

*Revised
+
Updated*

THE
BUSINESS
OF

Design

BALANCING CREATIVITY
AND PROFITABILITY

Keith Granet

FOREWORD BY Holly Hunt

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THIS BOOK IS DEDICATED
TO A LIFE LED BY VULNERABILITY.

VULNERABILITY WILL ALLOW YOU
TO DO MORE THAN YOU EVER THOUGHT
YOU WERE CAPABLE OF DOING.
VULNERABILITY WILL LEAD YOU TO
ADVENTURE AND SURPRISE.
VULNERABILITY WILL LEAD YOU TO
LIFELONG LEARNING.
VULNERABILITY WILL LEAD TO
A LIFE WELL LIVED.

IT IS ALSO DEDICATED TO
MY DEAR FRIEND KAZUKO HOSHINO.

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FOREWORD

Keith Granet's superb book *The Business of Design*, published in 2011, was a first of its kind as a business guide looking inside the world of design. The book sold an amazing 28,000 copies! The vote by sales confirmed a deep thirst and awareness of the desire for business education and guidance in the practice of design. Especially apt in the world of interior design, which historically had eschewed even the word *business* in describing their creative, artistic domain. Keith demonstrates that design is a professional business with rules and structure to analyze and organize, compare and compete without losing the passion and love of the creative craft.

Keith proved not only to have the perfect instinct for the need for business guidance but also, even better, has perfect pitch as a terrific professor. The teachings from his book have significantly raised the bar of knowledge and practice in the business of interior design. Engaging and encouraging designers to become more business aware builds profitability and also the confidence to grow and become successful business leaders. It is an honor to have been asked by Keith to write a foreword for this second edition, now in your hands, as an extension of his groundbreaking first book.

Keith's publication of his second book promises to be the graduate school edition, with the focus on the rapid acceleration of technology and the attendant trends reshaping the worlds of design and business. The digital transformation is filled with challenges. In light of this transformation, we must adapt and upgrade our current business processes and technologies to offer real-time answers and ease of doing business within our current complex world. American firms in the business of production and design must become adept at transacting business online with technical ease. The model must accommodate a far broader designer/client base and service a wider public to remain relevant and competitive.

Design is not a business of numbers nor one of analysis paralysis, which too frequently overlooks opportunities. Design, as I know it, is a business of heart and soul, talent and passion, innovation and exploration open to opportunity found and taken with an entrepreneurial spirit and energy. It is an exciting business built on relationships and partnerships between designers, clients, suppliers, team members, and industry peers. It is a business of excitement and wonder, of exploration, fluidity, and creativity. Never mistake the business of design as a business of numeric transactions.

Years ago, I saw Jony Ive, Steve Jobs' Chief Design Officer at Apple, speak on stage. He made a statement on business that I knew to be true: "It is never about the money first. It's product first; when product is right, the money will come." Fortunately, I fell into this business of design knowing that the product and clients come first. The numbers follow.

Keith is also a great people connector. His mission to teach and build community is evident in his formation of the Leaders of Design Council. Leaders is a well-structured group, which annually hosts groups of designers from across the United States. They travel to places of interest across the world to experience three rich days of excellent programming. He brings a formidable array of interesting speakers focusing on a wide range of economic and cultural areas of interest. Afternoons and dinners become time of connecting design peers, industry vendors, and speakers. I had the privilege of attending three of these remarkable educational events. This organization is a great gift to the industry and the business of interior design in the United States.

I began in this business in 1983, a critical year for me for many reasons. Ominous clouds of divorce were looming large in my life. I had three young sons, and I would need to find a job or a business because divorce meant leaving the partnership I had with my husband.

Luckily, I found a showroom at Chicago's Merchandise Mart, which was financially underwater and needing rescue. I bought the showroom, and the world of interior design provided a point of focus and filled my need for a job through this transition. Yes, this was a risky business, but I had a strong design eye and believed I could run it successfully. With common sense and determination, I knew I could figure it out and get it right.

I note that Keith's number-one item on his list of top six ingredients for true success in his first book is common sense! It worked for me, but I am not so sure common sense is so common anymore and business today is far more complex than it once was. Another attribute on his top six list is chutzpah, or, simply, comfort with risk. Ok, got that too!

In the beginning, I had no big business plan—it was an escape plan at best. I would just make it better! No marketing strategy, no consultant, no book of business rules, website, or Instagram. I had no idea that my risky venture in interior design could grow to become a brand over time, much less an internationally known entity that a highly successful company like Knoll would be willing to purchase!

There is no perfect time to start a business because start-ups require 24-7 attention. Although the timing felt crucial for me to start, timing was certainly not best for my sons in the midst of a divorce. However, today, I look back and say yes, I saved the business. *More importantly, the business saved me and my family!*

Malcolm Gladwell, in one of his many books, says it requires ten thousand hours of work to become truly skilled at any endeavor. Add to that, design is a business of ten thousand details. I fell in love with the business, so I did my time!

Interestingly, I started my risky business in 1983 in Chicago, the same year Tom Cruise's first big break came in the movie *Risky Business*, filmed in Chicago! Looking back, I see we both did pretty well from our risky-biz beginnings, and yes, Tom's success has far exceeded mine. Nevertheless, new business ventures always involve risk, and I have learned that the road to success is always under construction.

I end this with great relief and a big thank you to Keith Granet because I no longer think about writing my own book on design! The books have already been written by Keith and are far better than any I could have done, and I have added enough of my story.

Just remember: Never let *best* get in the way of *better*.

—Holly Hunt



INTRODUCTION

You know that saying “time flies”? Well, it is true; it is hard to imagine that ten years have passed since I first published this book. In 2011 we were just climbing out of the worst economic recession; companies like Instagram had just been founded in the fall of 2010, One Kings Lane was gaining traction in our industry, Airbnb and Spotify were taking hold. The world seemed to be getting back on track. One thing that is easy to forget—but that I heard over and over ten years ago—was designers complaining about their ’09 clients. The ones they took on to keep the doors open or to feed the mouths of their valuable employees. These projects typically had bad fee arrangements and were not the best projects to help promote the designer’s work. They were the “lesser jobs” in the office with the high-maintenance clients. They were the clients you did a favor for, but they never let you forget it. This is one of those circumstances in which memory will serve you well as to not repeat this trend.

Most of you who are familiar with both of my books, *The Business of Design* and *The Business of Creativity*, know that I have dedicated my life to bettering the business of design through the many companies I have owned or been involved in—also from teaching at wonderful schools, such as UCLA, USC, and my alma mater, Hartwick College, where I taught a yearlong class on how multidisciplinary thinking is very important to any business. I have guest lectured at Savannah College of Art & Design and Parsons School of Design. All of this because I am very interested in making certain that students start their professional lives understanding the business side of the profession they are pursuing. As I have always said, knowing the right way to manage a design business only makes you more creative. By knowing your business, you worry less about what you need to do, which frees up your brain to focus on your talent. This is at the core of my work at Granet and Associates.

In 2014 I purchased the software company Studio Designer because I knew of its potential to help interior designers run their businesses more

efficiently. All of these facets of my career are pieces of a big giant puzzle to help make the design professional more successful. To help designers learn how to move from the things they feel they *have* to do to the things they *want* to do. In 2005 I cofounded the Design Leadership Network, and in 2013 I cofounded the Leaders of Design. In both cases, the vision was to build community, and at the Leaders of Design, it has morphed into building a world of mentorship and career-long learning. I have said that there are no fire walls between my businesses—they all support each other. Granet and Associates consults with individual design firms on everything from strategic thinking to financial management and licensing; Studio Designer helps designers run their businesses efficiently; and Leaders of Design builds community through mentorship.

Today, ten years later, I sit here at my home, under a stay-at-home order, wondering if this pandemic will ever go away. By the time this book hits the shelves, we should know a lot more. It is my belief that our industry will do well after we get the Coronavirus under control. After months of quarantining in their homes, I believe people will want to make changes. Everything from as small as new throw pillows to as large as building a new home. People will rethink their environments, what space means to them. We shall see.

Design has always been my passion, and mentoring designers on how to run a successful design business has been my calling. I remember once what my longtime client/friend Suzanne Kasler said to me: “Keith, I have figured out your magic.” I responded, “I don’t think anything I do is magic, but what did you figure out?” She said, “You give us the confidence to do our best work.” To me, that was the greatest compliment I had ever received because that is my life’s work: to help people use their talent to its capacity.

So why refresh this book? What has changed? I am proud at how well this book has performed for ten years, but as our world moves at lightning speed these days, a lot of things have changed about the business of design. The areas of the business that have shifted the most are marketing and public relations. Over the past decade, we watched many print publications go by the wayside. We watched Instagram gain traction as a

way to promote, visualize, and even sell products and services. Bloggers have come and gone, and influencers have emerged. Online platforms now play a larger role at attracting clients than your work exhibited on glossy pages.

In addition to marketing and public relations, other aspects of our business have changed, such as human resources. As our life spans lengthen, the need for multigenerations to coexist in our workplaces has increased. Technology has advanced rapidly, and at the moment Zoom, Google Hangouts, Microsoft Teams, GoToMeetings, and Skype dominate our ability to communicate through video platforms. Presently, companies have been forced to adapt to this new way of life not in a matter of months but a matter of days. For years, I helped my clients fight the urge of remote work; now we have learned that it works. People can be effective but only to an extent. I now know that working remotely is possible, but I am not convinced it substitutes two important learning factors, creativity and mentoring. Creativity comes with the bantering of ideas shared in a space together with others. Mentoring comes from reading someone's facial expression or hearing intuitively and knowing when something is being soaked in or glossed over. You often cannot get those cues from a video screen. The pages that follow bring you up to date on my thinking for this time in our profession and the new challenges that lie ahead but that did not exist in 2011.

An outline of the chapters to look for changes that have occurred during the past ten years are as follows:

THE FOUNDATIONS OF A DESIGN BUSINESS:

- Design education and how it has been refocused
- Top ten business practices

BUSINESS AND FINANCIAL MANAGEMENT

- Financial tools
 - Contracts
-

MARKETING AND PUBLIC RELATIONS

- Social media
- Public relations
- How to market today
- Marketing tools

HUMAN RESOURCES

- Multigenerational firms
- Working remotely
- Office environments
- Mentoring for different values
- Hiring practices

PROJECT MANAGEMENT

- New tools
- Scheduling
- Budgeting

PRODUCT DEVELOPMENT

- Is the market saturated?
- How to stand apart
- Top categories for making money
- Alternative options to licensing

It is important to recognize that much of the content in the original version of *The Business of Design* is very relevant to today's needs in running your practice. Those topics remain in this version and are augmented by the changes I have outlined above.

In the first version, all the chapters began with an interview with a different designer who I respect. In this new version, they have been substituted with a different group of designers who tell us about the changes they have seen over the past decade. These quotes are based on their personal experiences and what stands out as the biggest changes they have noticed in their own practices. These quotes were generously offered by Bobby McAlpine, Brooks Walker, Carli Ficano, Charlotte Moss,

Cindy Allen, David Lecours, David Netto, Edward Yedid, Elizabeth Roberts, Erik Perez, Gil Schafer, Grant Kirkpatrick, Greg Tankersley, Greg Warner, Jeff Lotman, Jill Cohen, Julia Noran, Lauren Geremia, Lewis Heathcote, Lou Taylor, Marc Appleton, Marc Szafran, Mark Ferguson, Meg Touborg, Paula Wallace, Sophie Donelson, Suzanne Kasler, Thad Hayes, Thomas Hickey, Wade Killefer, and William Hefner. In addition, in the first version the foreword was written by my mentor, Arthur Gensler, and in this new version I am honored that Holly Hunt agreed to write the new foreword.

It is my hope that this refreshed version helps those of you who have relied on this book as a guidepost to move your company forward and continues to help you grow and learn. For those of you who are reading this for the first time, it is my hope that whether you are thinking of starting your own practice, or wanting to help the firm you are currently working in, or are a student thinking about your career in design that this book becomes your road map to a successful career.

CHAPTER 1

The Foundation of a Design Practice

The business of design is a topic that baffles many, yet it's less tricky than you might think. Designers love what they do and will do anything to practice their craft. The key word here is *craft*. It's an art to design beautiful things, but it's a skill to execute these things of beauty in a successful and meaningful way and still find room for profitability. The bottom line is not what designers worry about first. Look at these words: client, contract, negotiate, retainer, staff, design, draw, shop, expedite, present, budget, invoice, payment.

“When talking to my clients, if they say they are good decision makers, I often tell them: ‘You might be a good decision maker, but chances are you are not a good decision keeper.’”

—GRANT KIRKPATRICK, KAA DESIGN GROUP

“Over the past decade, my office has not only grown significantly in size but also, thanks to constantly improving technology, it has also become increasingly productive. Through Keith and his books, I’ve learned how important it is to plan and to be intentional about where and how to grow my business. *The Business of Design* has given me the tools to grow my business responsibly, smoothly, and enjoyably.

—ELIZABETH ROBERTS, ERA

“The motivation to do it has changed. There are less people who really care about good taste and design, and more hotdoggers. It’s become a bit of a ‘celebrity’ profession, so you have to squint harder to recognize the real talents, the born-to-do-it stories, because they are not necessarily making the loudest noise.”

—DAVID NETTO, DAVID NETTO DESIGN

“Design is a business and an art. Designers see what the world needs. They produce it, sell it, and stand behind it. It requires vision, creativity, and judgment. Entrepreneurs and artists share these attributes.”

—MARK FERGUSON, FERGUSON SHAMAMIAN ARCHITECTS

“About five years into owning my business, things got a bit too big, too fast for me. Technology companies were booming again in San Francisco, and I went from being a recession-era one-woman shop to a very busy eleven-person team in the matter of a few months. We were getting hired for large jobs, and I had a ton of energy and ideas. While I felt confident with my creative contributions, my leadership ability

needed help. The top ten business design practices were something I read and reread many times that year. It was grounding to have a road map of how to take on my new role and responsibility as a real business owner with some practical, easy-to-follow steps. I wrote them word for word down on paper and consulted them when I felt overwhelmed (every day for a few years). I used them as a format to how to direct employees and my schedule. It helped me connect more presently with my staff (where manners count as much as math) and keep my eyes open to the future, even when we felt like we were on top. I still utilize these practices constantly—they have remained relevant through the dawn of social media, our pivot to residential work, the pandemic, and another possible recession. The main difference now is that these principles are so deeply ingrained in how I think about my livelihood that I am able to really expand on evolving my relationships with clients and artistic process.”

—LAUREN GEREMIA, GEREMIA DESIGN

“With Keith’s help, we have honed every facet of the KAA Business Platform. Best practices in finances, marketing, human resources, and management have been a constant focus for over thirty years. You cannot run a great design business without great practices. But the foundation of any highly successful design business is the constant attention to a design-first mentality. As designers, we can always improve. And the improvement is rewarded. Clients want great design. They want unique, one-of-a-kind talent that will inspire them. I am grateful to be in a profession that allows us to improve our design skills with each project.”

—GRANT KIRKPATRICK, KAA DESIGN GROUP

“I think the foundation of a successful design business is quality of the intention, quality of the design product, quality of the communications with the client and all others associated with the project, quality of your space. This sets the tone for everything else.”

—WILLIAM HEFNER, STUDIO WILLIAM HEFNER

“The past ten years have been extremely more efficient and exciting because of the tools and resources that are now available; in the past our design process took longer to research, organize, and execute. Outside of travel, which for me is still the most productive and inspiring way to provide our clients with the most exclusive and unique projects, our ability to access vendors, artists, and galleries online with ease has been crucial to allowing the rest of our team to have a similar experience. Our designers can now focus more on designing and preparing presentations rather than unnecessarily wasting time in the field. Our clients have also become more exposed to our work, and the work of others, which can sometimes be a challenge when trying to maintain our vision, but on the whole, the ability to present our work through online platforms, such as Instagram, has increased our exposure in a positive way as our new clients are more excited to work with us than ever before.”

—EDWARD YEDID, GRADE NEW YORK

How many of them actually involve design? Only a few truly deal with the design process. The rest refer to the business aspects of design, so why is it that schools focus on the smaller fraction of the practice and at best offer one or two classes dedicated to the larger one? Luckily, in 2020, many schools realize that the way they have taught for decades is not the way to teach design for twenty-first-century skills. Schools, such as the New York School of Interior Design, Parsons, Savannah College of Art and Design, all recognize the importance of an education that is interwoven with practical experience.

The design profession has been around for thousands of years, and in the beginning, architects and designers were held in high regard. They served kings and queens and were treated with the utmost respect for their craft. But somewhere along the way, the profession transformed from a title of distinction into one of subservience. (There are, of course, exceptions to this statement, evidenced by the designers who have achieved celebrity status due to their entrée into product design or television.) While many clients respect design professionals, many more believe that designers and architects are simply the hired help. You hire a lawyer because you need legal advice, and you see a doctor because you want to be healthy, but you don't absolutely need a design professional to build or design your project. Hiring a designer is considered a luxury. Yet as a luxury profession it doesn't command the respect of the business world in the way other professions do.

The real estate profession consistently receives a 6 percent fee every time a building is sold. An architect often struggles to get that same fee for creating that building and will receive it only once during the life of the building. This is because real estate professionals banded together to create a standard that the public finds acceptable. When architects tried to establish a similar standard through the American Institute of Architects, they were accused of price-fixing. In the decorating world, if you ask ten designers what their fee structures are, you'll get ten different answers. This variability confuses the general consumer of these services: if there's no established scale for pricing, you can't trust that you're being treated fairly.

