



Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Features

The Cost of Quality

By Robert P. Smith, AIA

Design firms frequently establish their own internal baseline standards for quality. When these internal standards diverge significantly from client expectations, the firm is exposed to unnecessary costs. Here are some ideas to discover the optimal "cost of quality" for your firm, reduce unnecessary costs, and improve or maintain client satisfaction across the board.

Win-Win Negotiations

By Steve Wintner, AIA

The negotiation process is difficult enough, so give yourself the edge by investing the time to define your project cost, profit, the scope of services and deliverables included for each project fee proposal you submit. A win-win outcome is more likely to happen if you've done the necessary preparation for negotiating with all of your clients. Here's how.

Clarity and the Power of Expertise

By Jack Reigle

Firms that are solely design-driven occupy an enviable place in the profession. But what about the majority of design firms—those in the middle ground where design is valued but perhaps not the be-all of their existence? For these firms, the clarity of choosing market-driven expertise is the real path to success and higher profits.

Recent Changes in Project Delivery

By Michael Strogoff, AIA

While design-bid-build is still the delivery method most frequently used, many owners now favor methods that facilitate earlier communication and greater collaboration between the parties. In response, architects, engineers, construction managers, contractors, and specialty disciplines are forming more strategic alliances and offering cohesive teams.

Emerging Risks in Practice

From "Guidelines for Improving Practice," Victor O. Schinnerer & Co.

With fewer "traditional" projects, less separation of design and construction, digital design processes, and other changes design and construction professionals must reassess their preferred roles. They must also realize that their professional liability insurance needs to be broad to provide protection for an expanding range of services and responsive to the changing needs of the professions.

Prepare for Building Information Modeling

From "Guidelines for Improving Practice," Victor O. Schinnerer & Co.

BIM is leading to an even more complex phase of design, construction, and operation. As the construction industry (and the law) begins to deal with new BIM-related issues, the professional liability exposures are yet to be defined. Here are some of the issues to watch.

News

Letter from the Chair

By Andrea Cohen Gehring, AIA, LEED AP

The 2005 Advisory Group chair gives the Practice Management Knowledge Community (PMKC) a mid-term grade of A+ for activities and programs through the first half of 2005. The PMKC leadership is now gearing up for its 2005 fall conference, "Getting to Great."

Practice Management at the AIA 2005 National Convention

By Andrea Cohen Gehring, AIA, LEED AP, and Amy Yurko, AIA

The PMKC's annual Practice Management Breakfast included a stimulating discussion on leadership in practice with Gensler principals Walter A. Hunt Jr.,

Summer 2005

In This Issue

- » The Cost of Quality: Is "An Ounce of Prevention" Really Worth "A Pound of Cure"?
- » Creating Win-Win Negotiations
- » The Clarity and Power of Expertise
- » Recent Changes in Project Delivery
- » Emerging Risks in Practice
- » Preparing for Building Information Modeling
- » Letter from the Chair
- » Practice Management Events at the 2005 AIA National Convention
- » AIA-AGC Joint Committee Meeting
- » 45 Effective Ways for Hiring Smart!: How to Predict Winners and Losers in the Incredibly Expensive People-Reading Game

Archive

- » Winter Issue
- » Fall 2009
- » Summer 2009
- » Recession Issue
- » Spring 2009
- » Fall 2008
- » Summer 2008
- » Spring 2008
- » Fall 2007
- » Summer 2007
- » Spring 2007
- » Winter 2006
- » Fall 2006
- » Summer 2006
- » Winter 2005/2006
- » Summer 2005
- » Spring 2005
- » Winter 2004
- » Fall 2004
- » Summer 2004
- » Spring 2004
- » Winter 2004
- » October 2003
- » August 2003

FAIA, and R.K. Stewart, FAIA (who also was elected 2007 AIA president at the convention). In addition, the PMKC-sponsored preconvention workshop, "Managing Design: An Oxymoron for the Ages?" drew more than 100 professionals from a wide array of design firms and other companies and organizations.

AIA-AGC Joint Committee Meeting

By Amy Yurko, AIA

Issues related to building information modeling (BIM) dominated the discussions during the biannual meeting in Memphis of the Joint Committee of the American Institute of Architects and the Associated General Contractors of America.

Resources

Book Review: 45 Effective Ways for Hiring Smart!: How to Predict Winners and Losers in the Incredibly Expensive People-Reading Game

Reviewed by Marjanne Pearson, Assoc. AIA

Most of us who are responsible for interviewing would love to have a crystal ball to help us make the right hiring decisions. This book, by Pierre Mornell, M.D., may be the closest thing to that crystal ball. Here are some favorite strategies.

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Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

The Cost of Quality: Is "An Ounce of Prevention" Really Worth "A Pound of Cure"?

By Robert P. Smith, AIA

Philip B. Crosby's landmark book, *Quality Is Free*, captured the imagination of many people interested in the relationship between quality and operating efficiency. Fundamentally, Crosby argues that the costs resulting from poor quality *greatly exceed* the costs required to produce a high-quality product or service in the first place. It follows, then, that a firm ought to willingly invest a reasonable amount on quality management to avoid the higher cost of service defects.

The construction industry often expresses this concept as the "1-10-100 Rule."¹ This widely used rule of thumb suggests that a quality problem costing \$100 to resolve in the field would cost only \$10 to correct if discovered during in-house design review and only \$1 to prevent in the first place. While I've never been able to identify any specific research supporting the validity of this "rule," after nearly 33 years in the design and construction industry, I can say the rule seems about right.

Minimizing the Cost of Quality

The adjacent diagram illustrates the dynamic cost relationship between quality management and service defects. Firms with low average quality typically encounter high costs associated with service defects.

Examples of these costs include redesign expenses, E&O claims, legal fees, client defections, and so on.



As a firm invests in greater quality management systems, service defect costs tend to decline rapidly. However, these savings are partially offset by the increased cost of quality management.

At some point, as the firm achieves a level of very high quality (the steeper portion of the curve at the far right), additional quality management does not greatly increase service quality. Accordingly, the incremental investment required to achieve ever higher levels of quality becomes increasingly difficult to justify on a purely economic basis.

The diagram highlights three important lessons:

1. Insufficient investment in quality management results in excessively high costs related to service defects.
2. There is a point above which additional investment in quality management proves uneconomical.
3. There is a level of service quality at which the total cost of quality is minimized. Finding it—and then operating at, or above, this level—should be your goal.

