



# SUCCESSFUL OWNERSHIP STARTS WITH ACTIVE LEADERSHIP

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If you could get one question about ownership transition answered, what would it be? At the 1995 AIA convention in Atlanta, we asked nearly 100 architects and designers just that. Not surprisingly, three issues dominated the responses:

**Values:** How much can I expect to receive/pay? How can I determine what the value is now or should be in the future? Is there a formula? Is there a rule-of-thumb?

**Mechanisms:** How can the value be transferred? Can I expect to be paid in cash? Where will the buyer(s) get the money? What happens if the prospective buyer(s) can't afford to buy?

**Candidates:** Who should the buyer(s) be? Who will be a good buyer? What are the criteria by which to evaluate prospective buyers?

Issues of appropriate value and mechanisms are always the first to be raised. Fortunately, they can be, and usually are, resolved quickly and amicably. The issue of appropriate candidates is quite different. There is less available information, it deals with matters that are more subjective and less objective and, until recently, it is an issue that has been considered and/or understood intuitively, if at all. This is unfortunate because successful leadership may be the single most important determinant of whether an ownership transition will be successful or not.

## Owner Responsibilities

It may help to consider what a firm needs from its owners. What are the things that only owners, and not others, provide? The answers are few—only five, because they are encompassing—but they are very important:

**1. Capital**—Capital in some form is always required when practices are initiated. After initiation, capital may be required to fund increased need for facilities and/or equipment, especially as success in the design professions becomes linked to automation and computerization. It may also be required to support unusually rapid growth—growth at a pace beyond that which can be funded out of profitable operation. When capital is required, only the owners can be expected to provide it. They are the financial stakeholders (although others in the firm clearly have a stake in the firm's well being): they are entitled to determine the direction of the firm and, if they operate their firms successfully, they are the ones entitled to reap the rewards of ownership, monetary and otherwise.

**2. Marketing**—Design firms exist to do projects; that is what they are "about." In order to do projects, someone must get the projects for the firm to do. Generally

speaking, that is marketing. It is possible for non-owners to be involved in supporting the marketing effort. However, it is typical for prospective clients in most markets to buy from the owners, or from others perceived as capable of committing the resources of the firm. The ability to market and sell has been recognized as a significant personal characteristic or learned ability. In some firms it is the single most important criterion for ownership, perhaps rightly so. Since the firm can only do what it gets/sells, marketing is the lifeblood of the firm. Those with the ability to obtain clients/projects—called rainmakers in some professions—are legitimately understood to be making a significant contribution to the firm's well being, perhaps the most significant contribution. An important corollary is that those who have such ability will be owners, if they want to be, if not in your firm, then somewhere else.

**3. Management**—The firm needs to be managed at the top. It must be managed to ensure that it exists tomorrow to fulfill the promises that were made yesterday. It must be managed so that it produces a profit sufficient to ensure its bankability and continuity. And, it must be managed so that it can provide a return to its owners at whatever level they deem appropriate for their effort and risk, and that they are capable of producing.

**4. Quality**—The owners must establish the level of quality that, literally and figuratively, will stand for and represent them in the marketplace. Implementation, review, and control of quality may be delegated to others. It is the right and responsibility of the owners to establish the level that must be achieved—in design, in documentation, in construction and in service. The owners will not likely be willing to have anyone who is not a stakeholder in the firm determine the level of quality that will be associated with themselves and their firm.

**5. Leadership**—The owners must lead. They are the ones who must provide the inspiration, direction, and motivation that moves the firm towards the achievement of whatever vision they have for it and for themselves. Others that display such characteristics immediately start looking like owners.

### **Ownership Criteria**

Ownership responsibilities are not synonymous with criteria for ownership. Responsibilities represent what the firm needs from the owners, either individually or collectively. Criteria are those individual qualities that current owners establish as required, and then seek, when considering the addition of others to the ownership group. Some owners have a tacit understanding of what they seek. In such cases the candidate must "look like an owner" or "feel right." Sometimes the criteria are more clear but limited to one or two specific characteristics, such as "be able to bring in work." In other cases, however, the criteria can be extensive and explicit and could include any or all of the following.

## **Leadership Functions**

Both needs of the firm with respect to ownership responsibilities and many, if not all, of the criteria for ownership deal with leadership. What do we mean by that? Leaders have vision – the vision to see reality clearly and know where they are now; the vision to see the outline of where they want to be in the future; the capacity to see themselves and others accurately; and the vision to see how to mobilize resources, primarily people, to get to that future.

The ability to encourage others to mobilize toward a vision is the fundamental difference between leaders in a discipline who can achieve outstanding professional work but may not need others to accomplish it, and leaders who can move an organization.

Leadership is a set of discrete but interrelated functions:

- Creating a vision of tomorrow
- Seeing the discrepancy between that vision and the reality of today
- Understanding how the external world provides the ingredients for success
- Tending to the human needs of those with the firm
- Providing technical competence
- Organizing individuals and groups effectively
- Rewarding what most needs rewarding

We call an individual who does one or more of these functions brilliantly a leader, when in reality most of these functions must be done well for a firm to have good leadership. Firms must concentrate not only on creating leaders, but on creating leadership. In considering the relationship and importance of leadership to ownership, especially to the next generation of ownership, the challenge is to increase in the next generation the collective capacity to provide leadership. Recognizing this as the real challenge is the essential first step to successful leadership development and ownership transition.

## **Criteria for Successful Ownership:**

- Technical Competency
- Values Compatibility
- Business & Investment-Minded
- Professional Maturity
- Organizational Skills
- Risk Attitude & Understanding
- Client & Project Management Skills
- Marketing & Selling Skills
- Leadership Skills
- Strategic Thinker
- Role Model for Others

- Committed to Staff Professional Development
- Professionally Ethical
- Trustworthy
- Contributes to the Profession & Community
- Governance & Relationship Skills