criteria. In addition, the service partner will want to capture an increasing share of their client's work, developing new capabilities and services in order to cement their relationship. There are significant financial advantages to this model because it focuses on developing a high percentage of repeat business with existing clients, reducing the need to chase work or reinvent the wheel in terms of project delivery process.

### **Market Leader**

In the last decade of the 20th century, most of the larger architect/engineer practices realized they needed to broaden their marketing reach. Many reorganized into a market-diversified practice model, pursuing multiple market sectors and clustering market-focused expertise into studios or practice groups. The value of this model focuses on competency, an ability to

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understand required standards and perform to them.

The market-diversified model simplified business development. It created an easy path for clients and potential clients to align with subject-matter experts who would serve as project leaders. It also simplified practice management because it was easy to set boundaries around each practice group for the purpose of metrics and controls. Unfortunately, it also became difficult to differentiate one large practice from another, since the larger firms were concentrating on most of the same targets of opportunity.

Only a few firms have developed the distinction of true market leaders, recognized experts in a specific market or building type who have the ability to call the market to them. Market leaders are often perceived as knowing more than the client about a specific market or building type, with the ability to reframe the client's problem and create solutions that fulfill a higher standard.

### **Thought Leaders**

Individual theorists or thought leaders, who use projects as an opportunity for exploration, have become market-busters. They are hired by clients who seek unique solutions or want to attract high-level donors as well as top-tier knowledge workers or students to their facilities—regardless of, and often despite, limited expertise in specific building types.

Thought leaders are perceived as being able to rethink the question. They have a high level of distinctiveness, with limited substitutability. They understand they need to work with subject-matter experts to address programmatic issues. The most successful thought leaders have developed a method of approach for these working relationships or collaborations.

### **Vertically Integrated Giants**

At the other end of the spectrum, the giants, vertically integrated engineering/construction firms, have unique resources that enable them to amass and allocate significant assets so that they, too, have limited substitutability. The result is that only a limited number of firms are considered for the largest projects, which are primarily related to infrastructure development.

### **The Next Wave**

We are on the crest of a new sea change in competitive strategy. Ideas-led firms, regardless of practice model or type, have been reframing their venues of practice—moving away from a focus on markets, clients, and projects toward a broader contextual framework. The extension in venues of practice allows these firms, working with key collaborators, to look across social and cultural issues, thereby leveraging a higher level of intellectual capital.

At the same time, the boundaries for traditional markets or building types are changing, with more intersections between one market and another, creating new hybrid markets. Those firms that have developed subject-matter expertise without a broader understanding of larger contextual issues will find their sphere of influence decreasing, resulting in subconsulting roles to other firms, rather than the role of lead consultant or advisor.

### **Value Propositions**

The most successful contemporary practices have recognized they need to develop new value propositions, service offerings framed within an expanded context. A value proposition is a hypothesis in which a buyer and seller reach agreement regarding the value of a specific service or benefit. Successful value propositions will include

- Creative analysis of the problem
- Distinctive capabilities and competencies, e.g., services, expertise, collaborators
- A coherent positioning strategy, e.g., relationship to the client, image in the marketplace
- Creation of a positive alignment between your goals and your clients' goals.

### **Creation of Value**

Real value is the result of a carefully crafted strategy that is based on the culture you create, the principles you express and demonstrate, and the results that you are able to attain. By looking at the components of value within your own practice, you can begin to create unique value propositions that will resonate with your firm leaders, your employees, and your clients, allowing you to achieve true success.



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*The AIA California Council and the National AIA Practice Management Knowledge Community are cohosting the 2004 Desert Practice Conference, October 29-31, in Indian Wells, Calif. Marjanne Pearson and Nancy Egan are presenting a preconference workshop on Components of Value for a Competitive Edge. For more information, [click here](#).*



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## **Scholarships Available for 2004 Desert Practice Conference**

The AIA Practice Management Knowledge Community is offering two scholarships for emerging professionals to attend the 2004 Desert Practice Conference, "Controlling Chaos." The conference will be held October 29-31, 2004, at the Renaissance Esmeralda Resort in Indian Wells, Calif. [Click here](#) for conference information.

The Practice Management Knowledge Community is offering this scholarship to support emerging professionals' participation in the knowledge community's activities, broaden emerging professionals' understanding of the knowledge community's initiatives, include the ideas of emerging professionals in the knowledge community's thinking, and celebrate the value of professional conferences to emerging professionals.

The Practice Management Knowledge Community is sponsoring a seminar track focusing on strategic planning. There is also a special track devoted specifically to issues facing emerging professionals.

Anyone who is an AIA or Associate AIA member with 10 or fewer years experience in the profession is eligible to apply for these scholarships. Two scholarships will be awarded. Each scholarship will provide up to \$1,800 to cover the cost of the conference, per diem, and travel expenses. A detailed expense report for reimbursement will be submitted to the AIA by each recipient after attendance at the conference.

In return for receipt of the scholarship and as a condition of reimbursement, each scholarship recipient will be required to create a 400-word summary of the benefits received by attending the conference. The 400-word essays will become the property of the AIA and will be posted to the Practice Management Knowledge Community's Web page and included in the knowledge community's electronic newsletter.

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