Defining Quality Levels

Because there are no absolute standards for quality, it becomes, in the final

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

analysis, whatever you (or your clients) say it is. Therefore, in a rational world, each design firm would determine the level of quality each client wants, needs, or agrees to buy. Then the firm would tailor its service delivery system to provide at least that level of quality.

Design firms frequently establish their own internal baseline standard for quality, with little or no regard for individual client requirements. When these internal standards diverge significantly from client expectations, the firm is exposed to unnecessary expense—either in the form of excess prevention costs or excess failure costs.

To discover the optimum "cost of quality" for your firm, look carefully at all costs associated with quality management and quality failure. These costs tend to fall into four broad categories:

Prevention costs: the costs of all activities specifically designed to prevent service deficiencies or defects in project deliverables. Examples include quality system design and implementation, quality planning at the project level, quality training and education, consultant evaluation, and quality system audits.

Inspection costs: the costs required to measure, evaluate, or audit services or project deliverables to identify deficiencies and determine whether client requirements are being met. Examples of inspection costs include design reviews, drawing checks, calculation checks, specification reviews, and peer reviews.

Internal failure costs: the costs required to evaluate and correct identified deficiencies in services or project deliverables before completion. These costs primarily include redesign and other rework of project deliverables to correct deficiencies before the documents are released to the client or the field.

External failure costs: the costs required to evaluate and correct deficiencies in services or project deliverables after the documents are released to the client or the field. Examples of external failure costs certainly include redesign activities and other rework of project deliverables to correct deficiencies. However, external failure also involves costs associated with client dissatisfaction, client defection, liability claims, legal expenses, and so on.

While most of these costs are tangible and can be quantified if proper record-keeping systems are put in place, certain costs of quality are quite difficult to establish. This is particularly true of external failure costs—such as client dissatisfaction and client defection. What is the full cost of a lost client? How do you quantify the cost of a bad reference? While these costs may be unknowable, I believe they are quite real and can be quite substantial.

Conclusion

Firms frequently are reluctant to invest in adequate prevention costs because they rarely have a quantifiable way to evaluate what their "failure" costs really are. By investing in appropriate systems to prevent defects and appraise quality performance, a firm will experience lower overall costs associated with both internal and external failure and, at the same time, improve or maintain client satisfaction across the board.

¹ I have heard this rule of thumb discussed within our industry for years, but first saw it published in *Total Quality Project Management for the Design Firm* by David Burstein and Frank Stasioski, p. 265, John Wiley & Sons, 1994. In a telephone conversation with David Burstein, I could not obtain a more definitive source for this rule of thumb.

Robert P. Smith, AIA, is a past chair of the Practice Management Knowledge Community. He holds an MBA from Harvard Business School and is managing partner at CMMI in Atlanta.



Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Creating Win-Win Negotiations

By Steve L. Wintner, AIA

Negotiation is a science that requires preparation if you are to have any chance of succeeding. To realize your part of a win-win outcome in every negotiation, identifying your project cost and profit margin is essential. Knowing these two components of a project fee will help ensure the desired outcome.

Before a client ever receives your fee proposal, most have already established a specific fee amount they are willing to pay for your services. If your proposal should exceed that threshold, you'll have to negotiate to get your fee.

What's the best way to prepare for such a negotiation? The most critical piece of information to identify in a negotiation would be the estimated project cost, exclusive of profit, to complete the project. This figure is otherwise known as the project "break-even" cost.

You can determine this cost in several ways, and you would do well to investigate and compare the results of each method. One of the best methods is to review projects of similar type and of comparable size and complexity. If you have kept accurate project cost accounting records, you will have an excellent resource to evaluate and help you build the fee you may need to negotiate. You will need to determine the actual, final percentage of profitability for these projects to ascertain whether the fees were adequate to complete the project(s) and still earn a "reasonable" profit. Two other useful methods to define the break-even cost of project delivery are the "top-down" fee budgeting approach (for public-sector projects) and the "bottom-up" approach (for private-sector projects).

Public-sector project fees are usually fixed, up front, as a percentage of the owner's construction budget. On public-sector projects, therefore, the top-down method helps you to define whether the fee given is sufficient to provide the required scope of services and the defined deliverables. Working down through this process will provide you with an estimate of the hours the given fee will accommodate. If your calculations indicate that the fee will not provide an adequate number of hours to provide the services required, before declining the project you could negotiate for a reduced scope of services to match the available hours within the given fee. To determine the scope the given fee will support, you need to determine your break-even cost. Because the top-down method uses "billing" rates (profit included), you will need to then switch to the bottom-up method to calculate your break-even cost.

Even though the bottom-up method is applicable primarily to private-sector projects, it's also a useful tool for defining the break-even cost of delivering a public-sector project for a given fee. This method uses "break-even" rates (exclusive of profit) to determine the actual project cost. With the bottom-up fee budgeting method, the profit is added as the last step in defining the total fee to be negotiated. In other words, you get to establish the percentage of profit to be added to the break-even cost.

Beginning a negotiation with knowledge of the project break-even cost and profit margin gives you the power to "control" the negotiation. The control I refer to is the power to make an informed decision at each stage of the negotiation. For instance, if the client's offer is less than your calculated fee, you have several options. You can negotiate for a reduced scope. You can reduce the percentage of your profit. You could ask for time to discuss the offer with your key team members. Or you can, as a final resort, say, "Thanks, but no thanks" and terminate the negotiation. Whether both parties make an informed decision to accept the terms of the scope and fee amount negotiated or whether they "shut down" the negotiation, any one of these options would result in a win-win outcome.

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

Some circumstances could lead you to accept a fee with a reduced profit, but I cannot understand why anyone would agree to a fee with a zero profit or one that is less than their project break-even cost. Negotiating a fee without the above preparation and knowledge, however, increases the chances are that such a possibility could occur.

Clients expect that you, as an experienced professional offering design services, will provide your services at a reasonable profit. Beyond the capability to provide the required scope of services, the ability to elaborate on the value-added nature of the service your firm brings to the project will give you a better opportunity to negotiate a fee with a larger, "value-added" profit. None of this is possible without first determining your own project break-even costs to provide the required services.

The negotiation process is difficult enough, so give yourself the edge by investing the time to define your project cost, profit, the scope of services, and deliverables included for each project fee proposal you submit. A win-win outcome is more likely if you've done the necessary preparation for negotiating with all of your clients.