Years ago, I went to a big-box electronics store to buy a new telephone. I noticed that a competitor had a much better price for the same phone, and when I told the salesman that I'd seen the same phone for fifty dollars less, he offered me that price. Suddenly, I didn't trust that any price in the store was real. It put me in the position of establishing the product's value. If we in the design profession allow our clients to negotiate fees, will they really believe that the services are actually worth the price quoted in the first place?

The profession of architecture is a business, and technical knowledge, management skills, and an understanding of business are as important as design. An architectural commission might involve preparing feasibility reports, building audits, the design of a building or of several buildings, structures, and the spaces within them. The architect participates in developing the client's requirements for the building. Throughout the project (from planning to occupancy), the architect coordinates a design team and structural, electrical, mechanical, and other consultants. Even though this is the generally accepted definition of the profession, architectural education does not address it. It teaches only the art of design, not the art of the business.

DESIGN EDUCATION

“Within the past decade, higher education has welcomed a wave of digital natives intimately immersed in the dynamism of design. These Generation Z students gravitate toward experiential learning—internships, collaborative learning assignments, and design sprints—just as readily as they embrace virtual engagement. Because Gen Z can work seamlessly across learning modalities, today’s educators must implement the most comprehensive array of professional-standard resources, tools, and technology to catalyze critical thought and practical application.”

—PAULA WALLACE, President of Savannah College of Art and Design

“The business of design, both narrowly and broadly defined, is best served by interdisciplinary education. Let me explain why.

The wicked challenges of our contemporary world demand the concerted effort of fully actualized individuals—individuals with the ability to see patterns and systems in text and images and data; individuals capable of learning from the past and designing for a future that nurtures human possibility within the constraints that our natural world imposes; and individuals who engage with our world and with each other justly so as to preserve and protect that which we have inherited from our ancestors as our promise to the generations of global citizens who will follow us. It is for this reason that higher education and, in particular, interdisciplinary higher education that is at least as broad as it is deep, is a most fundamental prerequisite.

Yes, interdisciplinary education matters in the workplace. As numerous articles in respected publications attest, business students who are pushed intentionally into the humanities and other social sciences deepen their skills in visual and cultural literacy, textual analysis, and critical examination of market-driven situations, while humanities and science students who study management or accounting learn the business of creative pursuits and the commercialization of science. But, beyond this, interdisciplinary education arms us for the personal, professional, and civic engagement into which we are drafted as members of the human race.”

—CARLENA K. COCHI FICANO, PhD, Professor of Economics and Chair, Department of Business and Accounting, Hartwick College

Let’s take a look at design education. If you want to be an architect, the schooling looks something like this: either you enroll in an accredited five-year program and receive a Bachelor of Architecture degree, or you can continue for an additional year and receive a Master of Architecture. You can also follow the more traditional route of a four-year liberal arts degree followed by two or three years of graduate school toward a Master of Architecture. In the interior design field, you can pursue a four-year Bachelor of Interior Design degree, or you can simply call

yourself an interior designer, since this profession currently has no educational or licensing requirements. A lawyer with an advanced degree can take the bar exam and become licensed to practice law. But a degree in architecture does not automatically make you eligible for the exams you need to pass to be licensed. In fact, you can't even call yourself an architect until you're licensed, and you can't become licensed until you've completed 5,600 hours or two and a half years of training under a licensed architect before you're even eligible to take the licensing exams. This is why fewer than twenty-five percent of architectural-school graduates have a license to practice architecture. It is also surprising to learn in 2020 that a first-year legal intern could earn up to \$126,000 a year, while a first-year architectural graduate could earn up to \$68,000 a year—with almost the same length of education. A first-year interior designer in 2020 typically earns around \$48,000.

Today more and more schools are focusing on new methods of traditional education in design schools. Schools are thinking of ways of educating their students beyond your typical classroom or studio structures, combining a hybrid of teaching with online access to practicing professionals. Students are more aware than ever of what they have access to through the internet. In business school, instead of learning about economics from a tenured professor, they can learn from top executives at major companies. They no longer want to settle for a single point of view but from many resources on the same subject. Today's learning has also become focused on multidisciplinary thinking. You don't just learn how to draw you also learn how to run a business, to cross-pollinate the design school with the business school or the design school with computer science. Schools like Parsons in New York and the Savannah College of Art and Design (SCAD) have programs that educate their students in multidisciplinary ways. In fact, SCAD is the only architectural school in the country that has a program that allows an architectural student to graduate with a license. This is because they worked with the State of Georgia to fulfill those requirements and experience while attending the school. President Paula Wallace of SCAD says the following,

From day one, SCAD has prioritized the professional preparation and career attainment of students, the very heart of the SCAD mission. SCADpro, the university's in-house design consultancy and innovation studio, anchors the curriculum and, over the past decade, has partnered nearly 6,000 students with more than 260 leading companies to develop real-world, real-time design solutions. Internships and experiential learning opportunities, such as those featured in the Integrated Path to Architectural Licensing (IPAL), provide theory-to-practice engagements both within and outside the classroom. And from their first moments at SCAD, students garner the guidance of industry-veteran professors and SCADamp communication coaches, who help SCAD Bees develop the preeminent portfolios and professional skill sets for which our alumni are renowned.

It is my firm belief that one of the most beneficial things you can do while in college is an internship. One, it helps you understand the real world of the profession you are entering, and two, it exposes you to practicing designers to learn the real day-to-day activities of your profession.

You have a real passion for design, and you know you don't want to be a lawyer. You stand there with diploma in hand (or not, in the case of some interior designers). What do you do next? There are basically two choices if you want to practice your craft: You can join a firm and start your work life surrounded by people who have knowledge to share. In this case, hand this book over to your new boss. Or you can start your own design firm (but you can't call yourself an architect or sign your own drawings unless you're licensed). If you choose this route, make sure you hang on to this book for dear life.

If you join a firm, be a sponge. Take in all that you can about every aspect of the practice. Learn everything you can about the projects you're working on, the vision behind a project's design, the terms of the contract, the design process, the project's construction. Understand who all the players on the team are, internally and externally. Observe how the people around you interact with each other and how they navigate the design process, the business process, and the

ARCHITECTURE FIRM HIERARCHICAL DIAGRAM

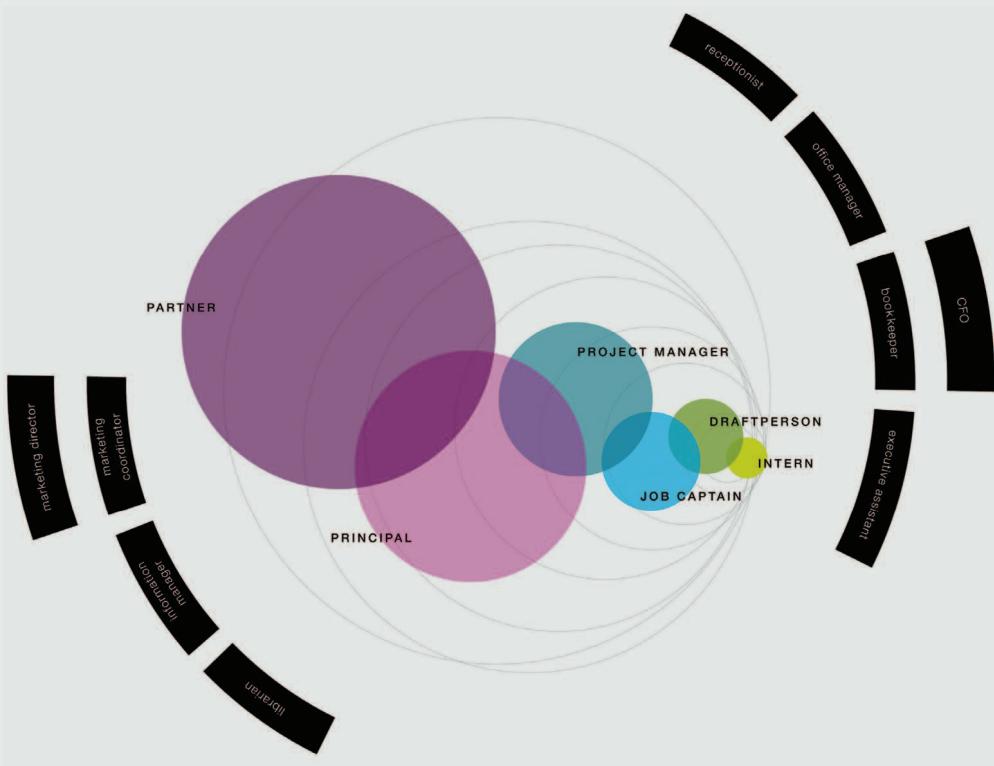


FIGURE 1

This graph demonstrates the path of the architect and the supporting staff needed for a thriving architectural business. The circles are the technical evolution of an architect from first joining a firm until he or she reaches the position of partner. The bars that surround the chart are the positions of support that are needed to run a healthy, vibrant architectural practice. They are also layered, in the case of CFO/bookkeeper and marketing director/marketing coordinator. In both cases the bar closest to the circles represents the first layer of need for these categories, and as you grow the second layer of need then comes into play.

INTERIOR DESIGN FIRM HIERARCHICAL DIAGRAM

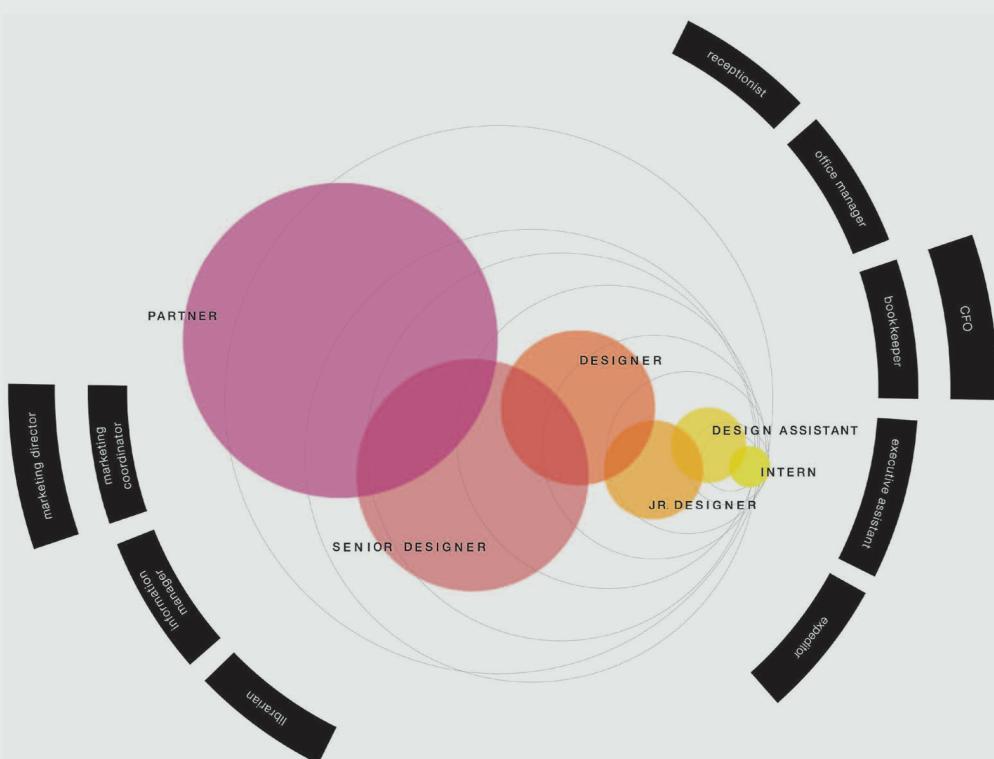


FIGURE 2

This graph demonstrates the path of the interior designer and the supporting staff needed for a thriving interior design business. The circles are the technical evolution of an interior designer from first joining a firm until he or she reaches the position of partner. The bars that surround the chart are the positions of support that are needed to run a healthy, vibrant interior design practice. They are also layered, in the case of CFO/bookkeeper and marketing director/marketing coordinator. In both cases the bar closest to the circles represent the first layer of need for these categories, and as you grow the second layer of need then comes into play.

people process. Being alert is the key to your growth and future in this profession. If you choose to work for a firm, the diagrams on page 31 show the traditional paths you can expect to follow. **FIGURES 1 + 2**

If you choose to go from school directly into your own practice, which I don't recommend, then you should be prepared for years of trial and error in getting your business right. Minimally, a couple of years of learning from others will prove invaluable. I also highly recommend participating in an internship while you're still in school.

When you're ready to open your own firm or partner with another individual, you should have several tools in place. First, you'll need a business plan. Some people believe that a business plan is a magical tool to achieve their goals. It isn't, but it can be used as a road map to reach those goals. **FIGURE 3**

WRITING A BUSINESS PLAN

When starting to write your business plan, you'll want to begin with three key elements: a vision statement, mission statement, and your firm's core values. A vision statement is the highest level of purpose for your business. The vision is a lofty goal that most likely will take your entire career to achieve. Someone once told me that having a vision is like the stars: we're better off for having them in our lives, but we may never reach them.

SAMPLE VISION STATEMENTS OF NONDESIGN COMPANIES:

“To make people happy” —DISNEY

“Committed to a culture that embraces individuality, we are accelerating the adoption of virtual care, making high-quality health care a reality for more people and organizations around the world.” —TELADOC

“To be the most respected brand in the world” —AMERICAN EXPRESS

SAMPLE VISION STATEMENTS OF DESIGN COMPANIES:

“Lake|Flato believes that architecture should respond to its particular place, enhance a site or neighborhood, and be a natural partner with the environment.” —LAKE|FLATO

“Design can elevate the human spirit.” —KAA DESIGN

CONTENTS OF A BUSINESS PLAN

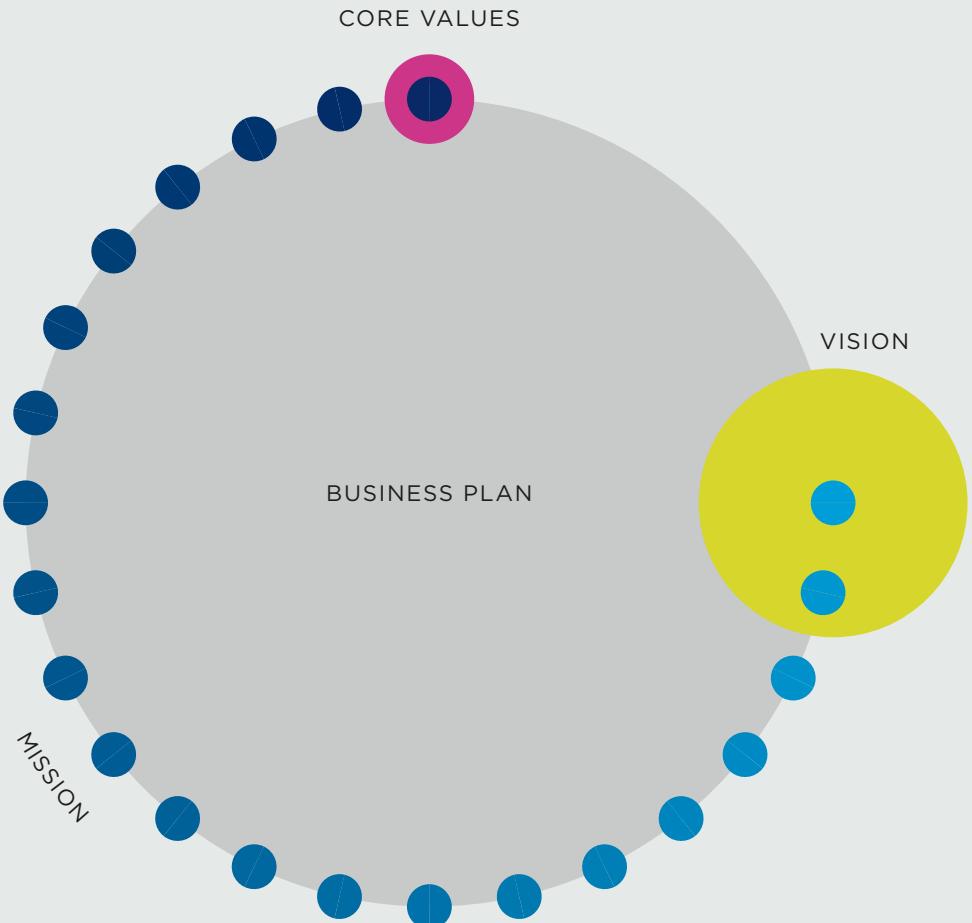


FIGURE 3
Business plan content
hierarchy

“Redefining what’s possible through the power of design” —GENSLER

“Adjaye Associates believes that architecture presents opportunities for transformation—materially, conceptually, and sociologically.”

—DAVID ADJAYE

“The ultimate house of luxury now and forever” —CHANEL

A mission statement is used to help you achieve your goals. It sets the direction for you to reach your vision: “Our firm should be a place of growing and learning for all our employees.” This means that to achieve your vision, you’ll need to support, nurture, and mentor your staff. Another example might be that you want “an inspired environment to work in,” and this may require a well-designed workplace, a healthy environment that allows people to be inspired, and an open environment in which to learn from each other.

SAMPLE MISSION STATEMENTS OF NONDESIGN COMPANIES:

“SOCIAL: To operate the Company in a way that actively recognizes the central role that business plays in society by initiating innovative ways to improve the quality of life locally, nationally, and internationally.

PRODUCT: To make, distribute, and sell the finest quality all-natural ice cream and euphoric concoctions, with a continued commitment to incorporating wholesome, natural ingredients and promoting business practices that respect the Earth and the environment. ECONOMIC: To operate the Company on a sustainable financial basis of profitable growth, increasing value for our stakeholders and expanding opportunities for development and career growth for our employees.”

