



THE SANITY FACTOR

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Many firms develop short-and long-term strategies with the goals of increasing their clients' satisfaction, reaching wider client bases, increasing their profitability, and strengthening their images. In the course of this thinking, the principals often overlook what might be fundamental to enjoying - and further contributing to - the success to which these strategic efforts are intended to lead: They overlook their own professional sanity and seem unaware of a concept that I label as the "sanity factor".

Rather than a departure into psychiatric or psychological domains, I use the term "sanity factor" to refer to maintaining an ability to concentrate on the things that they really should do - most likely because no one else in the firm can do them as well and because they are things pivotal to the firm's success - rather than become excessively involved in things that others can do, given the opportunity and the training. Such things in principals' domain might be referred to as "pivotal responsibilities", and in most organizations, include:

- defining and communicating the firm's vision;
- communicating (and living) the firm's values;
- bringing in new clients;
- maintaining client relationships;
- attracting and developing talent;
- assuring the business success of the practice;
- maintaining the firm's presence in the community, the marketplace, and the profession;
- and, critical in a world of rapidly increasing competitiveness, being creative and fostering creativity among others, not necessarily in terms of "product" but in various aspects of professional practice.

Most of this falls into the arena of "leadership". It is the ability to augment leadership with management that allows principals to avoid the pitfalls of the sanity factor.

Recently the notion of the sanity factor arose in a consultation with an environmental planning firm, although similar conversations have occurred with architects, engineers, and graphic designers. This particular firm has grown from a staff of five at its inception four years ago to a total of 44 today. The three principals are exploring whether and how to capitalize on the presence that their firm has created, while at the same time expressing concern at the breadth of the firm's operational activities and the time consumed in dealing with them. With a staff-to-principal ratio of almost fourteen-to-one, the principals are experiencing

the symptoms of stretching the sanity factor. They find that the proficient marketing manager and the recent addition of a business manager offer some respite from the growing list of issues that to date have required principals' attention. However, they find that they are falling short of their desire to initiate and maintain client relationships, to undertake projects, and to guide the technical and service quality of their work.

Despite these frustrations, they are experiencing strong profit performance, which puts them into a bind: The mathematical conclusion is that increases in the staff-to-principal ratio will increase profitability (and very likely principals' compensation) while eroding their sanity. To the extent that this conclusion is accurate, the key question is: What is the price of sanity? (Given the propensity for quality problems to arise as the principals try to maintain a close watch over more and more activity, the assumption of straight-line growth of profit may be unrealistic anyway.)

Our experience tells us that most organizations achieve their most gratifying and most productive level when there are 10 to 12 staff per principal. In reality, the issue is not the ratio of staff to principal, but staff to people who act like principals, by which I mean they provide leadership, assume accountability, and perform with both immediate success and long-term health of the firm at heart (and mind). Taking that a step further, there are principals in some firms who don't qualify by that definition, and non-principals who do.

In some firms with small projects and capabilities whose specialists frequently operate in near isolation from each other, the ratio at which sanity starts to decline drops to five or six staff-per-principal. For example, another firm, an architecture practice, has seen its profit ascend to astronomical levels, generating more profit than the average firm six times its size. With a staff-to-principal ratio of four-and-one-half to one, some of the partners are already feeling serious erosion of their professional sanity. Articulating the issue quite well, two of the principals say that their compensation - the majority of which is tied to their extraordinary profit - no longer justifies the emotional and personal price they pay. Returning to the coupling of leadership and management, in the most effective organizations we observe that the most relevant aspect of management, relative to the "sanity factor", is the ability and willingness to delegate well; that is, to vest others in the organization with the authority to take on major responsibilities without constant, close monitoring and inappropriate intrusions. This allows others the opportunity to push the limits of their own potential and encourages them to explore their creativity, thereby freeing principals to apply their own energies to their pivotal functions.

The sanity factor and the quantitative ratio of staff-to-principal is related to, yet different than, the staff-to-owner ratio that is common in many firms. In large engineering and architecture firms, a ratio of about ten-to-one is common. This is

sometimes a natural evolution. Other times it is by economics driven design, reached through the determination that at that ratio, there are adequate revenue generators to provide the profit that, in simplistic terms, converts to compensation that owners target for themselves. It is further an historically based ratio: Ten to 12 people compose the largest group that is able to function effectively, because each member can communicate with every other member, without additional "management" and formalized functions. Prehistoric hunters learned this, as evidenced from the traces of their activities, and human nature and capability has not changed a whole lot since.

As with most attempts to quantify professional practice, particularly organizations in the more creative reaches, the concept of the sanity factor has its flaws and inconsistencies. Some people respond very effectively to the challenge of increasing pressures. The culture of some firms fosters a truly collective and collaborative approach. Some firms' client and project mix results in significant changes to the point at which declining sanity begins, and some principals' personal styles accommodate larger numbers of staff. But the concept of professional sanity and the relationship of staff-to-principal ratio, staff quality, and management style all warrant consideration if the firm, its leaders, and its staff are to thrive.