Steve L. Wintner, AIA, is the founder and principal of Management Consulting Services, a Houston-based firm specializing in professional design firm management. A licensed architect since 1968, he is uniquely positioned to provide working knowledge and successful strategies for the management of design firms. Visit www.managementconsultingservices.com for more information.



Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

The Clarity and Power of Expertise

By Jack Reigle

Many firms and principals tend to think that one word—design—represents their firms' expertise. Now, while there's nothing inherently wrong with that thought, it doesn't begin to define a more compelling competitive position in the marketplace. Firms that are solely design-driven can occupy an enviable place in the profession: We anticipate their next idea, and we learn from their risk-taking that breaks new ground. But what about the majority of design firms? What about all of those firms in the middle ground where design is valued and certainly "good" but perhaps not the be-all of their existence?

Our strategy work has shown that, for these firms, the clarity of choosing market-driven expertise is the real path to success and higher profits. Let's step back for a minute to put this thought into perspective.

Strategic success begins with the firm's identity. Choosing the right operating model begins to shape your firm into a Niche Expert, Market Partner, Community Leader, or any of the other choices available. Understanding the dominance and success of **HOK Sport + Venue + Event**, for example, certainly convinced many firms that becoming a niche expert has its merits! Once a firm has chosen its operating model, the next decision is the market focus. Are we going to focus on one market and client type? Two? Three? Four? If we choose more than one, can we leverage synergies among our clients that will give us even stronger positioning and skills?

OK, let's say you've chosen your identity and three key markets to serve—markets that can provide the firm with at least 80 percent of its revenues for the next 5 to 10 years or more. This is where the expertise issue comes back into focus, and it does go well beyond design for many firms we've known. Powerful clarity begins to develop first at the staff level, as the firm focuses on project types to build long-term position in the market and as the firm deepens its knowledge and skills in particular building or facility types. One good example is the senior-living explosion. Should a firm say it's in the housing business and do everything from single-family to dormitories to senior or assisted living? If we attempt to be great at all types of housing, we risk being left behind by firms that focus more sharply and thereby develop much deeper levels of expertise.

Market Choices Lead to Client and Project-Type Expertise

As we all know, there's ambition and there's fear. Many firms are afraid to commit to a market focus (one to three markets) for one of two primary reasons: fear that their chosen market will dry up or fear that the work will be less stimulating than a more diverse portfolio would be. Our experience says the opposite. Making these choices does what nothing else can: It gives your firm substantive footing that draws clients closer and challenges your staff to dig below the surface of doing "the next housing project," positioning them as real experts in a better-defined field. Furthermore, when economic conditions do change, as they always will, the firms that win the available business are largely those that have ingrained themselves in the client's industry, not those who have dabbled in any project type that comes along.

Let's try another example on for size. Take institutional work, such as hospitals. Any firm with a few projects under its belt can throw the health-care label onto its Web site, but we all know it takes more than that to be truly competitive. Is your health-care work focused on a particular type of hospital, say, community hospitals or critical/acute care? Do you have a particular angle from the technology perspective that can draw an audience wanting to learn how to assemble state-of-the-art diagnostic spaces? Are you able to put yourself forward as *the* experts in pediatric clinics, with all the appropriate family-oriented touches? The choices abound, yet many firms aren't making them, and it leaves expert status to those who do.

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

Product Development and the Packaging of Expertise

Many folks hear the phrase "product development" and envision some Procter & Gamble brand manager thinking up a new look for Tide detergent. Does the product-development approach fit in the design industry? If so, how does it work? The answer is yes, it does fit, and that's where the choice to develop expertise actually has a home in a firm that desires the strongest competitive advantage it can have. The opportunity to develop a product from a design-firm perspective arises once you've made the choices outlined above and are ready to roll out a fully integrated message to your target clients. Your firm has stopped taking (chasing!) any job that rolls by. Your firm has become a familiar fixture at the conferences and associations where your clients congregate. Your firm is committed to winning better projects over a wider geographic span. You are writing and speaking to a select audience about your ideas, tools, and knowledge. In other words, your world has become smaller, but the good news—no, the *great* news—is that you're casting a much larger shadow wherever you go.

So how do we achieve this new status, you might ask? The two most powerful aspects of product development are the ability to develop early point-of-entry tools and positioning strategies and the ability to reduce client risk based on your depth of project-type experience. Early involvement as an expert reduces competition and allows you to help shape the client's agenda at higher levels. Planning and assessment tools that are client-type and project type-oriented and specific to the needs at hand are, in fact, much more powerful than positioning yourself with a basket of discipline-driven services that sound like we're talking about *our* industry, not the client's industry.

The Steps to Successful Market Expertise

The firm must take several steps to become a market expert with and to achieve the specific, project-type positioning that will drive the firm for the next 10 years or more. The basic steps are as follows:

- The choice of an identity or operating model clarifies your marketing and positioning goals for the firm.
- Take a look at your services and how you package them. Are they presented from a designer's perspective, or are they presented as tools for a targeted client's needs?
- Get the staff involved. What types of opportunities do your better people see when you discuss the idea of a tighter focus?
- Brainstorm, set goals, and discuss the right structure to organize your firm differently in ways that will emphasize your choices and commitments to markets and project types.
- Look at recent projects that can be leveraged to drive greater levels of market penetration and expanded with additional services.
- Gather some market intelligence. Conduct primary and secondary research, conduct client surveys, attend the right client-oriented conferences. Develop partner provider lists and the kinds of relationships needed to fulfill client needs.
- Know the competition. Evaluate their messages, and understand how their focus has sharpened their bottom line results.
With a few projects under your belt in an arena that has "legs," develop materials, case studies, and other tools to show your commitment to particular project types.
- Add staff that reflect the choices, commitment, and level of knowledge you wish to communicate to prospects.
- Move your service offerings upstream to gain the best positioning possible.
- Finally, revel in the recognition that your choices have elevated your firm to that of a sought-after expert that can design and deliver project solutions that make it a force to contend with!

Achieving the Potential Benefits

As is the case with most things strategic, it can take a couple of years to redesign your firm to fit the model described here. True expertise takes some time, but it's the choice that truly makes all the difference. The payoff is that in the "shrunken world" of market expertise, your prospective clients are closer to you, they understand better what you do and why you do it, and they reward your commitment by more easily inviting you into better opportunities earlier in the process. You will also be able to attract and retain the right staff who want to perform the type of work you've chosen. Add to that picture the fact that you'll be getting better fees and profits, and it certainly makes a case for the power of expertise.