—BEN & JERRY’S

“TOMS has always stood for a better tomorrow—one in which humanity thrives. To us, that means no matter who you are or where you live, you feel physically safe, mentally healthy, and have equal access to opportunity. Every TOMS purchase enables us to invest in local partners around the world who are working to create positive change in these three areas.” —TOMS SHOES

“Everything we do is inspired by our enduring mission: To Refresh the World...in body, mind, and spirit...to Inspire Moments of Optimism... through our brands and our actions. To Create Value and Make a Difference...everywhere we engage.” —COCA-COLA

“eBay’s mission is to provide a global trading platform where practically anyone can trade practically anything.” —EBAY

SAMPLE MISSION STATEMENTS OF DESIGN COMPANIES:

“Dreaming together, drawing together, building together—we connect what lies within our hearts to what surrounds it. A certain spirituality, emotion, and mood is always present, like an undercurrent. We hear this and understand what is required even if it is for a need not known; we know what house will be both diagnosis and cure.” —MCALPINE

“In lieu of subscribing to fashion and polemic, Richard Meier & Partners aims to deliver thoughtful, original, and contemporary architecture that conveys a sense of humanism and purpose while fulfilling programmatic requirements. This is achieved through an intensive collaboration with clients and consultants and careful investigation into the best ways to accommodate the program. Richard Meier & Partners exercises economy of gesture and scrupulous attention, which results in the highest standards of execution, delight in pure beauty, and respect for the client’s need to be inspired and engaged.”

—RICHARD MEIER & PARTNERS

“Rottet Studio is founded on the idea of providing innovative architectural solutions characterized by precise detail and direct response to the client’s goals. Reflecting a desire to improve the human experience through the built environment, clients receive intelligent design admired for enhanced functionality, efficiency, flexibility, and productivity, without sacrificing design integrity.” —ROTTET STUDIO

Core values are the guiding elements of your belief system. No matter the circumstances in your business or your life, you never alter these values. They're at the heart of what drives every decision you make in your career.

SAMPLE CORE VALUES:

- Learning Environment
- Excellence
- Fun
- Integrity
- Listening
- Quality
- Respect

You'll notice that making money and profitability aren't on this list. They're the by-product of all the work you produce and of the way you go about producing the work. I always tell my clients that if you are true to your values and create your best work, the money will follow. Sample core values specific to design (you might find these core values more applicable to a design firm, but there's no reason that all the previous ones wouldn't be appropriate as well):

- Community
- Context
- Design
- Livability
- Sustainability

A TYPICAL BUSINESS PLAN ALSO INCLUDES THE FOLLOWING ELEMENTS:

1. Strategies, Goals, Tactics
 2. SWOT analysis (strengths, weaknesses, opportunities, and threats)
 3. Finances (goals/budgeting, cash management, investments)
 4. Products
 5. Targeted Customers
 6. Marketing (publication controls, brochures, website)
-

-
- 7. Competition
 - 8. Market size/Locations
 - 9. Management/Personnel (office structure, recruitment, employee benefits, growth opportunities)
 - 10. Operations (project management, technology)

All of these areas are discussed in the chapters to come.

Once you have a vision statement, mission statement, and core values in place, how do you go about starting to practice? **FIGURE 4**



FIGURE 4
A sampling of design firm logos

STARTING YOUR OWN FIRM

It's important to determine whether you'll be able to afford an office to start your business or whether you need to start out of your home. Many of the great designers started out of their garages and moved into offices once the work was flowing and they needed to hire more people. In my case, I needed to get out of my house to avoid the refrigerator and the television. Finding office space was more about my sanity and less about the need for a different space. I found that once I had a small office, I could focus on my work. I also had a place to hire my first employee and a place for clients to visit me for meetings that they didn't want to have in their own offices.

In the beginning, so much depends on how much money you have to set up your new practice. If you have the capital, I recommend getting a small space outside your home. You'll also need to think

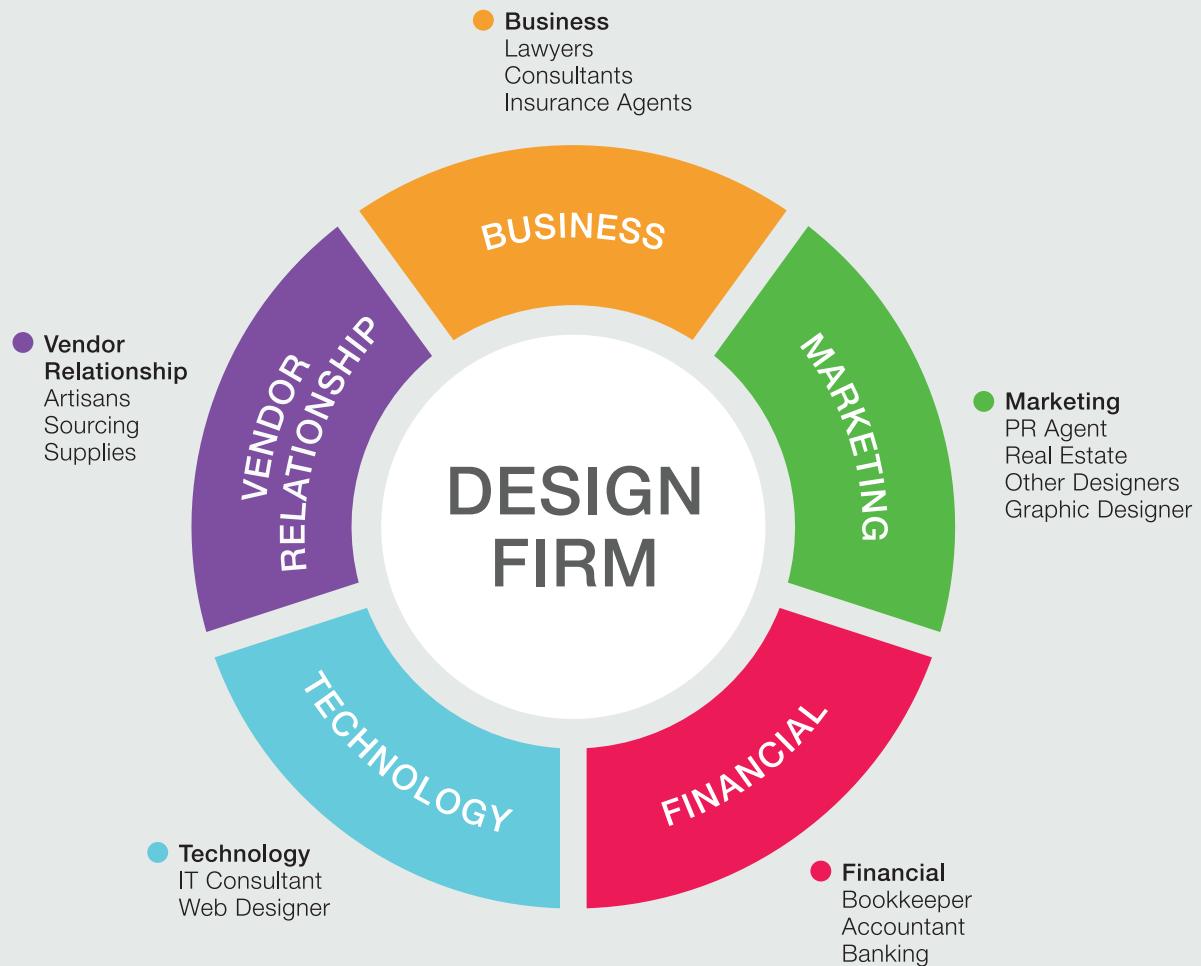


FIGURE 5

Design firms that partner with outside resources tend to thrive more than the ones that try to do it all themselves.

about the other costs associated with opening an office, including equipment (computers, telephones, printers, copiers), brand identity, website development, printed marketing materials, design software, accounting software, furnishings, and resource materials (books and catalogs).

The next steps to consider are relationships: financial, marketing, business, technology, and vendor. **FIGURE 5**

1 FINANCIAL

You'll need to set up checking and savings accounts and lines of credit.

One piece of advice I was given early on: If a bank offers you money, take it. If you wait until you need it, that is when it is harder to get. You may not need a line of credit, but it is a good security blanket.

→ Bookkeeper: To produce your monthly financial statements and reconcile your bank statements, invoice your clients, collect funds, and pay bills.

→ Accountant: To file your taxes and review your financial statements.

2 MARKETING (SEE ALSO CHAPTER THREE)

→ Graphic designer: To create a logo and design your stationery and promotional material.

→ Public relations agent: To help spread the word about who you are as a company and to make sure that you're not the "best kept secret."

→ Real estate agents/developers: These can be sources for new work, and developing strong relationships with them can help bring in new clients.

→ Design consultants: A resource as needed. They can also lead to project referrals.

→ Interior designer/architect: Depending on your practice, to share work or collaborate on projects where your skill set is needed.

→ General contractors: They can be a tremendous source for business and having a solid relationship with a couple of contractors builds resources for future work.

→ Organizations: Join an organization with like-minded people. Being part of a community will help you grow and learn from others.

3 BUSINESS

- Lawyer: To review design contracts, office leases, equipment leases.
- Management consultant: To help create fee structures and negotiate your contracts, and to assist in developing your business plan and strategic plans.
- Insurance agent: To make certain you're well protected in all your insurance needs.

4 TECHNOLOGY

- IT support: Someone to understand your IT needs and to help with computer problems and software and hardware solutions.

5 VENDOR

- Alignments: Establish relationships with vendors with whom you'll work regularly, for example, office supply vendors, printers, computer consultants. Especially in interior design, finding great sources for products and services is what will set you apart from other designers. It'll also distinguish you to have access to great artisans who can bring added value to your projects.

With your business plan in place, office space figured out, standard contract in hand, and many of your business relationships established, all you need is your first client. I guess you could say you're dressed for the dance, you just need to find the ballroom. Or as one of my first clients once said to me, "We're like a fine-tuned race car looking for the track." What we learned was that sometimes it's easy to get so preoccupied with locating the track that you don't realize the car was the problem. There are many kinks that may need to be worked out initially, but it's imperative to recognize the importance of having the foundations of the business in place so that you can focus on the work.

The design profession, like many others, is as much about who you know as it is about how you design. In other words, you may be the most talented person on the planet, but if no one but you knows that, then your chances of working on great projects will be limited. You need to get out in the world and meet people and find the work.

Your practice will be far more successful if you can rely on repeat business coming from referrals rather than always seeking new

clients. The relationships you build with your clients, your community, and your peers will bring you work. If you make yourself visible, people will remember you and what you do. This will allow them to consider you for their next project.

For the past ten years, after the financial crash of 2008–9, we have been in a time of great growth, with high demand for design by the public. You could simply say you were a designer, and there was work for you. However, we never want to forget the lessons we learned from 2008. It was a time when only the companies that were nimble and able to make changes quickly survived. The lesson was assess your work, assess your staff, and assess your financial health quickly and then make moves that will allow you to survive if work starts to dry up.

The real lesson to be learned here is to run your design practice as a business, and you'll be prepared for whatever comes your way. Plenty of firms struggled during the good times because they never focused on running a business, and the bad times weeded out the firms that weren't stable or nimble enough to manage through the downturn. In a design practice, the operations are the background noise, and the systems discussed in this book quiet that noise and allow you to do your best work.

STRATEGIC PLAN

Some people talk about their business plan, and some talk about their strategic plan; I'm often asked the difference. A business plan is a road map for setting up and running your business, while a strategic plan allows you to take one or more strategies within your business and formulate a plan to achieve a desired result. Typically, people develop their business plan before determining or creating a strategy. For instance, if I ran an architecture firm that worked with many landscape designers, and I decided to set up a landscape department within my company, I'd write a strategic plan for achieving that goal. Its contents might be similar to a business plan, but they'd be more specific to a single strategy or multiple strategies.

If you decide to add a discipline to your practice, like a landscape division, the process might look like the following. First, identify the strategy, then create a vision for the strategy and determine what your goals are for the strategy. Once you've defined the goals, break down each goal with a tactic that eventually gets the desired result. Other considerations include defining what additional needs you have outside your core business: deciding whether to buy a practice or hire and train professionals who have the desired skill sets; determining how to run the marketing; setting financial budgeting and goals for the new division; fulfilling staffing and resource needs to develop the strategy; and creating a timeline to achieve the strategy.

Think of it as running a marathon. You don't just decide to sign up and run a marathon. You determine that it's your goal to run and then you start training, a little bit each day, to get your body prepared for the big run.

ASK YOURSELF THE FOLLOWING QUESTIONS:

1. Who will run the division?
2. Do I need a team now or can that wait?
3. How do I get work?
4. How do I build a portfolio to continue to get work?
5. How will I market this new division?
6. Do we need new stationery, a logo?
7. What kind of capital do I need to start this endeavor?
8. Do I have adequate space if I need to hire new staff?
9. Do we need to create a new/combined contract to service the work?
10. Are there any specific technology needs (software/hardware) to run this department?

The reason for a strategic plan is to help you make the right decisions and to determine why you desire to shift your firm's focus to a new strategy and the implications of that shift. When companies that Granet and Associates has worked with jump into an idea without thinking it through, they tend to fail with their strategy.

In later chapters I talk in depth about all of the facets to the art of running a successful design firm. Plenty of illustrated design books on the market can inspire your design, but few books exist to guide you through creating a business foundation for your firm that gives you greater space to focus on design.

TOP TEN GOOD BUSINESS PRACTICES

To end this chapter, I offer you my top ten business practices, which are elaborated in much greater detail throughout this book.

1 LEARN TO SAY NO. This may be the best lesson you will learn from this book. We all know when our gut tells us that a client or a project is not right for us, but we don't always listen to our gut when we need work or are enticed by a charming or famous client. Saying no to the wrong client and the wrong project is what will save your sanity, save your reputation, and ultimately save your firm. You should learn as much as you can about potential clients and their history in working with designers. And just listen to your gut, it'll serve you well every time.

2 THE 10 PERCENT FINANCIAL RULE. I explain this in detail in chapter two, so I'll just say here that the rule suggests that you take 10 percent of your fees out of your project budgets to allow for a contingency and potential efficiency in managing a smaller dollar amount. People manage the money they have access to, and this way you'll have a contingency available that won't eat into your profits. In addition, I recommend that every check you receive, you take 10 percent of the funds and put them into a savings account. You'll be surprised by the amount of money that can accumulate after a short time.

3 RECEIVE KEY FINANCIAL INFORMATION WEEKLY. It is important that you are always staying abreast of your financial status. I recommend that each week you ask your financial support person, whether they are a bookkeeper, controller, or CFO, to supply you with the following information: bank balances, an accounts receivable update (who paid you that week), an accounts payable report (who you still owe money to).



FIGURE 6

This is a dashboard to review your company's financial performance on a single piece of paper. See the text that follows for a more detailed explanation of each line.

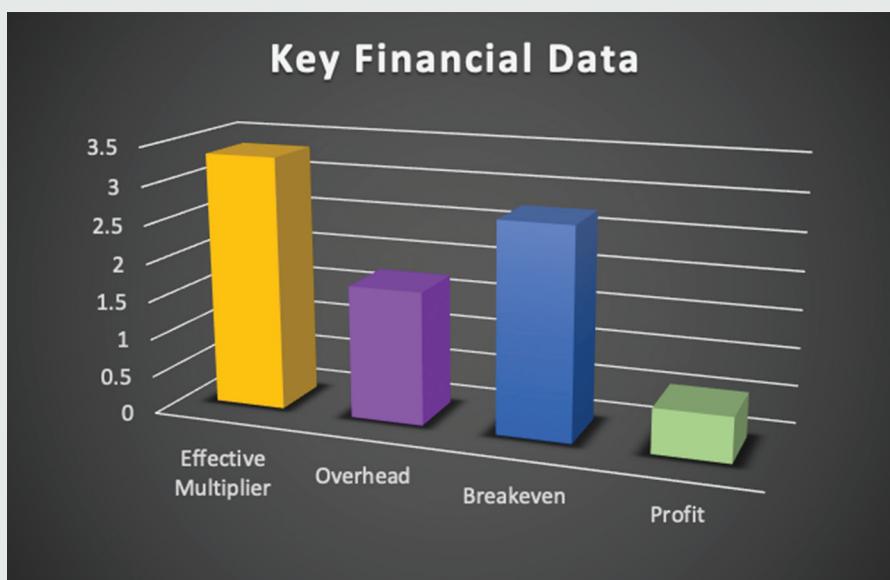


FIGURE 7

Key financial data that aids you in seeing trends in your company's financial performance

4 REVIEW YOUR FINANCIAL STATEMENTS MONTHLY AND ANALYZE THEM QUARTERLY. You will always be on top of your company's financial health this way, and you can also address any trends quickly and make corrections to avert major financial crisis down the line.

FIGURES 6 + 7

5 BUILD STRONG COMMUNICATION TOOLS. Communication is the single most important tool for any company and the single largest reason (when that tool is ineffective) why companies fail. Some examples of good communication habits:

- Monday-morning management meetings
- Monthly all-staff meetings
- With any staff working remotely, daily or weekly check-ins to keep them focused
- Regular annual reviews and quarterly employee check-ins
- Regular meeting minutes for your clients throughout the project

6 REVIEW YOUR STAFF REGULARLY. I address this in chapter four, but there is nothing more important to your employee's growth than reviewing them and setting goals for the year ahead. It is also important that you create a system for regular check-ins during the year so that goals can be monitored and issues resolved as they appear. Please note that reviews are for setting goals and not for disciplinary actions. You need to address issues as they occur and not hold them until a review. That will not only be inefficient but also will eat away at you until the issue is addressed.

7 ALWAYS PROMOTE FROM WITHIN FIRST. If you don't have the talent you need in your firm, then you have to look outside for it, but in the end, you will always be far more successful if you grow your staff from inside your organization.

