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Starting a New Firm: Practical Advice for the Adventurous

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Almost every architect has, at one time or another, contemplated starting a firm. There are an almost unlimited number of reasons why one might do so. But why would anyone start a new practice when the economy is bad? With the market down more than usual, it would seem that a new firm wouldn't stand a chance.

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Contrary to this conventional wisdom, many people start firms during an economic recession. Charles Dickens's *A Tale of Two Cities* was the best of times; it was the worst of times." In a way, recessions are like that. They often create conditions for new practices to emerge out of circumstances that at the outset seem more like crises than opportunities.

Layoffs are one reason that people strike out on their own. Because labor costs are approximately 40 percent of a firm's net revenues, it's almost a sure thing that individuals who are quite capable of starting their own firm: income declines and there is no relief in sight. Although cutting those at or near the top of the salary schedule is the smartest decision, in the short term it provides the greatest economic benefit. Sometimes good people leave a firm to see the writing on the wall.

At that point, these "liberated" individuals are left to contemplate their futures. Inevitably, some will become discouraged and give up, while others will leap into the great void called independent practice.

As Massachusetts architect Earl Flansburgh wrote in *RECORD* some 20 years ago, "There is no good time to start a firm; there are only better times." He was right. Although it may be easier to start a firm in a booming economy, recessions often create opportunities. Clients who may be reeling from the same economic pinch that's affecting our profession frequently turn to the arrival of new firms with lower cost structures. Clients often find young professionals' personal service and responsiveness appealing. On the other hand, larger firms that have been unwilling to take on small projects when they are unable to compete effectively for such projects when they need them just to keep their overhead covered.

What it takes

Houston architect S.I. Morris was being too modest when he said, "It's not very difficult to do well in this business; it's just to get work and execute it successfully." Of course, it's not that easy. So, what fundamental attributes should a firm have? They must be leaders—that is, capable of creating and communicating a clear vision for the future—and they must motivate others to help them achieve it. A firm's leaders should be able to articulate how their new firm fits into the marketplace; for example, by using a unique design philosophy or technical superiority, or by pledging extraordinary service.

From a practical perspective, owners must be able to manage people, which is different than being good at technical tasks, make work plans, supervise, mentor, and develop talent. They need marketing and selling skills to keep the firm growing. Owners must have money-management skills and provide enough capital to finance the firm's start-up and ongoing obligations as they arise.

Choosing partners

It is unusual for any one individual to have all of the skills necessary to start, build, and lead a successful practice.

why new firms often start as partnerships.

Teams of people who can work together and are mutually supportive usually create far better businesses than alone. Partners can help settle technical, legal, or managerial questions and are useful where more than one partner can keep the bases covered.

The classic firm leadership mix combines individuals who have the business-development skills needed to acquire clients; the business acumen to successfully complete it; and the management aplomb necessary to work with personnel and achieve goals. Things work best when each partner appreciates the importance of these attributes and has the ability to take responsibility for each of them.

Regardless of the firm's organizational structure, the relationships between principals can either be a fundamental strength or a significant weakness. Poor relationships can significantly damage the company's chances for success. Here are some things to consider when thinking about partnerships:

- You will probably work best with partners whose values are compatible with yours.
- Partners should like, respect, and trust each other. They do not have to be close friends, although this can be helpful.
- Partners do not have to put in equal effort or achieve equal results, but each must fill a principal role—as a manager, developer, for example—and make a principal-level contribution to the firm's well-being.

Once you've chosen a partner or partners, here are some keys to making the arrangement work:

Most successful partnerships have principals with complementary personalities and skills who respect their individual capabilities—in fact, one of the best things about your partners could be that they are not just like you. Strive for a clear allocation of financial distribution, professional credit, and the other rewards of ownership.

Put the basic understandings of the partnership or shareholders' agreement in writing—ambiguous or less-than-clear verbal agreements have caused many partnerships to unravel.

If it turns out that your partnership doesn't work, you should try to end it quickly, and if at all possible, amicably.