Making these choices leads to clarity for clients and staff. This clarity offers many firms the opportunity to develop new levels of expertise, and the power

of this is truly transformational. Beyond the primary expertise of "design" lies a world of knowledge that can position your firm to reach great new heights. Is it worth the risk and the effort? As the years pass, more and more firms believe that it is and are happy to have made the leap.

Jack Reigle is president of SPARKS, The Center for Strategic Planning, with offices in Alexandria, Va., and Palm Beach Gardens, Fla. He has 15 years' experience in facilitating strategy and project partnering sessions throughout the United States. Ellen Flynn-Heapes is the founder of SPARKS and wrote the acclaimed book on principles and practices for design firms, Creating Wealth. Reigle can be reached at 703-517-1227 or 561-514-6522 or at jack@forSparks.com.



Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Recent Changes in Project Delivery

By Michael Strogoff, AIA

On many levels, how architect-designed buildings are developed and delivered has not changed much over the past 200 years. Owners initiate projects; architects, engineers, and related professionals create designs, determine appropriate building systems, and document what to construct; then contractors, tradespeople, and laborers build. Over the past decade, however, two major changes in delivery methods have occurred. First, regardless of the delivery method used, the demarcation points between building phases and the various design and construction disciplines have begun to disappear. Second, delivery methods have been blending to the point that the ability to define projects by a particular method is no longer a simple matter. Add to this different selection, contracting, and construction approaches (such as QBS); "best value"; design competitions"; "design-assist"; partnering; multiprime; trade contracting; computerized fabrication—the variations seem endless.

While design-bid-build is still the delivery method most frequently used, many owners now favor methods that facilitate communication earlier in the process and greater collaboration between the parties. In response, architects, engineers, construction managers, contractors, and specialty disciplines are forming more strategic alliances and offering cohesive teams.

With private owners, the level of tolerance for claims has approached zero, and risk management has become an overriding concern when selecting a delivery method. In their desire to manage their risks, some owners are becoming less concerned about the loss of competition that accompanies methods other than design-bid-build.

The public sector, partially because of greater regulation, has undergone less change, although the trend has been to shift more risk to the contractor. However, there is a growing trend among state and local authorities to allow specific public agencies and school districts to undertake pilot programs using delivery methods other than design-bid-build.

How Do Owners Decide Which Delivery Method to Use?

Many experienced owners decide which delivery method to use based primarily on avoiding the problems they encountered using other methods in the past. Less experienced and less sophisticated owners tend to follow the advice of someone they trust when choosing a delivery method or resort to adopting the method they deem the easiest to manage. In almost all cases, owners look for a smooth and seamless transition between design and construction.

Experienced owners generally agree that no single solution or delivery method is best. They believe that an owner and its advisors need to ask questions, prioritize goals, and openly communicate about the implications of various delivery methods before selecting a method.

As owners become more risk-averse, they seek project delivery methods that focus on more centralized points of responsibility. Public-sector clients, particularly state and local municipalities, also place a large emphasis on fair access to contracts for all participants in the design and construction process.

Project Delivery Trends for the Future

Many industry leaders agree that further collaboration between architects, engineers, contractors, and fabricators—as well as less fragmentation among construction disciplines—is inevitable. As owners and other participants strive for the right balance between design, quality, schedule, cost, service, and risk management, there is bound to be more experimentation with, and variations of, delivery methods in the future.

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

While experimentation with different delivery methods is influencing how buildings are designed and constructed today, advances in technology, materials, and computerized fabrication processes might be the engines that drive the design and construction industry tomorrow. What this means for owners, architects, engineers, contractors, and advisors is unpredictable. However, it is safe to say that the changes in the coming decades will far outpace the changes of the past 200 years.

(For a comprehensive guide to project delivery methods, order the AIA California Council's *Handbook on Project Delivery* and/or the *Update*, which features 15 in-depth case studies and completely evaluates the different project delivery methods. Call 916-448-9082 or order online at www.aiacc.org.)

Michael B. Strogoff, AIA, is principal of Strogoff Consulting, a national management consulting firm that focuses on design, engineering, and interior design firms. In 2004, he was awarded a special Presidential Citation from AIA California Council for his committee leadership and research into alternative project delivery methods. Strogoff can be reached at michael@strogoffconsulting.com .

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Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Emerging Risks in Practice

Most professional liability insurers attempt to track the changing demands on firms so that coverage can be adapted to meet policyholder needs. Now more than ever, professionals are experiencing a transformation in how professional services are defined and delivered.

Blending or Unbundling of Services

Because of client demands, there are fewer "traditional" projects. Some clients see the separation of design and construction as inefficient. Requirements for accountability and time and cost savings are blurring the bright line that has traditionally separated design and construction.

Despite efforts by state regulators to section off specific services for licensed professionals, clients often demand the blending of responsibilities with the goal of purchasing a final "product." At times, nonprofessionals are defining projects from feasibility through design and into operations. As a result, many design firms are finding their roles reduced as others package projects. Some design firms are becoming program managers to fill this demand.

In contrast to blending design and construction, clients are often separating out, or unbundling, the traditional design services. This can challenge the ability of professionals to provide services in a coordinated manner. As projects become more complex, many clients ignore the value of having an integrated design team that is able to develop functioning interprofessional relationships.

Confidentiality and Security

An increasing challenge is meeting the security and confidentiality needs of clients. Not limited to infrastructure projects or public clients, the security of project information can alter the practice management techniques of firms of all disciplines. Government agencies led by the Department of Homeland Security and the Department of Transportation have developed guidelines to protect security-sensitive information. But many private clients, ranging from corporations to residential clients, may impose similar constraints on the use of design information.

The practice of limiting access to, and dissemination of, client information during the design process may impede the collaborative design process. Bidding may be reshaped as security-sensitive plans and specifications are kept from many prospective contractors. Controls are established to monitor and record the use of the documents. Workers, from design professionals to construction workers, may have to meet security clearance requirements to be involved on the project. Even awards programs that indicate floors plans, structural systems, or mechanical equipment may be constrained by privacy and security concerns.

Digital Practice

Building Information Modeling will help foster the integration of the design process with fabrication and erection planning. A model-based technology linked to a database of project information presents opportunities creates challenges for design firms. As sophisticated private and governmental clients demand such integration, the professions will have to respond. Professionals will either have to segregate services into limited areas of design or expand services to become project information integrators that control the overall process and create the database of design, procurement, and construction information that is either provided to or managed on behalf of the client.