8 LOOK FOR WORK WHEN YOU ARE BUSIEST. This is often difficult because you tend to be focused on the work you already have, but if you wait until you need the work, it's too late. You should always be looking for work; there's a true skill in knowing when to take on the work and how to make clients wait for you until you can handle new projects.

9 TAKE CONTROL OF YOUR VOICE ON SOCIAL MEDIA. When you present yourself on social media, it is important to communicate your voice. Sometimes it is easy to hand over the task of posting an image and commenting with editorial, but if both of those tasks are inauthentic, then the message you are sending is the wrong message and it will not result in receiving the type of inquiries you are after. Make these posts in your voice.

10 LEARN FROM YOUR YOUNGER STAFF ABOUT THE TOOLS THEY ARE FAMILIAR WITH AND TEACH THEM THE LESSONS YOU HAVE LEARNED THROUGH EXPERIENCE. As I will explain in the human resources chapter (chapter four), the people in our offices today represent multiple generations. From baby boomers and Gen Xers to Millennials and now Gen Zers, you probably have two or more in your organization. With each generation comes a skill that is unique to the next. Take advantage of the knowledge each generation possesses.

“Success is not final; failure is not fatal: it is the courage to continue that counts.”

—WINSTON S. CHURCHILL

CHAPTER 2

Business and Financial Management

“In ‘Chapter Two: Business and Financial Management,’ Keith talks about understanding your ‘value’ and in our practice, we have found that the value that we provide to our clients has become more important than ever over the past ten years. Especially if a firm bills time and materials, the value provided to clients is measured in dollars and cents, and being able to stand behind your monthly billing is vital. When we talk to our employees about filling out their time sheets, we always emphasize the importance of the ‘value to the client’ instead of hours on the clock.”

—BROOKS WALKER, WALKER WARNER ARCHITECTS

“Be honorable in your dealings with others. Do the best you can do. Anticipate the future. Watch the money, and profit will take care of itself.”

—MARK FERGUSON, FERGUSON SHAMAMIAN ARCHITECTS

“Business and financial management allows you to operate on an entirely different level. Prior to having good financial management, we did okay. But when we established a detailed, full accounting process and could measure and set more detailed goals on a regular basis, the growth of the office became strong.”

—WILLIAM HEFNER, STUDIO WILLIAM HEFNER

“Our clients who stay focused on their business as much as their designs have been the most successful firms. They regularly review their financials and look for ways of running their businesses more effectively and efficiently.”

—JON VASZAUSKAS, GRANET AND ASSOCIATES

“For any design firm to flourish, good financial and business management practices are essential. While doing exceptional work and being responsive to clients aspirations will always be the key to generating new and repeat business, financial awareness and constant vigilance is fundamental to ensure the fruits of great design work are realized in the bottom line.”

—PETER FRANCIS, FERGUSON SHAMAMIAN ARCHITECTS

Business and financial management don't need to be foreign languages to designers. The finances of your business are your lifeline; without solid financial systems and an understanding of what it truly takes to run your business, you'll be distracted by what I call "the background noise of your business" in Chapter One. You know these noises: they're the sounds of worry that keep you up at night, the voices that you hear in your head asking where that next project is coming from or how you'll pay the rent or make payroll. These noises never really go away if you're responsible for the firm's livelihood. But you can lower them so that they no longer keep you up at night.

If you put the systems in place that are outlined in this chapter, you'll have the tools to keep informed about financial- and business-related issues. And you won't have to read thousands of pages of financial data. A good bookkeeper or controller and certainly a chief financial officer can create these documents for you in a way that's less of a burden to understand and gives you peace of mind. For years I've been presenting financial data to my clients in an easy-to-understand, graphically compelling way that, in fact, they look forward to seeing each month. As the key stakeholder, or for that matter anyone who's even the smallest stakeholder, you're responsible for understanding your company's financial health. Time and again, firms have hired me because the principal couldn't understand why the company wasn't making any money when everybody was working so hard.

A couple of years ago, I was hired by the owners of a prominent interior design firm to help restructure their practice after they learned that their bookkeeper had embezzled \$3 million. Now, this isn't General Motors; this is a small, successful interior designer. You can imagine my first question: how could you not miss \$3 million? The answer was that it happened over a fairly long period of time. The bookkeeper took small amounts each month from the design firm client's profits on the sale of furniture—even though the firm was marking up the furniture at 35 percent, it was only making 25 percent profit. It wasn't until the bookkeeper actually got greedy (as embezzlers always do) and started taking more that the firm's accountant started

looking into the problem. The point here is that, ultimately, it's your responsibility to oversee your company's financial controls.

When I tell my new clients how important it is for them to put these systems in place and to be responsible for their firm's finances, I get a very typical response: "I'm a designer and I need to trust the people I hire to handle the business side, otherwise I'll be taken away from my job as a designer." Nothing could be farther from the truth. Remember those background noises. They exist because you don't trust the people in those positions, and you don't trust the tools you have to keep you from worrying. If you have these controls in place, they'll free you up to design more, and you'll do better work because of them.

Sometimes it's not only about looking at the numbers. In this profession many designers are guilty of loving their work so much that getting paid for it simply is not a priority. One of my first clients, a prominent residential architect, came to me because he said he'd been in practice for twenty years, but the business was nowhere near as lucrative as the perception the client had of his business. He asked me to examine his books and figure out if there were a way to make more money. The firm was known for its high level of service and high level of client hand-holding.

What I discovered in reviewing the books and the project financial reports was that he wasn't following the language in his own contracts that allowed him to increase his fees should construction costs increase. When you base your fees on the cost of construction, you're entitled to raise your fees as those costs grow. This protects you if the project expands in scope—your fees will also increase to compensate for the true size of the project you're designing. In this case he was not increasing his fees, which left tens of thousands of dollars on the table, simply because he didn't want to nickel-and-dime his client. It wasn't that costs went up because the client kept picking more sophisticated materials: the client had increased the project's scope and detail, causing a significant change in the construction costs, which were the basis for the architect's fee.

Unfortunately, he was the typical architect who thought that as long as salaries and overhead were paid for, he was doing well. The

truth is, his reputation allowed him to charge almost whatever he wanted, and clients would pay for it because the work was that beautiful. Today, after almost sixteen years of consulting with Granet and Associates, this architect finally has a lucrative business. In fact, he was able to build his own home and now lives like his clients. I share this story with you to demonstrate that at the end of the day, this is a service business that also happens to produce beautiful things. If you have talent, your time should be worth a lot. If it takes you ten minutes to design a detail, is it worth only ten minutes of your time? It's taken you a lifetime to figure out that detail, and it should be worth more than the time you spent in drawing it. I tell my clients "I don't get paid for my hours, I get paid for my knowledge." This allows you to be paid for your value, not just your time.

Value is a misunderstood word, but most people understand it when they truly feel it. When you spend a lot of money for clothes and they fit perfectly, or when you stay at an expensive hotel and the service is impeccable, you understand the value. The same goes for design: if clients understand what they're agreeing to in their contracts and you give them the best service and you don't surprise them ever with an invoice that they're not expecting, they'll pay their bills and pay them on time.

Once you appreciate the value you bring to the table, it'll be easier for a client to perceive that value. It's difficult to identify your own value no matter what profession you work in, but once you figure it out and deliver it, getting paid for it is much easier.

But to demand your highest fees, you need to have good business systems in place. Whether you're opening a new practice or you have an existing one, these systems are necessary for running your business. Let's start with the financial tools.

FINANCIAL TOOLS

You should have a fully integrated accounting system that can handle all functions of your firm. In architecture I recommend the software called Deltek Vision; in interior design, Studio Designer (for total transparency, since I published the original book, I have purchased

Cohen & Assoc 2020 Profit Planning Monitor									Tuesday, August 4, 2020 10:37:08 AM
Cohen Associates LLC									For the period 1/1/2020 - 3/31/2020
	Jan 2020 Budget	Jan 2020 Actual	Feb 2020 Budget	Feb 2020 Actual	Mar 2020 Budget	Mar 2020 Actual	YTD Amount	YTD Budgeted	YTD Budget Variance
Revenue									
Revenue Fee & Labor	91,084	(581,084)	91,084	(270,187)	91,084	(623,953)	119,903	273,252	(153,349)
Revenue Consultant & Expenses	29,837	2,169,485	29,837	2,808,991	29,837	2,075,730	3,838,659	89,511	3,745,148
Total Revenue:	120,921	1,588,400	120,921	2,538,804	120,921	1,451,778	3,958,562	362,763	3,595,799
Reimbursables									
Reimbursables	4,441	31,593	4,441	211,148	4,441	27,852	96,407	13,323	83,084
Reimbursable Consultants	19,133	12,954	19,133	27,602	19,133	9,314	126,774	57,399	69,375
Total Reimbursables	23,574	44,546	23,574	238,750	23,574	37,165	223,181	70,722	152,459
Revenue Less Reimbursables	97,347	1,543,854	97,347	2,300,055	97,347	1,414,612	3,735,381	292,041	3,443,340
Directs									
Direct Labor	28,536	490,745	28,536	423,034	28,536	192,306	1,335,389	85,608	1,249,701
Direct Expenses	12,307	5,435	12,307	172,731	12,307	(15,992)	(1,195)	36,921	(38,116)
Total Directs	40,843	496,180	40,843	595,765	40,843	176,314	1,334,195	122,529	1,211,666
Revenue Less Reimbursables, Directs	56,504	1,047,674	56,504	1,704,290	56,504	1,238,298	2,401,186	169,512	2,231,674
Indirects									
Indirect Labor	14,171	3,055	14,171	8,228	14,171	4,639	(295,699)	42,513	(338,212)
Indirect Overhead	305,672	259,496	305,672	534,913	305,672	464,131	21,244	917,016	(895,772)
Total Indirects	319,843	262,552	319,843	543,141	319,843	468,770	(274,455)	959,529	(1,233,984)
Total Operating Expenses	384,260	803,278	384,260	1,377,656	384,260	682,249	1,282,920	1,152,780	130,140
Total Operating Profit/Loss	(263,339)	765,122	(263,339)	1,161,148	(263,339)	765,529	2,675,641	(790,017)	3,465,658
Other									
Other	801.00	Provision for Income Tax	(914)	(914)	(914)	(914)	(2,742)	2,742	
	802.00	Salaries - Admin	154,820	172,189	154,820	80,001	154,820	77,513	24,005
	803.00	Deferred Compensation	12,744	0,718	12,744	2,823	12,744	11,550	(40)
	804.00	Employers Share 401k	25,000	30,439	25,000	14,851	25,000	15,691	75,000
	Total for Other		191,656	212,346	191,656	103,535	191,656	104,763	24,025
	Total Other Charges		191,656	212,346	191,656	103,535	191,656	104,763	24,025
	Total Profit/Loss		(454,995)	572,776	(454,995)	1,057,613	(454,995)	664,766	2,651,617
									(1,364,985)
									4,016,602

FIGURE 1

Profit planning monitor from Deltek Vision software compares your budget with the operating income and expenses for a given period and for year to date.

Studio Designer because I believed it was the best software for the interior design industry). These two programs consistently provide the most comprehensive data to run a design practice. Examples of the reports generated by these systems are found throughout this chapter. The features of a fully integrated system include the ability to create monthly financial reports. Most of these reports should be able to be run on two methods of accounting: cash and accrual. The cash basis reporting shows the dollars received (income) and the dollars spent (expenses) in the month. The accrual method shows the dollars billed (income) and the expenses booked, but not necessarily paid, in the month. The accrual method is a much more accurate way to look at your company's financial health; the cash method is used much more for tax reporting. These reports include income statement, profit planning report, balance sheet, general ledger, cash journal, accounts receivable report, accounts payable report, project-related reports, project progress report, project summary report, time analysis report, purchasing reports, summary reports—all at a moment's notice with the push of a button.

INCOME STATEMENT

This is also called a profit-and-loss statement and can be printed in a cash or accrual version, depending on the information you're looking for. Most of the time, accrual reports are used to examine a company's monthly performance. They compare monthly income and expenses resulting in a profit or a loss for the current month, as well as the year-to-date information, for your firm. This is an important tool to export certain key financial data and determine how you're performing within the industry you work in and to assist you in understanding any problems that may exist in either the billing or the expense side of your company.

PROFIT PLANNING REPORT

Depending on the type of system you're working with, this tool has different names: an operational budget report or an actual versus budget analysis. The purpose of this tool is to compare every line item on your

income statement with each item's budgeted amount. This report can be compared both from an accrual and from a cash basis method of accounting. Some items may be fixed costs, such as rent; others, like marketing expenses and any unexpected expenditures that you've chosen to invest in during the year, will vary from month to month.

You should make your best effort to create an annual budget to determine if you're on target with income and expenses and if they're aligned with what you intend to earn or spend. This is one of my favorite tools for clients because they truly know where every dollar is being spent and what every one of their own clients is being billed. If the report shows a loss, it's an important tool to figure out how to correct or manage the problem; if there's a profit, to learn how to continue to do things right. One thing to remember about this information is that it's at least a month old. By the time you see it, there isn't much you can do, but you can correct the situation by understanding the source of the problem. It's also important to use other reports that help you monitor your company's weekly and daily performance. **FIGURE 1**

BALANCE SHEET

This report can also be shown as either cash or accrual, depending on your needs. A balance sheet has three sections. The first is a list of all your assets: cash, accounts receivable, investments, equipment, and any other asset the company may own. The second is your liabilities: the items you owe to others, loans, accounts payable, retainers on account from your clients, and any other debt, such as credit lines and credit cards. The third lists the equity that tells you what your business is worth on paper: it's simply the difference between the company's assets and its liabilities. If your equity is high, it means that your assets outweigh your liabilities; if your equity is in the negative, you're losing money, and the company isn't making enough money to carry the debt it currently carries.

The balance sheet is something that you'll want to look at monthly to follow your cash balances and your accounts receivable and accounts payable.

GENERAL LEDGER

This report tracks every entry that's posted against your financial statements. This detail is vitally important when reviewing your financial reports because it allows you to review every entry to see if an amount seems out of line for the month. The general ledger also details exactly what expenses are posted to a certain account. For example, if the office supplies account seems unusually high, the general ledger will indicate the actual charges that have been posted against that account. Your supplies may have just been restocked, or you may find that an error was made in entering the expense, or perhaps there's some other problem that needs to be addressed. The most important thing you can require of your bookkeeper in keeping this report accurate and useful is to make sure there's consistency in how items are identified in your books and there's a clear and concise explanation of the item being posted. Having someone post "credit card charges" doesn't help you understand the actual expense charged against that account.

CASH JOURNAL

This report is exactly as the name implies: it details the cash coming in each month and the cash going out. This is helpful in understanding your monthly cash flow. It isn't the appropriate tool to use to understand profitability, but it's the tool you can use to know if you're meeting your monthly expenses and to understand your tax position.

ACCOUNTS RECEIVABLE REPORT

This report is a simple breakdown of who owes you money from the invoices you've billed to your clients. It's based on how old an invoice is (or "aged"), typically organized in monthly increments and determined by the date when it was mailed. Most reports show you what invoices were just mailed and what invoices are still outstanding from the last thirty-, sixty-, and over-ninety-day cycles. This report allows you to track the problem payers and address them before they get too delinquent. Remember that the older a bill is, the harder it is to collect. Good reporting tools also show you the last payment you received from a client and for which invoice it was paid. Sometimes this feature

is helpful to see if a client skips a payment. With this information, it'll be easier to address this problem.

ACCOUNTS PAYABLE REPORT

This is also an aged report that tells you to whom you owe money. It's customary in large commercial design firms to invoice for consultants who are going to run through its office, such as engineers. Therefore, it's important to understand to whom they'll owe money once they get paid by the client. Often the language in your contract addresses payment terms called "pay when paid," which enables architects to wait until they get paid by the client before they have to pay their consultants. I've witnessed on numerous occasions that when cash flow gets tight, many designers use funds that come in to help supplement their own cash flow. This is a bad practice because if things don't quickly improve, you'll have difficulty finding the money to pay your consultants. I was once brought into a firm that needed to get out of financial trouble because it used over \$1 million of its consultants' fees to fund its own bad management issues. It was a painful transition for the company and almost put it out of business, but we were able to negotiate terms to pay everyone back. It's important to never think of this as your money and to pay those consultants immediately when the cash comes in. Understanding exactly how much money you owe people helps you understand your true cash flow and manage relationships with your vendors. If you find yourself in a difficult spot, it's better to communicate your difficulties to your vendors than to have them spread the word that you aren't paying your bills. It all comes down to communication when managing relationships and expectations.

PROJECT-RELATED REPORTS

The following reports are essential to help you manage your projects from a financial standpoint. The project progress report shows you the progress of each individual project in your office. It should detail the current time period and the project-to-date figures (the total time and expense charged against a project from its inception) to help you understand how successful (or not) these projects are for the firm. A

good tool will tell you as much detail as you need or as little as you are capable of managing. The reports can often show great levels of detail, but few people are capable of actually managing that much information. The more comfortable you are with the data, the more effective you'll be in your management. What this report allows you to track is exactly who charged time to your project and what expenses are being applied to the project. It also compares the established budget with the fees you've negotiated for the project. If you see you're going off track, then this tool allows you the opportunity to correct the project's path. Without this information you're managing in the dark. Typically, this data is updated weekly.

The project summary report is a summary of all the projects in your office for a given period of time. Many systems allow you to sort this report in different ways. For instance, if you want to see this data by principal or project manager, then you can see how successful all the projects under the direction of that person are and compare them with those being managed by the other people in your firm. You could also sort by project type to see what projects are most successful for the office. You may learn that one principal excels at one type of project, and it may make sense to move another type of project to someone with a different skill set. This report is valuable in understanding your project profitability from a broader perspective. If you need to dig deeper, you can always look at the project progress report for more detail.

