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INSIGHT: Hunkering Down While Gearing Up for the New Year

10 questions firm leaders should ask themselves as they move into 2003.

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Depending on your point of view and the pundits you follow, things are looking down, flat, or up in 2003 for design firms and their clients alike. "Fluid" seems to be the best word to describe the moment.

Given this situation, not to mention other serious challenges facing our country, the question you may be best served to ask yourself at the start of the new year is not: What time is it? Rather, it should be:

What time do you want it to be?

In other words, looking beyond the horizon, what are your firm's longer-term goals, which might be quite different from current circumstances? This may be the best time to consider, or reconsider, the path to those goals, together with their implications and probable consequences.

That question – What time do you want it to be? – inspired us to offer a series of other related questions for you to consider as you start this year. Meant to focus discussion in your firm about where you are heading, these questions could also help you to put the year, your practice, and perhaps even your career in perspective.

Q: Is your budget current?

A: In times like this, it is best to budget conservatively, which means being realistic about revenue. Even practices that rely on term-contract public sector projects – state and local work, especially – will probably experience a second wave of economic downturn as public funding of construction is cut back. Firm leaders who are overly optimistic might agree to expenditures that would not be acceptable against lowered income. As a matter of policy, it is best to anticipate this will happen and budget expenses accordingly – and then monitor the budget across the year,

(click on pictures to enlarge)



When is it not time to hunker down?

especially if the economy improves.

Q: Do you have the right banker?

A: The prevailing wisdom might be that now is not the time to shop around for a new banking relationship. Banks are taking a much more conservative position on loans against receivables, and few banks understand the specific needs of this industry. If you feel undervalued in your existing relationship, you should certainly explore new options. If you have branch offices, try this in several key locations. As part of this, to be sure that you have enough cash on hand, re-evaluate your short-term financing needs *and also* your long-term requirements, and see what options you have. Just don't abandon an existing relationship without having a new one firmly in place.

Q: Do you have the right staff and mix?

A: You have every reason now to assess staff capabilities unsentimentally. The well-rounded employee is a significant asset, especially in a downturn. Specialists are still necessary to acquire projects and produce cutting-edge work, but lower-level staff members skilled at a various project types increase productivity and efficiency.

Q: Are you recruiting?

A: Do not respond: Why would I? 2003 could be an excellent time to consider upgrading your staff: replace people or expand their responsibilities, as opposed to adding new people. Even a stable economy is no reason to stay away from the marketplace for your most valuable asset – good people. On the contrary, a marketplace in a lull is typically flooded with talent that would otherwise not be available. Worst case, you will keep abreast of changes; best case, you will find candidates who are better than the people you have now.

Q: Are you continuing your training programs?

A: Some firms view downturns as beneficial because they create time during which to do research, bolster quality control, or advance training. With the constant use of computers for communication and education, these opportunities are even greater.

It is not counterintuitive to encourage your leadership to return to school or other programs for advanced education, or even to take a sabbatical. While the compensation available to subsidize this education may not be readily available, people often return to school during stalled economies to learn new technologies, skills, or approaches. Their accelerated learning results in a strong, wider base of experience within the firm, sooner in a career. Moreover, while someone is on sabbatical (or getting an executive MBA, for instance), others get a chance to grow by assuming the

temporarily vacated responsibilities.

Q: What are you doing to strengthen your marketing activities?

A: Marketing is usually the first program cut when profits shrink. But, in a survival-impelled marketplace, getting and keeping your name out there is vital. If you don't already have a goal-specific marketing and selling program in place, implement one now. If you already have one going, don't cut it: make it smarter.

Make the time to formally interview your clients and prospects about what is going on in *their* world now and ahead, and thereby learn what they could really use from their design consultants to achieve *their* goals. With technology driving so much of our business dealings these days, face-to-face communication like this survey will surely be welcome and effective.

Moreover, besides yielding ideas on how to provide more value to your clients in the current situation, this approach could generate useful information about what is needed to recover and prosper in the business of design and construction in the years ahead.

Q: Are you fully aware of the resources available to your firm?

A: The AIA California Council's recent conference included discussions about expanding practice in a shrinking universe. One of the conference's most interesting topics was the importance of having a multidisciplinary approach – in fact, having alternative combinations of services. This approach could enhance accountability and efficiency, and therefore positively affect project cost and quality.

While there is a little time to think [or another way to look at this period: fewer opportunities with clients that have more acute needs], consider and investigate innovative alliances that might benefit your clients and add to your distinctiveness. If you look at academic institutions, competitors, venture partners, related kinds of consultants, and other entities with creativity, you might transform your practice into something quite remarkable.

Q: How well is the next generation of leaders performing under this stress?

A: This is a very good moment to test and train the people who might carry the firm forward in the future. Give them every chance to take on more management responsibility during what some would consider the worst of times, and support their efforts to learn and bolster the firm. How else will you know if they can ultimately shoulder the responsibility? It does not make sense to wait for a better economy to plan for a transition or to prepare them for it.

There is a clear lesson here: the normal cycle of practice inevitably

includes predicting, preparing for, and getting through an economic downturn.

Q: How well are you performing under this stress?

A: Confidence is in short supply these days; America is experiencing an amazing display of bad performance in corporate, institutional, and government leadership.

Even in just normally tenuous times, the challenges to leaders increase dramatically. Effective leaders realize that – all circumstances to the contrary – they must stay positive, even enthusiastic, about the long view. Looking ahead requires confidence that there is an “ahead.” But besides considering the future and bringing in work, leaders provide support to their staff. Perhaps their most important assignment is to assure clients and prospective clients that their strong management, informed decision-making, and service orientation will protect their relationships.

Q: Do you have an exit strategy?

A: There is never a time *not* to consider an exit strategy, and now could be an especially propitious time to do so. Whether you are of “a certain age” or had no choice but to slow down this year, you’ve got a bit of time to be thinking about your firm’s future, as well as about the future of everyone in it, including yourself.

[The Coxe Group](#) is a multi-discipline management consulting firm that has guided design and building professionals through 35 years of economic cycles. The Principals and Senior Consultants who contributed to this article are based in Philadelphia [[Peter Piven](#)], San Francisco [[Steven Isaacs](#)], and Seattle [[Hugh Hochberg](#)].

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