Driven by technological advances and the client's goal of using the building information model database throughout the life of the project, the evolution to a consolidated digital model that replaces plans and specifications challenges many of the principles that have guided design firms. Questions of ownership of information, liability for design decisions, and, perhaps foremost,

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

compensation for professional services all need to be addressed.

During this time of rapid change, construction-related professionals must reassess their preferred roles in design and construction. They must also realize that their professional liability insurance needs to be broad to provide protection for an expanding range of services and responsive to the changing needs of the professions.

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News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Preparing for Building Information Modeling

In its most basic form, building information modeling (BIM) is the move from analog to digital design and construction. It is a model-based technology linked with a database of project information. And it is poised to fundamentally change the way projects are built and the way project stakeholders communicate with each other.

In recent years, Schinnerer has seen an increased use of project collaboration systems that foster interaction between team members. Over the last decade, firms have migrated to electronic drafting, view coordination, document generation, and schedule creation. These changes, however, are minor compared to the coming age of BIM.

Integrating the Design Process

Radically transforming the way designs are created, communicated, and constructed, BIM is not just the electronic transfer of paper documents. It greatly increases the ability to control and manipulate data and information in an unprecedented way and in an interoperable format. The move from paper-centric information to parametric, model-based information means that the digital design can be used for cost estimations, simulations, scheduling, energy analysis, structural design, GIS integration, fabrication, erection, and facilities management.

Building models embedded with detailed information about a construction project are far beyond the capabilities of most design firms at present. These models are not just the electronic drafting tools that firms now think of as digital practice, nor are they three-dimensional renderings with separate construction documents. The move to an integrated, parametric, and object-based system should lead to dramatic changes in design and construction as well as, possibly, compensation and risk allocation.

Increasing Value Through Shared Information

The result of the design process is not just a creation of the design. A building information model is a repository for digital, three-dimensional information and data generated by the design process and simulations—it's the design, fabrication information, erection instructions, and project management logistics in one database. The data model will exist for the life of a building and can be used to manage the client's asset.

Because the true benefit of BIM is to the project owner, the push to use BIM will most likely be a client-driven development. The value is in the significant building efficiencies and initial cost savings and extends to the operations and maintenance of the facility.

Based on expert studies, other benefits of BIM include reduced risks, improved productivity, streamlined production, maintenance of design intent, and facilitation of quality control through clear communication and sophisticated analytical tools.

Addressing Legal Exposures

The idea of parametric modeling as the design and construction database is a difficult one to examine from practice and insurance-coverage perspectives. Firms will have increasing challenges as they realize that they are moving from a physical model—and hard-copy plans and specifications—to the primary information generators for a digital database.

As firms move from an analog system (where original source material is relatively easy to identify and control), through our present "semi-integrated" system, to what could be called the "super-integrated" future, those firms will have to deal with new business rules and possibly unknown liability exposures.

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

Taking Charge of the Process

Professional service firms should be in control of the information source. As integration of design and construction develops, protecting public health, safety, and welfare becomes more critical. The rationale for having a licensed professional in charge makes increasing sense. The professions, however, must become capable of monitoring and guiding the inevitable "looping" of design and construction features to conform with the intent, design constraints, and requirements of the design.

Bringing the Future—Slowly

The construction industry as a whole (or the law) will have to deal with some significant issues:

- Definition of professional services and the design process
- Ownership and control of the digital information
- Regulation or control of revisions to modeling information
- Conformity of completed construction to the model
- Relationships of the various parties with concurrent design and construction authority
- Risk that goes with any investment by the stakeholders
- Payment for the creative efforts, control of information, and assumed or assigned risks.

Professional liability exposures seem to be only one small part of the whole definition of design and construction completed using BIM. This will be a rapidly evolving issue as BIM leads to an even more complex phase of design, construction, and operation.

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Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Letter from the Chair

By Andrea Cohen Gehring, AIA, LEED AP

PMKC Mid-Term Report: A+

WOW! What an incredible six months we have had in the Practice Management Knowledge Community (PMKC) since the beginning of 2005! With more than six successful programs at the AIA 2005 National Convention in Las Vegas, our continued publication of the *Practice Management Digest* on the AIA Web site, the development of scholarships for emerging professionals, and the planning for our 2005 fall conference—to name a few—the PMKC Advisory Group (AG) has been busy. Special acknowledgement goes to our 2005 Legacy Sponsor of the PMKC, Victor O. Schinnerer & Company Inc., for its generous support of our programs and events. Now, I would like to share some of our successes and events in greater detail.

PMKC Advisory Group Transition

As usual, every year the AG rotates a new member in and the past chair out. This year, we were sad to see our past chair, Charles Nelson, AIA, FRAIA, move on as our immediate past chair, Amy Yurko, became chair emeritus. Charles has been not only a trusted advisor to the PMKC but also a friend. His extensive knowledge of practice management issues has helped to guide PMKC programs and events for the last five years. For those of you who have had the pleasure of meeting Charles, you will remember his warm smile and tenacious attitude toward best practices as well as his Aussie accent! Although we will miss him on the AG, Charles will surely continue to provide this PMKC with valuable programs. Thank you, Charles!

Assuming the management of the *Digest*, current Chair Emeritus Amy M. Yurko, AIA, will continue to develop content and coordinate the preparation of the *Digest*, which so many of our members enjoy. Amy's advice and insights on practice management issues will be invaluable as we continue our road to knowledge sharing in these most interesting, and challenging, times in our profession. Her creativity and intimate knowledge of strategic planning (last year's fall conference topic) was instrumental in the success of our collaboration with the AIA California Council at the Desert Practice Conference last November in beautiful Palm Springs, Calif.

Our vice chair, Grant Armann Simpson, FAIA; James L. Sawyer, AIA; and our newest AG member, Sara A. McCann, AIA, are busy planning our future programs and events as well as continuing to support the AIA national component's knowledge-sharing goals. Each AG member is selected from an elite group of leaders in our profession, and each brings with him or her a specific body of knowledge that enables us to provide our members with focused, relevant programs. For example, Grant is a nationally recognized speaker on project management and best practices, with an emphasis on current practice issues and personal professional growth. We will continue to emphasize the development of programs that support your needs. Keep your eyes and ears open for future collaborations between the PMKC and other AIA components such as local chapters and other knowledge communities.