The time analysis report tracks your staff's time by the week, month, and year. Not all software produces this information, but it's valuable to see how much direct time—the amount of billable time—your employees have for the period you're analyzing. At the beginning of each year, you should establish goals for your employees in order for them to understand what's expected of them when it comes to how "billable" you want them to be. There are standards for staff to be billable in percentages based on hours officially in the office, which are listed below. **FIGURES 2 + 3**

Time Analysis by Discipline

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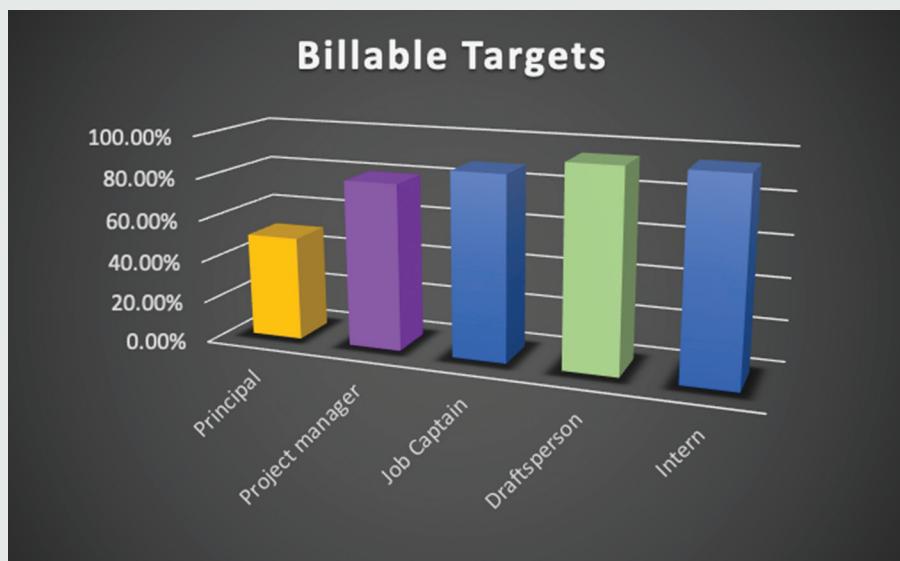
Cohen Associates LLC									
	Total Hours	Direct Hours	Indirect Hours	Target	Direct/Total	Vacation	Sick	Bus Dev	Other
Discipline: 00 Admin									
00001 Apple, William									
Periods	2,541	2,220	321	85	87	88.50	44.00		188
Total for 00	2,541	2,220	321	85	87	88.50	44.00		188
Discipline: 01 Architecture									
00003 Collins, Abby									
Periods	2,085	1,913	152	85	93		32.00		120
00005 Lambert, Robert									
Periods	2,435	2,297	138	75	94		8.00	24.00	106
00013 Baugh, Laura									
Periods	2,268	2,140	128	80	94		32.00		96
00201 Anderson, Steve									
Periods	2,077	1,874	203	70	90		8.00		195
00901 Wellington, George									
Periods	2,226	2,117	109	30	95		27.00	18.00	64
UK001 Hodge, Darryl									
Periods				90					
Total for 01	Periods	11,071	10,341	730	68	93	107.00	42.00	581
Discipline: 03 Engineering									
00001 Apple, William									
Periods				85					
00008 Getson, Laura									
Periods	2,831	2,486	345	70	88	54.50	24.00		267
00020 Little, Sally									
Periods	2,377	2,215	162	65	93		16.00		146
00022 Lewis, Carl									
Periods	2,248	2,106	143	70	94		8.00	16.00	119
C0024 Cohen, Grace									
Periods	2,199	1,342	857	85	61				857
Total for 03	Periods	9,654	8,148	1,507	75	84	54.50	48.00	16.00
Discipline: 04 Environmental									
00030 Sinenci, Julie									
Periods	2,416	2,265	151	65	94			16.00	135
00044 Lee, Martin									
Periods	1,222	753	470	85	62				470
00149 Bartlett, James									
Periods	1,798	711	1,087	85	40				1,087

v4.0.0.0 (William Apple) - * Ratios: C = Target, A = Direct / Total, Current Period Range : 01/2014 to 12/2014

Page 1 of 2

FIGURE 2
Time analysis report from Deltek Vision software analyzes the staff's billable time and compares it with the target set for each employee.

FIGURE 3
Billable targets for different levels of staff



Principal: 50 percent (mostly because they spend a fair amount of time marketing the firm)

Project Manager: 80 percent

Job Captain: 88 percent

Draftsperson: 95 percent

Intern: 95 percent

The standard number of hours that people work annually is 2,080, excluding overtime, and from that we deduct the amount of vacation, sick, and holiday time they've earned. For example, if you have a full-time employee working 2,080 hours and he or she gets two weeks of vacation time (80 hours), one week of sick time (40 hours), and seven paid holidays (56 hours), the math looks something like this: $2,080 - 80 - 40 - 56 = 1,904$ potential billable hours. If we want them to be 90 percent billable, then their target would be 1,714 hours that we'd want them to bill on projects during the year. If their billing rate is \$100 per hour, then you could budget for them to earn \$171,400 for the company in a given year, based on their billable time. This doesn't take into account any overtime or time you may choose to write down for lack of efficiency or being over budget. I've found this formula useful to determine expected revenue by staff. Of course, you'll need the work to make certain you have the amount of assignments necessary to bill this much time. (My philosophy has always been to hire first for talent, and the work will follow.)

PURCHASING REPORTS

If your firm purchases goods and services on behalf of your clients, you'll want to make sure you understand how much you've billed your client for these goods and services and how much you owe your vendors for these goods and services. For example, if you're custom building a sofa for your client, it may require five purchase orders: one for the frame, one for the finisher, one for the upholsterer, one for the fabric, and one for the trim. You'll need to get deposits from your client for the cost of each item and then keep track of each purchase order to know when the remaining balances are due. Even if the client pays for

PURCHASING REPORT

Client / Project	Item	Description	Room List
ANTHONY	001	Sectional Sofa in Grey Linen	Residential
ANTHONY	009	Wall Light	Residential
ANTHONY	002		Residential
BROWN	010	This bookcase takes rattan to the top with five shelves of handwoven detail.	Residential
BROWN	001	ALMOST ESSENCE SCONCE	Residential
BROWN	001	INDUSTRIAL STEEL + DOWN + COTTON BLEND	Commercial Project
BROWN	001	Reeded Bois Coffee Table	Cindy Custom Room List
BROWN	009	Wall Light	Residential
BROWN	001	Coffee Table, Cream	Brown Custom Room List
BROWN	001	A tall, serene lamp, mould-blown to create its charming drop shape, and made in beautiful bubbled mi	Brown Custom Room List

Activity	Client / Vendor	Description / Item Link
Reminder TO-DO	ANDERSON - MOUNTAIN VIEW ROAD	note
Drafting	LONDON	Note
Retainer	STUDIO DESIGNER OFFICE	Retainer
Meeting	STUDIO DESIGNER OFFICE	Meeting
Note	ANDERSON - MOUNTAIN VIEW ROAD	Note - talk with team next week
Meeting	BROWN	Meeting
Note	BROWN	Meeting
Note	STUDIO DESIGNER OFFICE	Note - reminder to discuss custom finish on friday meeting
Reimbursable	ANDERSON - MOUNTAIN VIEW ROAD	FedEx, Shopping at Mart, Fabric delivery to MMCD Upholstery
Note	BROWN	note to follow up

FIGURE 4

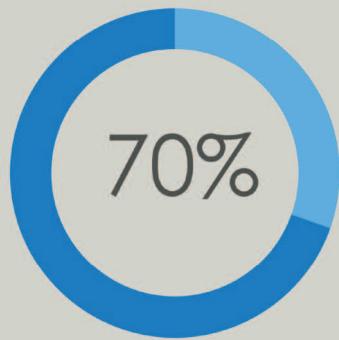
Sample of a purchasing report from Studio Designer

100 percent of the piece up front, you still need to manage the dollars going to each vendor. Multiply this by the hundreds of items you're buying, and it becomes a complicated management issue. With the right reports, you can track every expense as well as how each item is moving from vendor to vendor. These reports help you manage the purchasing process. If you're managing services on behalf of your clients, these reports can help you manage the percentage the vendor is reporting are complete compared with the percentage that actually are complete.

The most important thing to realize from all these reports is that they represent historical data, which means there's nothing you can do about what has already occurred, but what you learn from these reports can influence how you manage your firm and the success of the projects moving forward. Summary reports are often created by your software, but in many cases, they're created in a way to allow you to export them to Excel, which allows you to customize them to your firm's needs. **FIGURE 4**

Executive Summary INTERIOR DESIGN FIRM

Percentage of Income Spent



Summary

TOTAL MONTHLY INCOME

\$295,450

TOTAL MONTHLY EXPENSES

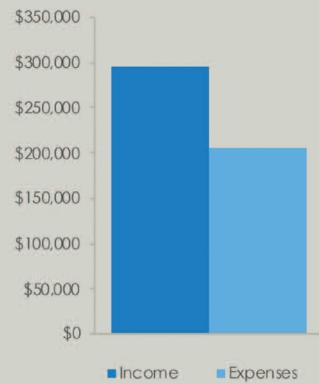
\$205,580

TOTAL PROFIT

\$89,870

CASH BALANCE

\$658,255



Key Ratios

Effective Multiplier	4.20
Overhead	2.25
Breakeven	3.25
Staff Utilization	77.00%

Other Financial Data

Cash - Checking	\$165,220
Cash - Purchasing	\$418,035
Client Deposits	\$75,000
Accounts Receivable	\$214,991
Accounts Payable	\$59,550

FIGURE 5
Sample Executive
Summary report, which
provides a snapshot of
an interior design firm's
financial health

Now that you know what reports you need in order to run your firm, I can show you how to review all this data. The following report we created years ago for our clients. We call it our “Executive Summary,” and it’ll help you manage your firm each month. It’s a dashboard that can show you your financial health on a single sheet of paper. [FIGURE 5](#)

DESCRIPTION**Top Left**

Percentage of Expense to Income

Summary Lines:

Total Monthly Income: Your total billing for the month

Total Monthly Expenses: Your total expenses for the month

Total Profit: This is the amount of money you made for the month

Cash Balance: This is all the cash you have in your different checking and savings accounts.

Bar Chart:

A visual graph to compare income to expenses

Bottom Key Ratios:

Effective Multiplier: This shows you for every dollar of labor you spend on a project the amount of money you are earning in billing

Overhead: This shows you for every dollar in labor on a project what it costs you to cover your overhead.

Breakeven: This shows you for every dollar in labor you bill on a project what you need to breakeven and cover your costs. If your Effective Multiplier is higher than your breakeven you are making a profit.

Staff Utilization: This is the amount of time your staff is billable on a project against all the time they spend working.

Other Financial Data:

Cash Checking: End of month cash in your checking account

Cash Purchasing: End of month cash in your purchasing account

- Client Deposits: The amount of money clients have given you for products not yet purchased
- Accounts Receivable: Amount billed and not received by the end of the month
- Accounts Payable: Amount of money you owe to people who have billed you.

FIGURE 6
Deltek Vision software is one of the most utilized software packages at architectural firms across the country.

Deltek Vantagepoint >

Streamline your Business. Increase Profitability. Manage Beautiful Projects.

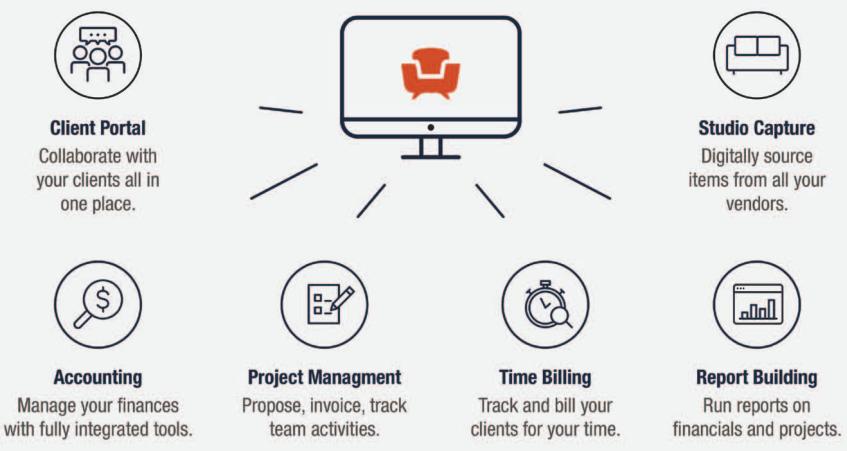


FIGURE 7
Studio Designer software is one of the most utilized software packages at interior design firms nationwide.

ACCOUNTING SYSTEMS: REPORTS AND DATA REVIEW

As in many professions, there are software packages to help you manage your accounting needs. However, there are few comprehensive packages for our profession. Many firms use QuickBooks, but the reporting tools are not as detailed as I recommend when managing a design practice. Granet and Associates has worked with and recommended two companies for years and supports their efforts to advance their technology to accommodate the changes in our profession. Those two programs are Deltek Vision for architects and Studio

Designer for interior designers. **FIGURES 6 + 7** An example of how these companies keep expanding their offerings is the newest feature offered by Studio Designer, called the Vendor Portal. This new feature allows you to communicate directly with your vendor. It allows you to locate the item, send it to your client for approval, and when you receive the funds, it will create a purchase order and be directly received by the vendor when you are ready for them to process your order. It allows you to communicate in real time. Items such as freight costs or dimension changes can be verified through the vendor portal.

WHAT SHOULD YOU EXPECT FROM YOUR ACCOUNTING SOFTWARE?

The best software packages allow for advanced reporting and analytics, using information entered once to be used to generate all of the different kinds of reports you need. For an architecture firm, the software should provide all your monthly financial statements, project reports, employee reports, time management reports, and budgeting and projection reports. The system should also produce your monthly invoicing and check processing. Years ago, we had clients who wouldn't allow their invoices to be printed by the "system" because the Courier font didn't look good enough. I would tell them that it needed to look like a bill and not a proposal, otherwise their clients wouldn't respond to it as quickly. I know we're in an aesthetically pleasing industry, but it's fine for some things to look pedestrian if they actually help expedite the task required. And such a thing would be making your invoices look like bills, so they get paid quickly. We can make invoices look as

beautiful as we want, but I still believe they should be clearly labeled as invoices.

For interior design companies, the software should generate all of the abovementioned reports, as well as provide you with all the reports and billing necessary to manage your purchasing functions. For instance, you should be able to enter a purchase order for a piece of furniture and track it as it moves from place to place, from the framer, to the finisher, the upholsterer, storage, and finally the client's home or office.

When selecting software, you should remember that only a small portion of the costs is in the software: the true costs are in training and time to get the system up to speed with your internal data. I highly recommend that you plan for how you want your system set up. This will require you to understand what end result you're looking to achieve from the data you want to analyze. Many, many times we've come into an office to reconstruct a software setup, because it was created to be much more complicated than anyone could have ever managed. Think of this like a design project: start out designing the general parameters of the project and then quickly understand how you or your client will use the project to help you in identifying your needs. I tell my clients to set up the system only to the amount of detail they can manage. If you can manage a tremendous amount of detail, have a more detail-oriented system. Start with simplicity. You can always expand on the detail, but it's hard to simplify a detailed system.

HOW OFTEN SHOULD YOU LOOK AT YOUR DATA?

You should look at the data as frequently as you can, but to assist you with certain timelines, I've outlined the appropriate frequency of each report listed. Remember: the more information you can manage, the better control you'll have in running your practice. You want to be smart about this or at least smarter than the person I just read about in a newspaper whose accounting person walked off with \$1.2 million. Or the client of mine who called me after the bookkeeper forgot to bill 30 percent of a client's purchasing order for a job that had been closed for a year.

Look at the information below with the following frequency.

Cash balances: weekly

Project reports: weekly for project managers, monthly for principals

Time cards: weekly

Purchasing reports: weekly

Financial statements: monthly (they should be reviewed by the second week after closing the month)

Accounts receivable: monthly

Accounts payable: monthly

Executive summary: monthly or quarterly, depending on your financial position

Accountant's financial review: semiannually

Creating a budget: annually but reviewed semiannually

BUDGETING

There are two major areas that design firms should have budgets for: annual operations and projects. Annual operating budgets help manage the running of your firm, and project budgets help manage the running of a project.

ANNUAL OPERATING BUDGETS

This budget allows you to set goals for each income and expense line item on your income statement. It always surprises me when I learn that design firms don't budget for their annual income and expenses. It's important to set goals for your firm and your employees. I recommend that when you start the annual budgeting process, begin with your staffing needs for the year, which will quickly translate into a revenue projection for your firm.

Some firms are known as "hire/fire firms" because they staff up for new projects and let people go when the projects stop. Firms turn to this method of management when they're ill-equipped to manage their company. Hiring and firing on a project-by-project basis is extremely unproductive and only addresses short-term needs. It also creates an unhealthy working environment. My philosophy on hiring

the right people and the work will come falls into what I call the Field of Dreams phenomenon: if you build it, they will come. If you know how to protect your core staff, then you know how much work you need to support that core. To create your own budget, start with your income. **FIGURE 8**

COLUMN 1: the name of your employee

COLUMN 2: the hourly cost of that employee (if he or she is paid

\$75,000 per year, the hourly cost rate would be \$36.06, determined by dividing \$75,000 by 2,080, the number of work hours in a year)

COLUMN 3: 2,080 total work hours in the year

COLUMN 4: the number of vacation hours

COLUMN 5: the number of sick hours

COLUMN 6: the number of paid holidays

COLUMN 7: the total number of hours the employee will be in the office
(column 3 minus the sum of columns 4, 5, and 6)

COLUMN 8: the employee's utilization rate, which is the number of direct hours you expect an employee to work on a project for the year (e.g., 75 percent would mean that you expect an employee to bill thirty hours of a forty-hour week)

COLUMN 9: the employee's billing rate

COLUMN 10: the employee's potential revenue (column 9 x column 7 x column 8)

COLUMN 11: the employee's annual cost rate (column 2 x column 3)

COLUMN 12: the target multiplier, which is the multiple that you hope to achieve from that employee's cost rate (e.g., if you target a 3.5 multiplier, you want to be able to bill 3.5 times every dollar charged to a project); in residential design we target a 3.25 to 3.5 multiplier; in other types of design firms, we hope for a 2.8 to 3.0 multiplier

COLUMN 13: potential revenue based on your target multiplier

COLUMN 14: the difference between column 10 and column 13. (If this column is in the negative, it means that your billing rates for your staff are below what you're targeting for them to earn with their target multiplier. It also means your billing rates should be examined closely.)

EMPLOYEE	COST RATE	HRS	VAC	SICK	HOL	POT HRS	UTIL	BILL RATE	POT BILL	COST	TARGET	POT REV	DIFF
BUDGET													
Berlin	\$41.35	2080	80	40	56	1904	95%	150	\$271,320	\$41.35	3.50	\$261,779	\$9,541
Eserts	\$60.25	2080	160	40	56	1824	50%	250	\$228,000	\$60.25	3.50	\$192,318	\$35,682
Green	\$29.57	2080	80	40	56	1904	95%	125	\$226,100	\$29.57	3.50	\$187,202	\$38,898
Jacobs	\$48.08	2080	80	40	56	1904	95%	175	\$361,540	\$48.08	3.50	\$304,385	\$12,155
Johnstone	\$24.98	2080	80	40	56	1904	95%	125	\$226,100	\$24.98	3.50	\$158,143	\$67,957
Levit	\$22.12	2080	80	40	56	1904	90%	125	\$214,200	\$22.12	3.50	\$132,667	\$81,533
Lotman	\$27.88	2080	80	40	56	1904	95%	125	\$226,100	\$27.88	3.50	\$176,503	\$49,597
Mitchell	\$60.25	2080	160	40	56	1824	50%	250	\$228,000	\$60.25	3.50	\$192,318	\$35,682
Nelson	\$33.00	2080	80	40	56	1904	80%	125	\$190,400	\$33.00	3.50	\$175,930	\$14,470
Ronau	\$45.08	2080	120	40	56	1864	90%	175	\$293,580	\$45.08	3.50	\$264,692	\$28,888
Swiller	\$43.27	2080	80	40	56	1904	90%	175	\$299,880	\$43.27	3.50	\$259,516	\$40,364
Vaszauakas	\$31.25	2080	120	40	56	1864	90%	125	\$209,700	\$31.25	3.50	\$183,488	\$26,213
TOTAL													
TOTAL									\$2,925,420			\$2,486,152	\$439,268

FIGURE 8

Tool to calculate potential revenue for your annual budget

Also note that senior members of the staff may never be able to bill their target multiplier, because their costs are too high, and your billing will not bear the burden to achieve a 3.5 multiplier. The company should be able to achieve its overall target because of junior staff earning a significantly higher multiplier, averaging out the firm's target, which is typical.

Once you've established your targeted income, you have to evaluate if you think it's realistic for the income you anticipate receiving. Many people will lower it by 10 percent to set a reasonable target for the firm. Keep in mind that this formula doesn't take into account any overtime billed.

Now that you've determined your income from fees, you need to determine other anticipated income. You should budget for reimbursable expenses, purchasing, and consultant expenses that come from consultants who are billed as reimbursable to your clients. The best way to determine these numbers is to look at historical data and determine what percentage this represents of your total income in the past.

After you project your income, you need to determine your expenses for the coming year. At Granet and Associates, we typically break expenses into three categories: reimbursable expenses that run through your firm; direct expenses that are not reimbursable but are included in your fees, such as consultants; and operating expenses, which include your rent, insurances, marketing expenses, office supplies, and so forth. Many of your expenses will be fixed, such as rent, salaries, and insurances for the year, and you should use the actual amounts when creating your budget. For the discretionary expenses, such as marketing, bonuses, profit sharing, office supplies, and computers, you should create a budget for each line item. It's important to work with the person you plan on holding responsible for these expenses. This assures accountability by allowing him or her to help author the budgets.

Once you determine all of these expenses, you can then input your budget and determine if it creates the level of profitability that

you desire. If it's too little, then you need to work the numbers to determine where you can cut your expenses. If your salaries are too high, you have two choices: cut staff or find more work for the staff. If your profit is unreasonably high, then you may want to look at your spending and determine if you've adequately provided for the expenses needed to maintain the level of revenue you're projecting.

Budgets are powerful tools for tracking how you're performing in comparison with how you anticipated you would perform at the beginning of the year. Our clients aim to achieve 25 to 30 percent profitability. That being said, we have clients whose profitability ranges from 8 to 40 percent, depending on their practices. A typical profit percentage for our architectural clients is 20 to 25 percent of total billings. For interior design firms that bill for purchasing, their profit ranges from 10 to 15 percent based on total sales.

PROJECT BUDGETS

Project budgeting is the process of understanding the fees that you negotiated for a particular project and then breaking those fees down into the project's phases. In architecture this includes schematic design, design development, construction documents, bidding, and construction administration. In interiors it may include the same phases, but you might add purchasing/expediting and installation. Installation can be a significant percentage of your fees, and you should allocate the appropriate dollars to that phase.

Once you determine your project fee, I recommend you take 10 percent of the fee off the top for a contingency. My philosophy is that if you give people \$1,000 to work on a project, they'll spend \$1,000 or maybe even \$1,200. The contingency allows for your staff to target for a healthy project or to accommodate unanticipated expenses.

With the project fee determined and split by phases, you then want to determine who's working on each phase of the project in your team. It's not necessary to determine specific people but roles that each person is performing, for instance, the principal-in-charge, the project manager, the job captain, the designer, and so on. In my experience, for every ten firms, you'll see at least five different titles for the same

position. Once you determine the fees assigned to each person, you should communicate to all team members what time has been allocated to them for a particular project.

I'm always amazed when principals are reluctant to share project financial information with employees. The more information you share, the more employees can help manage the project and ultimately the firm. I had a client once tell me to give out only the number of hours each person had to work on a project because they "didn't need to know the dollars." I told him people don't relate to the difference of spending 100 hours or 120 hours, but they understand the difference between spending \$1,000 versus \$1,200. They manage their own money and expenses, and they know what it means to spend more than you have. If you give them hours to manage without the dollars, they truly cannot be invested in managing the project.

Once you have a budget for the fee portion of the project, you then need to budget the expenses. Since you've determined the labor expenses through designating the team, you now need to focus on expenses incurred on the project. These might include any consultants that you hire under your contract to help with design. It may include expenses that are both reimbursable and nonreimbursable. Examples of both of these include travel, meals, printing, and miscellaneous other expenses directly associated with the project.

Now that the budget for your individual project has been created, you can input it into your accounting system to allow it to be monitored regularly. We advise that you have your project manager monitor the budget as often as the data is updated. Our recommendation is to update the data weekly. More information on how to use your budget for effective project management can be found in chapter five. (see pages 156–63)

CONTRACTS

Why are contracts so important? Like employee handbooks, they protect you when something goes wrong. The world would be a better place if contracts weren't necessary or if we could draft agreements that simply and clearly stated what both parties promise to perform rather

than outline penalties for when and if one or both parties don't perform. But unfortunately, contracts are needed for when and if something does go wrong. You need a contract that's not too complicated for every project and every client. It is my belief that a contract's most important purpose is to outline expectations for both parties. Let's face it, your clients typically have a lot more resources than you do, and if they want to sue you, they will most likely win or wear you down until you settle. The moment you need to refer to your contract to clarify your services is the moment when the trust with your client just went out the window.

NEGOTIATING FEES AND FEE STRUCTURE

I remember when I first started my business. The hardest thing for me to do was establish a billing rate for my services. I had no real sense of my value from a billing standpoint. I remember approaching my first client with an agreement, and I told him that I would charge \$50 an hour, which in 1991 terms was low. He said to me, "You're worth more than that. I'm going to pay you \$75 an hour." And that's where I started.

Some clients love hourly billing because they know what they can expect. Other clients hate it because they don't want you to have an open checkbook to bill all your hours no matter how inefficient you are. I understand both sides of the argument. But in the end, you should be paid for the value you bring to the table. The true negotiator knows how to express his value to clients in a way that they understand what it is that they're paying for. The following are examples of some common billing methods.

ARCHITECTURE

① Percentage of construction. The cost of construction is the baseline for your fees. For example, if you were building a \$5 million house and your fee was 15 percent of the construction cost, then your fee would be \$750,000.

This method can be challenged by many clients. The most common challenge I hear is, "Why should I pay you a percentage of what

the house cost? If I use marble countertops instead of tile, why are your fees dependent on the amount of money I spend on finishes?" The counterargument is that the percentage billing methodology is a barometer for the amount of fees needed to give clients the full services they should expect from their architect. Determining fees on drywall doesn't add up too much but on hand-plastered walls it does. The amount of detail required in one case versus the other can be significant. The point here is that you can't pick apart every item and say whether the fee is appropriate. You must look at the project as a whole to determine what's appropriate.

If a client hires a respectable architect, he or she should be providing services appropriate for the fee structure negotiated. If the client feels that the fees are unfair, then unless you explain your position in a way that builds trust, this will always be an issue throughout the project. The other point to remember is that the client always has the right to approve all the expenses, and therefore your fee is not simply based on expensive finishes that the client never requested.

If you choose to bill this way, the most common way to invoice is monthly, based on the percentage completed of the project. These are the typical percentage breakdowns by phase of construction:

Schematic design: 20 percent

Design development: 25 percent

Construction documentation: 30 percent

Bidding: 5 percent

Construction administration: 20 percent

With ever-changing drawing technologies, it becomes important to make certain that the effort you're putting forth on a project matches your fee schedule. For instance, with a program such as Revit®, a significant amount of effort goes into the early stages of design (schematic design and design development). This creates a major adjustment to the construction documents and construction administration phases. We've seen the schematic-design and design-development

phases increase from 20 percent to 25 percent and 25 percent to 30 percent, respectively. **FIGURE 9**

② It's important to bill your clients at the completion of work at the end of each month. Some firms invoice at the completion of the phase, and many months can pass before you complete a phase; this has the potential of putting the firm at risk from a cash flow standpoint and a client expectation standpoint. Clients like to know what their monthly bills will be during the project, and if they don't receive anything for several months, the bill will always be a surprise and will tend to require further explanation, which slows down the payment cycle.

For cost of construction design fees, the industry averages look something like the following (depending on the project's size):

Commercial: 7 to 10 percent (retail on the lower end, high-end office on the higher end)

Institutional: 5 to 12 percent (schools on the lower end, healthcare on the higher end)

Residential: 10 to 25 percent (depending on your client base and firm recognition)

Hospitality: 3 to 15 percent (megaresorts are on the lower end, boutique hotels on the higher end)

If you bill a percentage of construction, there is one important factor that you should take into account. For example, you practice in New York City, where your labor costs are high and your expenses equally high, but you are building a project in Georgia, where the construction costs can be 30 percent lower—if your fees are based on construction cost and construction cost is 30 percent lower your fees will never carry your expenses. The way you can correct this is to figure out what your fees would be if the construction costs were in New York and charge those fees as a fixed fee and not base your fees on the cost of construction.

INVOICE

McKenna Design Group
100 West Center Street
Cooperstown, New York 13326

Mr. & Mrs. James Sanders
203 Audi Road
Ballston Spa, New York 12020

September 21, 2020
Project No: 20501
Invoice No: 0915

PROJECT: The Sanders Winery

Professional Services from August 01, 2020 through August 31, 2020

FEE

Estimated Construction Cost	\$	1,000,000.00
Fee Percentage		20.00
Total Fee	\$	200,000.00

Billing Phase	% of Fee	Fee	% Complete	Earned
Predesign	10.00	20,000.00	50.00	10,000.00
Schematic Design	20.00	40,000.00	10.00	3,000.00
Design Development	25.00	50,000.00	0.00	0.00
Construction Docs	20.00	40,000.00	0.00	0.00
Construction Admin	25.00	50,000.00	0.00	0.00
		Total Earned		13,000.00
		Previous Fee Billing		0.00
		Current Fee Billing		13,000.00
		TOTAL FEE		13,000.00

Reimbursable Expenses

Reproductions	247.64
Shipping	149.44
TOTAL REIMBURSABLES	397.08
TOTAL THIS INVOICE	13,397.08

Thank you

Bertine McKenna

FIGURE 9

Sample fee invoice from
Deltek Vision software

The following is a list of other billing methods most commonly used:

1 **HOURLY:** Bill for every hour you work. This method may protect you in an unstable economy. The reason clients like this is that they feel that they can track the time you're spending on their projects, much like attorneys or accountants, but what can also happen is that they want to scrutinize every hour being spent. You may hear them say, "Why did it take you five hours to work on my bathroom?" or "Why am I being charged for your staff to spend an hour on running prints?" You truly don't want that level of scrutiny for your bills, but you're open to it if you bill this way. I recommend that on your bill you show only job titles and not individual names. I also recommend that you list the number of hours for that title on the bill without detailed backup. If clients require the backup, you always have that available for their review. The most important thing required of you and the client in this type of billing, and for that matter any type of billing, is trust. If you have trust, these issues simply do not get in the way of doing the job you were hired to do.

2 **HOURLY, NOT TO EXCEED:** Billing hourly is hard enough, but then you throw in the not-to-exceed part, and you're asking for trouble. The client only wins in this arrangement, because if you go over the not-to-exceed, you're required to eat your fees. If you're under, then you leave dollars on the table. Usually when a client proposes a not-to-exceed, which by the way I call "not-to-succeed," he or she has a budget in mind. I suggest you establish that budget and turn it into a lump sum fee. That way, if you're efficient, you have the chance to be rewarded for your own efficiency.

3 **LUMP SUM:** A lump sum method for billing can be rewarding if you understand the scope of the project and the proposed time frame. Calculating your fee can be difficult, especially since you're being asked for a fee before you truly know the client. In my opinion the best solution if this is the chosen billing method is to bill hourly in the early phases, and then once the program is determined, you convert the project into a lump sum fee. That way there are fewer unknowns, and you can draw from this early experience to determine the

appropriate fees. The way you bill with this method resembles percentage of construction, except your fee is fixed throughout the project.

If you choose this method, you should clearly define your scope and the timeline for the project, to allow for billing additional services if either of these elements expands. This is a good method when you've done a similar project because you should have all the data necessary to determine a healthy fee. The only unknown becomes the new client.

④ COST PER SQUARE FOOT: In this fee arrangement, the cost of your design fees is determined by the project's total square footage multiplied by a fee per square foot. This is a rare method for residential architecture, but it's common in commercial architecture. The nice thing about this fee structure is that if the size of the project increases, your fees increase as well. The hardest part of this fee type is to determine an adequate fee based on your client and level of difficulty of the project. Sometimes the complexity increases but the square footage doesn't, and then there's the chance your fees won't cover the work required. In the case when you're repeating a design or a similar design of a previous project, this fee can be appropriate and easy to determine.

INTERIOR DESIGN

All of the above methods can apply in interior design projects, but there are additional methods of billing:

① Markup on the purchase of furniture. Most designers mark up the purchases they make on behalf of their clients. If you ask ten designers, you probably will get ten answers, but the industry average we see is 35 percent. This figure stems from the fact that most showrooms will give a designer a 50 percent discount off the list price, who could then mark it up 35 percent, and the designer's client still saves 15 percent. Since most clients can get access to most of the goods designers have access to, this method of billing comes into question. However, what separates clients from designers is not so much the ability to find furnishings as it is the way you put everything together.

The resistance to billing on a percentage of purchasing that most interiors designers get is similar to the resistance architects get on percentage of construction cost billing. “Why do your fees go up if I purchase a \$2,500 table or a \$10,000 table?” This goes back to the fact that the cost assumes the value of the knowledge and talent of the designer—you hope your designer is buying furnishings appropriate to the project, and, similar to construction costs, the owner always has final approval before you make the purchase. In today’s market, access to products and their costs are incredibly easy through the internet. This is why transparency is so important.

Another area that concerns clients in regard to this billing methodology is in understanding the true price of the furnishings you’re providing. If you keep an open book, it’s simple for a client to audit purchases. It’ll keep you out of trouble and prevent trust issues. The one issue that you want to protect in an open book situation is your sources. You don’t want a client contacting these sources directly. If you ever run into a case such as this, that’s simply a bad client.

A couple of tips on selling clients furnishings that come from your personal inventory: these may be items that you’ve collected through the years. It’s important to make it clear to your clients that you’re selling to them out of your inventory at your price. If they don’t agree with this price, you don’t have to sell that item to them.

Another point to consider is how to charge for custom-designed products. If you consider these pieces as original works of art, it’s difficult to imagine that each part of the piece marked up would be equal to its value. What I’m trying to point out is that this original piece is much more valuable than the raw cost of the item simply marked up. As Aristotle said, “The whole is more than the sum of its parts.” An analogy I like to tell designers is that when you buy a pair of shoes, you don’t ask how much the leather cost and how much the heel cost and how much the labor cost, you simply are told what that pair of shoes costs, and you decide if you want it for that price.