PMKC events at the 2005 AIA National Convention

In addition to the mandatory gambling and poolside activities, many of our members enjoyed the PMKC programs at convention this year! Our preconvention workshops exceeded expectations, and our management breakfast kicked off this year's fall conference main topic, leadership, with an inspirational program provided by R.K. Stewart, FAIA, and Walter A. Hunt Jr., FAIA, both of Gensler.

PMKC and AIA/NY 2005 Fall Conference, New York City

Together with the AIA New York Chapter, the PMKC is planning a unique fall conference at the Center for Architecture October 26-28, 2005: "[Getting to Great](#)." We have invited firm leaders committed to building great organizations that will last beyond their tenure and thrive in a changing world. Architects

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

from some of our country's most successful firms will share their knowledge of team leadership, mentoring, business development, and management. They will lead seminars, facilitate workshops, and participate with us in roundtable discussions that will help define a new model for leadership and a fresh approach for firms that are on the road to "getting to great." We hope you can join us for what promises to be a fantastic event!

Well, I hope I have expressed our enthusiasm and excitement on behalf of the PMKC AG about the programs and events we are providing to our AIA members. This Knowledge Community is for you, and we will constantly adjust our programs to meet your needs. Keep in contact with us at www.aia.org/pm and let us know how we are doing!

Regards,

Andrea Cohen Gehring, AIA, LEED AP
WWCOT Architects
Santa Monica, Calif.

2005 Advisory Group Chair
AIA Practice Management Knowledge Community

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Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

Practice Management Events at the 2005 AIA National Convention

Management Breakfast: Practice Leadership

2005 AIA National Convention, Las Vegas

By Andrea Cohen Gehring, AIA, LEED AP

2005 Advisory Group Chair

AIA Practice Management Knowledge Community

Are leadership skills taught, or are you born with them? It's a little of both, said R.K. Stewart, FAIA, and Walter A. Hunt Jr., FAIA, our speakers at this year's PMKC Convention Breakfast. First, a person must have the basic skills that enable them to reach great leadership. Then, they must be mentored in order to refine those raw skills. Everyone can achieve some form of leadership success if these two conditions exist.

In the architecture profession, leadership can be defined in many ways. A senior partner must "lead" their firm on many levels, both financially and emotionally. A project architect must be able to lead their team successfully to properly prepare construction documents in a timely manner with a coordinated effort. Although they have very different roles, each one has equal leadership responsibilities within the firm. It is believed that the guidance provided from nurturing leadership can take a firm from good to great, the topic of this year's PMKC fall conference in New York City, October 26-28, 2005, "[Getting to Great](#)."

Leadership training is part of the culture at Gensler, where Gensler University currently provides proven leadership mentoring to the staff at all levels.

Stewart shared a list of references on the topic including *Fast Company* magazine; *Leadership IQ* by Emmett Murphy; *The Tipping Point* and *Blink* by Malcolm Gladwell; *Design Plus Enterprise* by James P. Cramer, Hon. AIA; and *Leadership by Design* by Richard N. Swett, FAIA.

Near the end of the program, Stewart and Hunt were asked to describe one thing the audience members should do as soon as they arrived home from the convention. The one thing: identify, mentor, and inspire a young person in your firm to become a leader in your firm and the community.

Managing Design: An Oxymoron for the Ages?

A Preconvention Workshop at the AIA 2005 National Convention

By Amy M. Yurko, AIA

Session abstract: Design can be the most powerful means of enhancing the value of your firm. The design process, inherently a form of artistic expression, can challenge the pragmatic constraints of project management such as schedules, fees, and profits. However a variety of strategies can meet this challenge, resulting in the best of both worlds: great design *and* business success. This interactive workshop included a panel of design leaders from renowned small, medium, and large firms across the country who illustrate a variety of approaches to the design process and how to successfully manage it. Extended Q&A allowed participants to further explore the panelists' strategies and to seek their advice on managing the design process in their own firms.

Moderator: Amy Yurko, AIA BrainSpaces Chicago
(Chair Emeritus, 2005 Advisory Group, AIA Practice Management Knowledge Community)

Panelists: Craig Curtis, AIA, Miller/Hull Partnership, Seattle
Windom Kimsey, FAIA, Tate Snyder Kimsey Architects, Las Vegas
Andrew McLean, FAIA, Thompson, Ventulett, Stainback & Associates, Atlanta
James Sawyer, AIA, W Architecture, New York City

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

Nick Seierup, AIA, Perkins & Will, Los Angeles

Handouts and visual aids: To view or download the session handout, including presentation slides, visit <http://www.brainspaces.com/AIA/WE21-ManagingDesign/>.

Participants: More than 100 professionals attended the session representing 29 states and 2 countries. Attendees represented small, medium and large firms as well as owner/client organizations, agencies, constructors, and others.

Session summary: The goal of this workshop was to hear and discuss multiple perspectives on achieving high-quality design in successful business atmospheres. The session's introduction included ideas and research on design management to provoke discussion and interaction between panelists and workshop participants. Each of the five panelists made short presentations of design and the design-management process in their firms, addressing the following:

- Multiple approaches to both design and firm management
- Techniques for effective project communication
- Strategies to promote quality design within project budgets and fees
- Processes for tracking and controlling project progress
- Importance of design strategy in firm success
- Importance of management strategy in firm success.

Definitions: For the purposes of this workshop, the following terminology was defined:

- Design process: A series of sequential and concurrent actions toward achieving a desired outcome to a project. The design process can vary in structure and complexity depending on the nature of the project.
- The role of the designer: To "act responsibly in the world to transform existing situations into more preferred ones." (Herbert Simon, *The Sciences of the Artificial*, Cambridge, Mass.: MIT Press, 1996. 3rd ed.)
- Project management (decision attitude): The activities necessary to make sure that a project goes according to plan. These activities include leading the project team, communication, assessment, activity coordination, and review.
- Design management (design attitude): A holistic approach to design and management interaction, planning and coordinating activities to produce and implement a project.

References: Perspectives on Design and Design Management

"The design industry—broadly defined—is entering a period of growth and influence, a time when the planets align in a way that matches the interests and capabilities of designers with the business community's search for strategic innovation. The successful blending of design and business interests will require designers to broaden their self-definition and to couch their insights in the language of business rather than solely in terms of aesthetics, human factors, and clever engineering. I believe that interest in design as a stand-alone discipline will continue to grow, but that the opportunities for innovation through design will increase by an order of magnitude in the decade ahead."