OTHER FINANCIAL CONTRACTUAL TERMS

Billing for reimbursable expenses: often when negotiating contracts for my clients, I'm asked by the client why it's important to charge a markup or administrative fee on top of the cost of reimbursable expenses. This clause is often negotiated out by designers, but when I explain to the client that the fee is there for a good reason, more often than not they accept it. The explanations I give the clients are as follows: (1) the use of your money during the period from when you purchase the item until you get reimbursed for it; (2) the cost of running expenses through your accounting system by inputting them, billing them, and collecting them; (3) most companies pay business taxes based on their cash receipts or total income, and these expenses are included in that calculation; (4) your errors-and-omissions (E&O) insurance, which is necessary to protect you against any claims made for your mistakes, is based on total income, and this expense is part of the calculation for your insurance and affects your premiums. If you add up all of these expenses, the 10 to 15 percent most people charge is not adequate.

There are other contracts you'll have to manage in your design business. Without going into great detail, it's important to understand that you may have to deal with the following contracts in your business:

Real estate leases: If you plan on renting space, you'll be required to sign a lease. There are many real estate books to explain what you're obligating yourself to in a lease.

Equipment leases: Some firms prefer to lease their equipment because it becomes obsolete so fast or because they don't have the cash flow for large capital expenses. The typical equipment that firms lease includes computers, telephone systems, high-production copy machines, and printers, 3D printers, as well as large software packages.

Insurance policies: The following policies are important to have while running a design practice:

1. E&O/Professional liability. This covers you for your design and production work for your errors and omissions on your projects.
-

2. General liability insurance. This covers the contents of your office, including theft, fire, damage to your office contents, if someone is hurt on your premises, and lost business because of acts out of your control (not acts of God, however). It can also include coverage for automobiles that the company leases or owns.
3. Employee practices insurance. This covers you from claims for wrongful termination or any other employee claims against your company.
4. Key man insurance. This covers your firm if key employees become disabled or die.
5. Health insurance. Most firms offer their employees health insurance coverage. In some cases, the typical health plan can be expanded to cover eye care and dental.
6. Workers' compensation. This insurance is state mandated, to cover your employees if they're hurt on the job.

MANAGING PROFITABILITY

Profitability is not what's difficult for many businesses; it's managing the profits that can be challenging. I'm a strong believer in sharing the wealth. I remember that Art Gensler once told me that at the end of the day, if there's money to share, the receptionist may be the first to get a bonus, and he would be the last. However, if there's a lot of money, the receptionist is probably going to get the same bonus, and he'd receive considerably more. The thinking behind that philosophy is that the people most responsible for bringing the dollars to the bottom line should be the ones who get the lion's share of the profits. However, since receptionists have little effect on how the company is run, then they should be rewarded for how well they're doing their job, and that probably has little to do with the amount of money the firm makes. I've always believed in that policy, but I've chosen to take that advice a step further, to create a bonus program focused on performance.

An important note about managing profitability is to understand your tax consequences. You want to make certain that you're getting the most out of any bonus distribution. In some cases, it makes sense

to pay your employees versus paying taxes to the government, but this advice should come from your accountant.

When distributing dollars for bonuses, profit sharing, or other extraordinary expenses, you must always take into account your cash position. Many companies get in trouble by distributing too much cash and not creating a cushion for the leaner times.

TEN PERCENT RULE

In the world of design, it can be difficult to make money when you get started. I've always believed that if you apply these 10 percent rules, you'll get into good habits of managing your money.

1 TEN PERCENT IN SAVINGS. When you receive a client's check, take 10 percent of the funds and immediately transfer it to a savings account. This may not seem like a lot, but over time it'll grow, and you'll have a nice savings account by year's end. If you bill \$1 million a year, you'll have \$100,000 in savings if you follow this rule. We spend what we have, and if you don't have these funds in your operating account, you tend not to spend them. This can also be a cushion that can protect you for extraordinary expenses or year-end taxes.

2 TEN PERCENT OF YOUR FEES. When budgeting your projects, you should take 10 percent off the top of your fees. This again follows the philosophy that you spend what's given to you, and if your project managers see only 90 percent of their budget, they'll manage the 90 percent.

3 TEN PERCENT STAFF RULE. Unlike former chairman and CEO of General Electric Jack Welch, who says you should let go of the bottom 10 percent of your staff each year (I do believe there's some good in that advice, but it is also difficult to have all A-type personalities in a business), I say you should find ways to improve your staff by 10 percent. This includes methods of educating, mentoring, and training them to perform their jobs more efficiently and to expand their capabilities.

How you treat the financial and management piece of your business sets the tone for all that you accomplish in your design practice. This is the lifeline of your business, and like your heart, if it beats regularly, everything else has the ability to perform at a higher level.

“Honesty is a very expensive gift. Do not expect it from cheap people.”

—WARREN BUFFET

CHAPTER 3

Marketing and Public Relations

“Marketing and PR have always been an integral part of our office DNA. Why? For us, it had to be to achieve any semblance of professional longevity. We started our little burgeoning empire over thirty years ago in remote Alabama. After quickly running through our client base there, we realized if we were to continue our passion (and eat), we were going to have to get past our fence line. After all, we weren’t privileged enough to be sitting in a major metropolitan area waiting on walk-in trade. Our concentrated efforts began with the development of relationships with major shelter publications, who began broadcasting our handiworks to distant eyes. Suddenly, the phone began ringing with area codes different from our own.”

—GREG TANKERSLEY MCALPINE

“Marketing is like sewing seeds, if you’re aggressive, persistent, and patient, amazing crops flourish.”

—BOBBY MCALPINE

“The two most important pieces of advice I give any designer is one, protect and create your brand identity. Use the best photographer and stylist to show your work—it is the only way people see what you do. It’s the best investment you can make so do not hire an amateur.

The second piece of advice is to try to build your direct-to-consumer relationship. Whether it’s Julia Child or Ina Garten on TV, building a relationship with a viewer or an interior designer, or building a relationship on Instagram, your followers and audience are important for your brand. If your media or magazine ceases or loses distribution, you still have an audience you have built to market to directly.”

—JILL COHEN, JILL COHEN ASSOCIATES

“Marketing principles are evergreen: articulate your vision through consistent touch points, anticipate your target client’s needs and wants, gauge your worth and communicate it clearly with a unique point of view, photograph your projects as best as you can afford, and so on and so forth. But how the tactics have changed in this last decade! The ‘marketing mix’—the array of activities through which a designer can put forward their messages to capture attention and win business—is much wider, much broader, and in many cases, can be accomplished by the designer themselves, without as many intermediaries as before, and in less capital-intensive ways.

Following a love affair with blogs and a dalliance with Pinterest, designers and their aficionados are wedded to Instagram as the keeper-social-media platform. Designers plan their own campaigns, control their own voices, present their personalities, engage directly with their audiences and individual clients, shoot their own images and videos,

and more. With approximately one-third fewer print shelter magazines, and far fewer issues, not only have digital magazines achieved legitimacy, but designers can in effect ‘self-publish’ their own work and own authority through social media. Design books and designer websites were both once holy grails of ‘making it,’ and six-figure custom treatments were budgeted, or aspired to, for either line item. Now, the website is but one visual way station for a designer to share their project gallery. While beautiful, design books are hefty investments of time and money and are no longer the main event. Print advertising exists, of course, but digital advertising is more flexible, more targeted, less expensive, and has far more precise analytics. Postcard mailers have been replaced by fluid (and virtually free) e-blasts. Today’s younger client base demands transparency and seeks realistic personas and researchable results. Interviews, collaborations, and influencer partnerships must project their party’s authenticity and, ultimately, have meaning beyond economics. The beat goes on, but to a greater range of drummers.”

—MEG TOUBORG, METWORKS INC.

“In 2010, we thought social media meant screening guests for cocktail parties with design editors. In 2020, social media means editing designs for screens to be viewed at cocktail parties.”

—LEWIS HEATHCOTE, CEO NICOLE HOLLIS

“The strategies for marketing our work have had to change so drastically over the last decade with the disintegration of the magazines and the rise of the importance of the internet, social media, books, and video. What is important to always remember as we continually pivot to reach the marketplace in the best way possible is that we never lose sight of our core values—our core message. The central message always has to be true to what our work is about, no matter the medium we pursue.”

—GIL SCHAFER, GP SCHAFER ARCHITECT

“The last ten years in PR have really taught us that despite the changes in the media landscape—editorial teams shifting, publications ending or transitioning to different models—the basics of PR remain constant. Now more than ever, a design professional must be able to know who they are and have a point of view that differentiates them for their competition. Whether for a magazine or for one’s own social media platforms, a strong point of view and strong content will help you (and potential clients) navigate through all the noise. A design professional must also be current in new technologies and platforms. Behaviors have changed the way people consume information, and while five years ago, a website and traditional editorial were important, today these elements are just a small part of a larger puzzle.”

—**ERIK PEREZ, HELLO PR GROUP**

“Over the past decade, we’ve seen the magazine industry decline and the remaining available pages grow scarce. During this time, however, we eagerly and fearlessly jumped onto social media platforms at their inception. Blogs, Facebook, Twitter, Instagram, and YouTube have been constant and invaluable tools keeping our work relevant and noted. This exposure and well-fed followers ultimately led to successful book publications with an international publisher. We’re blessed in these digital days with amazing and far-reaching megaphones.”

—**BOBBY MCALPINE, MCALPINE**

“The recent advent and rapid increase of social media and online advertising suggests a significant shift in marketing and public relations strategies for architectural and design firms. One change seems evident: The essential shelter magazines that once provided a sought-after marketing venue for designers and architects are dying. Desperate to keep a foothold, they are struggling to retain advertisers, and their content has degenerated toward fashion and celebrity and away from

critical design journalism. The principal publishers are late to the table, but they are adjusting to develop online rather than printed media presences. As design practices, we, too, are busy in the mix.

I am seventy-five and semiretired but for the last forty-four years I grew a sole proprietor architectural practice into a nationally recognized, extremely profitable twenty-five-to-thirty-person firm with offices in Los Angeles and Santa Barbara. Although our design was stylistically diversified and included traditional and contemporary projects, our focus was principally on custom residential, institutional, and commercial work for clients who had a personal interest not only in the profitability but also the quality of the product.

After a time, we were very successful in being published in the trade magazines, especially the popular as opposed to the more narcissistic “professional” press. I never believed, however, that getting published was the key to our success. Rather, I suspect being successful may have been the key to getting published! What I mean by “being successful,” at least in our niche, was that you provided a higher level of professional service and a more responsive and inventive design approach to selective clients. A satisfied and happy client was the key to getting more work. No amount of self-generated advertising or publicity could accomplish what simply “doing a good job” could. Ultimately, 95 percent of our work, even at the height of our published presence, came from referrals from satisfied clients.

As we observe the efforts of designers and architects to brand and develop online presences, I suspect it is not all that different from the attempts to get published of a few decades ago. I wonder, at least in the more personal world of small- and mid-size custom-design firms, if it might also still be the same principals at work: that in the long run, doing a good job is a more dependable strategy than any amount of marketing or advertising, whatever the media outlet.”

—MARC APPLETON, APPLETON AND PARTNERS

“Years ago it was the brochure. Then it was the website. Now, the portal to the firm’s work is social media. A consistent, provocative, cross-platform social media presence is now critical for marketing, peer-to-peer relations, and employee attraction and retention.”

—GRANT KIRKPATRICK, KAA DESIGN GROUP

“Magazines are still essential and important to communicating your work and what it stands for to the world, but they don’t matter like they used to when it comes to bottom-line business results. Today, you are as likely to get a client from Instagram as from a nice eight-page story. That being said, it’s when you are in a magazine that makes you feel like you have GOTTEN somewhere, and I wouldn’t trade that feeling for anything.”

—DAVID NETTO, DAVID NETTO DESIGN

“In our business we offer advice to help people find their place in the world. Listen, empathize, and treat clients with utmost respect. Word will get around that you are a person to be trusted.”

—MARK FERGUSON, FERGUSON SHAMAMIAN ARCHITECTS

“Basically, marketing and PR must be considered as one of the foundations of a design business. I’ve always handled my own PR but as shelter, or home, magazines have been increasingly focused on celebrities and extreme lifestyles, amplifying the game, which means more content, good photography, and faster publishing or posting, is inevitable. The more likes on Instagram usually means more visibility for an office and that translates to more work. I think it’s major and definitely a new phenomenon that can’t be ignored.”

—THAD HAYES, THAD HAYES INC.

“Marketing and public relations have drastically changed during the last decade—while print publications are still important, their online presence has become even more important, as have social media platforms, particularly Instagram. With enough naturally aligned followers, businesses can sell product on Instagram, especially when coupled with transactional websites.”

—JAN SHOWERS, JAN SHOWERS AND ASSOCIATES

“The biggest driver of change in the past decade has been the ubiquity of social media in our daily lives. Endless exposure to people and products has shifted the way designers and consumers find inspiration, make purchases, and choose to live. The new world of connectivity has modernized the way design businesses market and deliver their products and services—and increased the demand for and access to good design.”

—JULIA NORAN, BUSINESS OF HOME

“Never before have the creator and the publisher become one. The story is yours to tell. But don’t pander—never say the things you think people want to hear. Instead, share the ideas informing your work, the ones you turn over and over in your head. Today’s media and sales landscape prizes realness above all. It’s never been a better time to be yourself.”

—SOPHIE DONELSON

If finance and business management are the lifeblood of your company, then marketing and public relations are its voice and face. Being the best-kept secret in our business is not a great idea. Many people equate it with exclusivity, but in truth you can be exclusive yet known for your work at the same time. Life is easier when people know who you are. When clients know your work, they'll come to you rather than you always chasing them; when potential employees know about you, they too will seek you out because they know your work. When talent is in rare supply, you want these people calling you rather than you spending time and dollars on recruiting. Vendors, consultants, and peers who know of you can refer business to you when projects come to them first because they know your firm is an appropriate choice.

Many people ask me the difference between marketing and public relations. Marketing is the research and pursuit of work available in the marketplace. Public relations focuses on exposing your firm to as many targeted people as desired. It can be outreached to shelter magazines, social media, trend articles, or any other source to introduce the firm to the audience you seek. To be successful at either of these efforts, you need to have a strategy. In marketing, it may be how many past and new contacts you're going to target in a given time frame. In public relations, it might be the number of projects you'll get photographed and published in the same time period.

MARKETING

One lesson I learned years ago while at Gensler—and one that I cannot emphasize enough—is that you need to market and get your name out there when you're the busiest. This is a hard concept for people to grasp because they're fearful that they won't be able to handle any more work when they're busy. It seems hard to believe that you should seek new work when you're in the thick of designing and building your projects. But if you think about the lead time required to bring in new work—usually several months ahead of when you'll be billing a good portion of the fees and keeping your staff busy—you can quickly understand that if you wait until you "need" the work, it's too late. The

TIMELINE FOR BRINGING IN A NEW PROJECT

Process can take anywhere from 12-20 weeks before you are able to invoice a client.



FIGURE 1

Process for attracting,
interviewing, and landing a
typical project

CONTENTS OF A MARKETING PLAN



CREATE AWARENESS

Website, Blog, Social Media
Project Signage
Charities
Professional Organizations
Referral Network
Public Relations
Client Maintenance



DIRECT MARKETING

Mailers, Postcards, Newsletter, Email Blasts
Regular Email Updates
Holiday Mailer
Social Media Updates
Business Cards



MARKET MARKETING

Portfolio Packages
RFQs, RFPs
Speculative Work



INTERVIEW PROCESS

Project Portfolios
Final Photography
Firm Profile
Relevant Project History



PROMOTION MARKETING

Photography, scouting, completed work
Award Submissions
Email Project-Completion Assessment
Internal Office Display
Media Outreach

FIGURE 2

Annual marketing plan with timeline for frequency of activities

MARKETING PLAN FREQUENCY CHART

					
MONTHLY					
BIMONTHLY					
QUARTERLY					
BIANNUALLY					
ANNUALLY					

timeline may look something like the previous illustrations (depending on the scope and size of the project). **FIGURES 1 + 2**

It takes a couple of months to be courted by a client, another month to negotiate the contract, and then a couple of months to get through the project's early stages (concept, schematics), when someone other than the principal and maybe one other person is working on the project. Add that up, and it can be five months before you're actually working on the project. So it's important to always be looking for work.

For those firms that have built a great reputation and are highly sought after by clients, they may have the luxury of telling a client when they can start work on a project. This gives them the necessary backlog not to worry about where the next project is coming from, but this is more the exception than the rule. I must say the client who's willing to wait is rare, but they do exist. Remember we live in a world of instant gratification. People want what they want when they want it. Think about it—we don't have to wait for much these days. If you want a new pair of shoes and you are an Amazon Prime member, they can be delivered the next day, even on a Sunday. It takes a skilled marketer to communicate why you are worth waiting for and why it is going to take years to go through the design-and-build process. I often tell my clients that "a house is a product, but a home is a process." If you want your home, you need to be involved in the process.

But how much backlog does a firm need? It depends on the type of work and projects your firm seeks. Backlog is defined as enough work to keep your firm busy during a certain period of time—usually six to twelve months. This is the combination of new prospects that you're more than 75 percent certain will turn into projects and the active projects currently in-house. If you have a solid six months of backlog, you can weather most storms.

Another question that I'm often asked is who markets for the firm? Most people think that the principal and partners do. For the most part, they're the most adept at this role, but the truth is, if you're smart, you'll teach every employee to market for your company. If

people are proud of where they work, they'll talk about it, and you never know when that talk will reach a potential client.