"Design management is about applied innovation: capturing the talent and resources available inside and outside your organization to create new products, new environments, and new user experiences. The growing interest in design management in the business community—which I measure by the steadily increasing number of MBA resumes crossing my desk—comes from the recognition of design as a valuable strategic tool. Especially in mature industries, where quality has already been fine-tuned and costs have been continuously trimmed, design remains a powerful source of differentiation."
-- Thomas Kelley, general manager, IDEO, "Designing for Business, Consulting for Innovation," *Design Management Journal*, Vol. 10, No. 3.

"Design is at a period in its history where the demands and opportunities for design in the marketplace, have, to a significant degree, outpaced traditional tools, frameworks, processes, logic-sets and even skill-sets. In order to participate where the leading edge of the problem solving marketplace is going (where it already is), one has to be prepared to look beyond design for language, tools, etc."

-- G.K. VanPatter, cofounder, [NextDesign Leadership Institute](#)

Weld Coxe of [The Coxe Group](#), a strategy consulting firm, has illustrated

characteristics of architectural firms with regard to strengths in design (idea) and delivery (service). The chart is summarized below, and it is included with detail in [the session handout](#).

WHY We Practice →		
	PRACTICE-Centered	BUSINESS-Centered
<u>Strong DELIVERY</u>	Strong Delivery Practice-Centered	Strong Delivery Business-Centered
<u>Strong SERVICE</u>	Strong Service Practice-Centered	Strong Service Business-Centered
<u>Strong IDEA</u>	Strong Idea Practice-Centered	Strong Idea Business-Centered

Summary of Key Points by Panelists and Participants

- The design goals for your firm's projects must be aligned with your firm's business strategy.
- Individual projects may be assigned varying degrees of design attention. Some projects may have unique circumstances that allow them to deviate from the firm's overall design and/or profitability goals. For example, a project may allow the firm to gain experience in a new market or building type—a business strategy to diversify. Such a project may require increased design or delivery efforts and tighter profitability goals.
- Your firm's design resources must be aligned with your firm's design goals. Resources such as staff or talent, mentoring, training and professional development, and tools and technology must support the desired level of design.
- In public work, where fees are often less negotiable, the design strategy must recognize fee constraints. "Design to the fee."
- Large, multioffice practices have challenges of communicating such that design quality is consistent and that the business strategies are supported.
- The importance of planning cannot be overemphasized. A kickoff meeting that includes all stakeholders is a good way to establish and communicate project the parameters, priorities, and expectations from which the plan is generated.
- The "flight plan" should define goals for both quality and profitability.
- Once a plan is established, it must be communicated and monitored consistently and continuously. A kickoff meeting that includes your in-house project team is the best way to communicate the plan, goals, and expectations to those who will be producing so much of the work.
- Any major change in the essential project parameters necessitates an update to the plan. Any update or modification to the plan must be communicated to all team members.
- Team meetings—monthly or so depending on the size and complexity of the project and the duration of the schedule—allow for monitoring of the project's adherence to the plan. These meetings should include design reviews, staff hours vs. percentage complete, schedule adherence, client service and satisfaction, and other issues pertinent to the project success as defined in the "flight plan."
- New technologies offer opportunities to streamline communication. Online project management software, e-communications, and 3-D visualization all help communicate the design, often with levels of understanding much deeper than in the past. Collaboration and multidisciplinary interaction is enhanced through many of these technologies.
- Staff quality = firm quality. Attracting, developing, and retaining staff who support your firm's goals is essential.
- A firm must recognize the professional goals of its staff as well. Team building, project assignments, and continuing education opportunities should endeavor to align with staff talents, skills, developmental needs, and long-term goals.
- Strong design (idea) goals should be supported by the technical proficiency to realize and build the idea.

- Firms should consider diversity in attracting and retaining staff. Create project teams to maximize interaction between age groups, races or ethnicities, and genders.
- Firms should recognize the power of personal-professional balance for all staff.
- Individual contributions that accurately interpret and express the firm's vision and strategy should be nurtured at all levels.
- "Each project is a reflection of the firm, its reputation, and its future, and should attain the highest level of design excellence within the means available." -- TVSA Project Quality manual
- Create an atmosphere of pride among staff for quality design *and* meeting project performance (profitability) goals.
- Use project construction site visits to illustrate quality decisions to all project team members (design, technical, and management).

For more information, see the handout and presentation slides from this workshop, available for download at www.brainspaces.com/AIA/WE21-ManagingDesign/.

Amy Yurko, AIA, has served on the Advisory Group of the AIA Practice Management Knowledge Community for the past five years. As 2005 chair emeritus, she is editor of the Practice Management Digest. She is a member of the AIA/AGC Joint Committee and of the AIA Continuing Education Strategy Task Group. Yurko is principal and founder of BrainSpaces. Contact her at ayurko@brainspaces.com.



Practice Management Digest

News & Best Practices from the PM Knowledge Community

Print this page

Email this page

AIA-AGC Joint Committee Meeting

By Amy Yurko, AIA

The biannual meeting of the Joint Committee of the American Institute of Architects and the Associated General Contractors of America (AIA/AGC) took place in Memphis on June 25, 2005.

The meeting, cochaired by Joe Jarboe, AGC, and Gene Hopkins, FAIA, was intended to facilitate communication and problem solving between the disciplines on key topics of interest to members of both groups. The agenda for the meeting included roundtable discussions of regional economic trends, key industry issues, documents, reports, political action, and opportunities for ongoing and future collaboration.

Of the key issues discussed, building information modeling (BIM) was emphasized. Committee members from both groups shared preliminary discussions of how BIM is affecting the design and construction industries. They agreed that BIM is much more than the evolution of technology. Rather, it is "practice integration" that will affect all aspects of the business, art, and science of our industry, particularly as the distinction between design and construction has decreased. The technology exists now; major practice issues including roles and responsibilities of our two groups need to be defined, however. Several AIA/AGC members also serve on the AIA Integrated Practice Strategies Work Group (IPSWG) and contributed some initial ideas from this group. The joint committee agreed that multiple stakeholders must be included in the discussion—initially including architects, contractors, and owners. Then, collaborative stakeholders such as engineers and public agencies and officials will also need to be heard. In addition, these groups must illustrate the value of this evolving practice strategy to the general public as it can enhance the environment and protect our health, safety, and welfare.

This issue will remain on the agenda for the next AIA/AGC meeting in January 2006. Meanwhile, the AIA members of this committee are developing a short survey on how and where AIA members are currently using BIM. This survey will be released shortly, and we hope you will take a few minutes and respond. The results of the survey will inform the continuing discussion at the next meeting.

Other industry issues discussed included green building/sustainability, project delivery systems, globalization, alliances, material shortages, and transition to the CSI MasterFormat 04.

2005-2006 AIA members of the AIA/AGC Joint Committee include Eugene Hopkins, FAIA (cochair); Douglas Steidl, FAIA, MRAIC; Kate Schwennsen, FAIA; Roy Abernathy, AIA; Peter Arsenault, AIA, LEED AP; Phillip Bernstein, FAIA, LEED AP; Bradley Buchanan, FAIA; Susan Hensey, AIA; Amy Yurko, AIA; and Norman Koonce, FAIA. Soren Simonsen, AIA, attended the meeting in place of Roy Abernathy. Helene Combs Dreiling, FAIA, Hon. SDA (team vice president, AIA Community) participates and coordinates committee activities; however, Andrea S. Rutledge, SDA (managing director for Alliances) attended this meeting in her place.

The AIA/AGC Joint Committee continues to work toward the group's fundamental goals of enhancing interdisciplinary interface, monitoring current legislative issues, and providing events and education that advance interdisciplinary relations.

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)



Practice Management Digest

News & Best Practices from the PM Knowledge Community [Print this page](#) | [Email this page](#)

45 Effective Ways for Hiring Smart!: How to Predict Winners and Losers in the Incredibly Expensive People-Reading Game

Reviewed by Marjanne Pearson, Assoc. AIA

Author: Pierre Mornell, M.D.

Title: *45 Effective Ways for HIRING SMART!: How to Predict Winners and Losers in the Incredibly Expensive People-Reading Game*

Publisher: Ten Speed Press: Berkeley / Toronto © 1998 by Pierre Mornell

Price: \$19.95 (Paperback)

Most of us who are responsible for interviewing would love to have a crystal ball to help us make the right hiring decisions. This book may be the closest thing to that crystal ball.

When the book was published in 1998, a number of articles featured Dr. Mornell in magazines like *Fast Company* and *Inc.* He made interviewing seem incredibly easy, so I bought the book. I have now used his principles for more than five years and have recommended them to others, so I can testify that his approach works.

Mornell offers 45 strategies designed to take the measure of a candidate—emphasizing behavior, not words. The chapter headings range from "Pre-Interview Strategies" to "Checking References." Then, for good measure, he adds thumbnail summaries of all of the strategies, an outline of a 10-step interview, representative interview questions, and "curveball" techniques, followed by an appendix of "nuts and bolts" items such as legal guidelines, sample legal release forms, and a list of consultants for special services (i.e., credit investigation). The appendix alone is worth the price of admission, but in addition to the well-formulated ideas and examples, the book was designed by Kit Hinrichs of Pentagram, so it is beautifully designed and easy to read.

Here are three of my favorite strategies:

#3. Give an assignment. Ask the candidate to visit one of your stores, plants, campuses, offices, or your Web page before the interview.

Then ask for the candidate's observations.

How often do we want to know how someone thinks? We assume that if we ask them about the work they've done in the past, we can predict how they will approach their future assignments.

If you are interviewing an architect with five to seven years of experience for a design position, instead of just looking at her portfolio, you could ask her to visit two of your firm's projects and come to the interview prepared to discuss the design problem and the solution that was reached, including her observations about things that she might have approached differently.

Or let's say that you are interviewing a potential marketing coordinator. I once asked a prospective marketer to research a now-defunct dot-com, to determine whether the company had a building program and whether it was working with one or more design firms.

#13. Ask your questions at once.

This not only keeps you from talking too much—freeing yourself to listen—but it allows you to observe how the candidate gathers and processes information. Does she try to remember all of the questions, or does she write them down? Does he try to avoid certain questions or have a problem allocating the time available to respond to all of them?

#25. Assign a take-home project. Give the finalist candidates a

Winter 2009

In This Issue

Archive

- [» Winter Issue](#)
- [» Fall 2009](#)
- [» Summer 2009](#)
- [» Recession Issue](#)
- [» Spring 2009](#)
- [» Fall 2008](#)
- [» Summer 2008](#)
- [» Spring 2008](#)
- [» Fall 2007](#)
- [» Summer 2007](#)
- [» Spring 2007](#)
- [» Winter 2006](#)
- [» Fall 2006](#)
- [» Summer 2006](#)
- [» Winter 2005/2006](#)
- [» Summer 2005](#)
- [» Spring 2005](#)
- [» Winter 2004](#)
- [» Fall 2004](#)
- [» Summer 2004](#)
- [» Spring 2004](#)
- [» Winter 2004](#)
- [» October 2003](#)
- [» August 2003](#)

current project you're evaluating and ask them for an analysis.

For a marketing candidate, you could provide a recent RFP and your firm's proposal (with names blacked out if necessary), asking him to come to the next interview prepared to discuss how he might have approached it differently. For a project manager, you might ask her to review a proposed project budget and schedule, asking her to come to the next interview with comments and questions about process, staffing, and milestones. Then you have something real and relevant to talk about.

But this book is not just about interviewing and hiring. We know that client selection is one of the most important decisions affecting the success and sustainability of our firms. Many of us are now involved in development of the second and subsequent generations of leaders for our firms, and client relationship management is a key subject.

By extrapolating from the ideas and strategies, *Hiring Smart!* can also become a guidebook for how we can interview our clients and prospective clients. For instance:

#28. Put potential problems on the table. . . It's never a question of if problems will arise on a new job, but what those problems will be.

An architect friend recently related the story of an interview with a power-broker in the development world in New York City. The architect said that the developer was using the meeting as an opportunity to demonstrate his importance to other people in the meeting, which made it somewhat uncomfortable. I asked the architect why he would want to work with the developer, and he said that every time he asked a question about something that would be of key importance in the decision-making process on a major project, the developer had the right answer—a response that demonstrated shared values and a shared approach for an investment-quality building.

The success of our firms depends on our ability to create the right mix of talent and opportunity. Dr. Mornell has created an insightful and practical guide for all of us involved in talent-based enterprises.

Marjanne Pearson, Assoc. AIA, is recognized for the integration of talent and practice strategies within the context of competitive advantage. Building on her experience in both design firm management and independent practice, she works with design firm leaders to develop approaches that enable individual and organizational growth and development. She can be contacted at mp@talentstar.com.