I experienced this firsthand as a twenty-two-year-old office assistant at Gensler. One day I was riding the bus into San Francisco on my way to work. Sitting next to me was a woman who asked what I did. I told her I worked for an architectural firm named Gensler and Associates. She said, "You know I know of Gensler because you guys sponsor Masterpiece Theatre on PBS. However, that's all I know about the firm." I told her that we specialized in high-end interiors for big corporations and law firms, as well as many other project types. She was the secretary to the managing principal of a leading law firm in the city, and her boss had recently told her that their lease was up, and they'd need to find new space and an architect to design it. She asked for a business card. I guess you know where this story is going. Gensler got the job, and it was a fairly major project for the office.

When I tell this story, people always ask me: "What did you get for bringing in the project?" I joke that I got to keep my job. The truth is there was no direct compensation for bringing in the work, but there was great pride in doing so. In staff meetings, Art Gensler would announce new projects and where they came from, and you wanted to be on that list. I also know that somewhere it paid off in my bonuses and advancement in the firm.

Gensler had a strong culture and marketing was an essential part of it. An initiative at Gensler was to place employees on the board of directors of nonprofit companies to have more active roles in the community. Any organization could be chosen because Gensler knew if employees were interested in something, they'd get involved. I was interested in theater, so I was placed on the board of the One Act Theater in San Francisco to lend my financial skills to preparing the theater's annual budget. At one board meeting, the director asked if anyone knew of an architect who could help with remodeling the theater. I think you get the point.

From airplanes and grocery-store lines to cocktail parties, it's all about being willing to talk about what you do and be proud of it. People react positively to those who feel passionate about their careers.

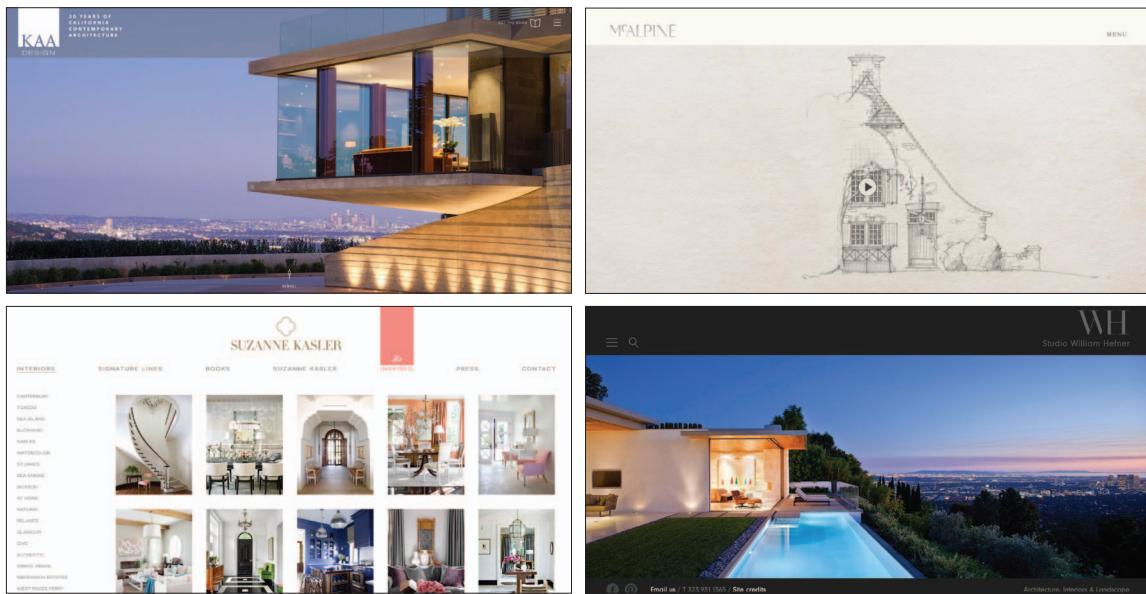
Many people have called me the “great connector.” It’s part of what I love doing, whether it’s about putting clients together to collaborate on a project or finding an employee for a client or a product-development manufacturer for a licensing deal. It’s all about who you know and how to marry them with the right synergy that works for all involved. For fifteen years, I have been bringing people together through the organizations I have cofounded. The Leaders of Design is just that type of organization. It was originally founded on the idea of building community but quickly became a place to mentor and be mentored by peers. It was one of the accomplishments of my career that I am most proud of building. My partner, Meg Touborg, and I along with our devoted director, Dana Colla, have traveled the world covering five continents and sixteen countries. We have brought designers together who never knew each other and now find work and advice from regularly. Finding your tribe, or organization of like-minded people, will help you evolve into a stronger designer.

BUILDING A MARKETING PLAN

The success of your marketing plan depends on how comprehensive it is and how viral it can become. That is, you want to create a plan that not only spreads the word but also keeps your audience coming back for more. The more someone is exposed to your company, the easier it is for him or her to give or bring you work. Think of it as that Breck commercial from years ago that said, “If you tell two friends and I tell two friends and so on and so on.” The word spreads much faster, and if done correctly, it can be somewhat effortless. The following tools are all part of a comprehensive marketing plan. **FIGURES 3-6**

PUBLIC OUTREACH

An outreach program allows you to connect to your community. The larger the number of people who know about your firm, the more chances you have that one of those contacts will lead to a project. The following are some examples of public outreach that I believe will help you gain exposure.



1 PUBLIC SPEAKING. Look for opportunities to communicate your message. This could take the form of giving a lecture, participating on a panel, or teaching a class. When I started my business, I looked for organizations that were related to my business and spoke about what I did for similar companies, and it always resulted in at least one new client. Of course, I was less picky then about whom to take on as a client, and I'll talk about this later in this chapter.

This approach is effective because when you're speaking in front of any group of people, you're seen as an expert in your field. Of course, you need to have something compelling to say to attract a potential client, but you're halfway there if you're standing in front of a potential group of clients. For example, I have a New York client who was eager to find work in Los Angeles. She's a high-end residential designer, and she was asked to speak to the Bel Air Garden Club. This audience was filled with people who love design, who usually live with beautiful gardens, and who, therefore, usually have wonderful homes to go along with those gardens. If any of them were looking to remodel their home, the chances of them being in the audience were very high. This is

FIGURE 3
www.mcalpinehouse.com

FIGURE 4
www.suzannekasler.com

FIGURE 5
www.williamhefner.com

FIGURE 6
www.kaadesigngroup.com

exactly how she attracted a client from that particular event. The project was significant, and the effort exerted is modest in comparison with the potential outcome.

Another reason to speak is to attract talent to your firm. When the economy is robust, one of the most difficult challenges is to find the right people for your firm. In a strong economy, the talent available to you becomes limited. The more you speak at schools and events, the more exposure you'll have to the labor pool.

② GETTING INVOLVED. Another lesson I've learned through the years is how important it is for my firm and for my own personal growth to get involved in the community. Whether it's joining a board or a committee or just getting involved in community activities, it introduces you to many different people, whom you'd otherwise not have the opportunity to meet. It's easy to go to work, go home, go to work, go home, day after day after day. It takes effort to get involved, but it's an effort with great rewards from the people you meet and the exposure to different environments.

③ CHARITIES. Using a portion of your gross revenues to develop a philanthropic effort is both good business and good for your soul. Being able to help organizations with a mission that's close to your heart is a wonderful thing. It's also important to understand that philanthropy can be a source of exposure for your company to potential work. If you give, you get. That's simply the way it works. You should never give to get. But if your mission is pure, you do get back in return. In fact, I have a client who, when a potential client calls, she immediately Googles them to see what their philanthropic activity looks like. She figures that if they have the wherewithal to build a major home, they should be generous. If not, then she will not work with them.

④ OTHER COMMUNITY ACTIVITIES. Some of our architect clients have served on planning boards or even as planning commissioners. Others have been involved in local or national organizations, such as the American Institute of Architects (AIA). We had one client who, as president of the national AIA, received calls for potential work from foreign entities simply because he was president. What's important to

remember is that you need to have a true interest in the organization you join for it to be successful. If it's not a true interest, then you won't be fully engaged, and it won't generate work. No matter what your choice of organization is, it's all about attaching yourself to your interest. If your choice of organization is a Harley motorcycle club because you own a Harley, then you'll be surrounded by like-minded people who probably have similar interests. Chances are that they own their own homes, own their own businesses, and if you're one of the few, if not the only, designer in the group, the opportunity to get work will be high.

5 NETWORKING. People who exude passion about their careers talk about their work at parties, on airplanes, on social media, or wherever they can. I'm not proposing that you walk around preaching your business, but I certainly know that when you're proud of your work and you talk about it, people can hear the excitement and enthusiasm. That's a part of what inspires them to consider you for a project they may be thinking about. The only caveat is that if your passion does not match the recipient's level of interest, it may not be well received. Skilled marketers know when to bring up an idea and when to talk about a project because their radar is up, and they understand that the receiver will, in fact, be interested. It takes three parts perception and one part chutzpah to land a project.

I know that today it seems counterintuitive to give out business cards, but it still provides a reminder of who a person met rather than needing to dig through their contacts to find you. All of your employees should have business cards. Make it easy for them to be contacted by a prospective client or employee or vendor. **FIGURE 7**

FIGURE 7

The business card still remains a valuable tool to share contact information and create a dialogue with prospective employees, clients, and colleagues. It's also a way to quickly communicate your aesthetic.



AWARENESS

This portion of the plan is devoted not only to creating awareness but also to the ongoing need to keep your visibility high at all times.

1 Post-project communications. Most people don't understand the importance of reconnecting with clients after a project is completed. I think some of this comes from fear of hearing all the problems that clients are experiencing with their projects. But clients like it when you keep in touch. Designing a home or an office builds a very personal relationship, and oftentimes there's separation anxiety at the project's end. If you remember that most successful businesses are based on having a larger repeat-client base, then it makes sense to care for past clients. The fear of not wanting to know about the problems is actually a lost lesson: you can learn from the mistakes of the past. Clients who know you care are more forgiving when you want to help them solve their problems than the clients who get ignored. One of the most important reasons to keep in touch with your clients is that if you have regular contact with them and a new project comes into play, you'll be the first person/firm they think of.

Remember: it's about who you know and who knows you. Most projects come to the people who are connected to the owner and not the people who blindly submit a portfolio in hopes of getting the job. Many projects are awarded before anyone ever knew there was a project.

2 REPEAT BUSINESS. At least 85 percent of your work should be repeat business. As you first start out, this, of course, won't be possible, but for well-established firms, you should count on the majority of your business coming from longtime clients. What I mean by *repeat* is that it's either a client coming back for another project or that a client has referred you to another potential client.

Some of our clients have patron clients. These clients come back year after year with new work. They involve you in each of their homes or in each new project they're developing. Our favorite ones we like to call "serial builders"—people who always have to have some project under construction at all times.

Patron clients can be the most wonderful clients to have. The relationship and trust is deep, and there tends to be great respect. Yet it can also be problematic if the boundaries get blurry. If you forget that you ultimately have a business relationship with your clients and you then become friends with them, you have to be careful about how you handle your business terms.

One of our clients has a high-end residential practice that would never have been able to compete in the institutional market if it weren't for a patron client, who made a significant donation to endow a building at a major university. Today, with this building in the portfolio, our client can compete with great confidence.

③ SOCIAL MEDIA. Today, social media is as important as any other outlet to create awareness about your work. You should have a robust account on Instagram, Facebook, LinkedIn, Twitter, and Pinterest. The trick to building an audience is to post on a regular basis, either each day at a certain time or once a week at the same time. The more regular the posts, the more they will appear in your followers' feeds. Also, you will want to tag people and places on your images. The network of the people you tag helps build an audience. It is important to know that you should not post images of projects that are awaiting publication in any of the online or shelter magazines. I have watched editors pull articles when they've found the projects online somewhere.

④ WEBSITE. Your website is a vitally important place to build awareness in your community and client base. It's the first place someone will visit after, or even before, talking to you. Your most current work should be posted, along with your press and enough information about your firm to intrigue a possible client. Because this may be the first place people look to see if you're the appropriate designer for their project, it should speak to your aesthetic. It must be graphically pleasing, not too wordy, and easy to navigate. It's still true that a picture is worth a thousand words. One bit of caution about your website: as I mentioned under social media, if you have a project that you want published, you will need to wait until the project is released in the publication because an editor will most likely kill any work that is in

circulation. Because people can easily lift images from websites and post them on social media, it may cost you the opportunity to get it published.

5 JOB SIGNS. This may seem like a simple thing, but you'd be surprised at how many people don't post their firm's signs at a job site. Passersby are curious about projects under construction, and if they're interested in the design and your sign is up, you're making it easy for them to reach out to you.

CREATING COMMUNITY

The purpose for becoming part of a community is simple: it allows for your vision to be shared and for others to care about your success. A community allows for others to take an active role in the growth and success of your firm. This can lead to new projects, new employees, and a shared responsibility for your welfare and the welfare of the other community members. **FIGURE 8**

I find it curious that the design community is often anything but a community. We have so much to share that would help strengthen our industry, yet there's very little transparency about how we run our practices. I've made it my mission to improve how the design industry conducts itself as a business. The more we share information with each other, the stronger we become as a community. It's a career mission—if I'm instrumental in planting and germinating the seeds to build a healthier community, then that may be enough to start a movement that will grow well beyond my career.

What does it mean to create a community? I define community as a group of people who are all involved for the common good within a single environment: they're working to create social cohesion within this environment. Each one has its own individual strengths. They can be competitive with each other, and they can also be collaborative. The difference is that they understand the power of sharing, of shared resources and shared knowledge.

To this end, I cofounded the Leaders of Design Council with my partner, Meg Touborg, and years ago the Design Leadership Network. Both organizations were originally formed to create community among

INTROSPECTIVE MAGAZINE

SEARCH SHARE

DESIGNER SPOTLIGHT

Architect Tom Kundig Is Crazy Busy, but He Still Sweats Every Detail



Once among the Pacific Northwest's best-kept secrets, the Seattle-based designer is now in demand around the world.

FIGURE 8

A view of *Introspective Magazine* on the 1stdibs.com website, featuring the architect Tom Kundig. This demonstrates alternative ways to market through nontraditional media outlets.

the thought leaders in design. Today, the Leaders of Design Council is a true community based on mentorship, with the belief that we should all lead a career of lifelong learning. We are not just a “see or be seen organization,” we are an organization that will hear you. As a yearlong organization with events of learning, an annual conference, and social gatherings, we meet on average once a month. When COVID-19 hit, we kept our community together through virtual learning and networking. What has come from this unique gathering of leaders is a place to share ideas and to find resources to support each other. Working relationships and support systems have formed between the group’s members that did not exist within our industry before this was founded. This is the true meaning of community, bringing together people with different skill sets and allowing them to realize the strength of their collective talents.

So how do you build a community that can aid your personal growth and professional outreach? Clearly, there are organizations you could join, such as the AIA and the American Society of Interior Designers, but I believe that's simply one piece of the building process. Another way to build a community is to seek out people willing to share their interests and support your interests and who also can provide you with a different perspective for your environment. Your community should consist of the following groups:

1. Other design professionals within your specialty
2. Other design professionals outside your specialty
3. Resource-related professionals, such as lawyers, accountants, business consultants, and banking, investment, and insurance firms
4. Schools and institutes that provide resources for talent
5. Vendor resources, such as contractors, suppliers, and manufacturers
6. Professionals who can potentially supply you with work, for example, real estate agents and developers
7. End users of your products, that is, if you have a practice that designs restaurants, then get to know restaurant owners and make them a part of your community

Once you identify the people who belong in your community, it's not enough to simply know them. It's much more involved and complex because the greatest assets of a community are the relationships. Like any good relationship, a community takes work to nurture and sustain. You need to engage and invest yourself in the relationships of that community to actually make it work for you.

Creating a community may seem elementary and obvious, but where it tends to fall apart is in the maintenance and growth. The most important aspect of creating a community is the understanding that giving for the sake of giving is far more effective and rewarding than giving for the sake of getting. If you put something out in the world for the right reasons, it'll come back to you in the most unexpectedly

rewarding ways. This isn't to say that you can't be purposeful in your outreach. Anything done for the good of only one party is never good for either party.

FINDING A NICHE

To help separate you from all the generalists in the marketplace, you should find a niche. It allows for you to develop an expertise in a particular aspect of the design profession and for people to be aware of your particular talent.

Once you find your particular talent and nurture it, clients will select you because of your expertise. If I'm looking for an airport architect, I will probably only consider designers who have that type of expertise. Although designers have gotten work because a very creative client was willing to take a risk on a firm that didn't have the exact experience he or she was looking for, that's very rare.

So how narrow does your niche have to be? It needs to be narrow enough to articulate your expertise in the project types you're skilled at. Another way to define your niche is to create an aesthetic "look." This look will define you, such as Bjarke Ingels Group's work for his West Fifty-Seventh Street apartment building or his power plant in Copenhagen that you can ski off of. A signature style helps build a brand and communicates a clear message that's easy to express to your potential client base. But a signature look is not always the key to success, and we have many clients who don't have a signature look. They call it "reverse ego" because they're providing their clients with a design that's unique to them, not to the designer. There are probably more of these types of firms in the world than those with a signature look. My point here is to emphasize why you need to communicate who you are and why a client should hire you. It's easier if your message is clear, and it's critical that you learn how to articulate your message. To learn more about how to communicate your message I would highly recommend the TED Talk by Simon Sinek called "Start with Why." It will show you the power of communicating your passion and why you do what you do.

UNDERSTANDING HOW TO SELL YOUR VALUE:

INQUIRY AND ADVOCACY

There are two key parts to defining and communicating the value of your talent. The first is inquiry—asking the questions and, just as important, listening to the answers—that help you understand a client’s *why*. Why she is doing her project, and why she is coming to you. Then you can determine what the commission is, what the goals and concerns are, and how the client envisions working on and completing the project. Are you somebody whose passion, point of view, and work the client admires, someone whose aesthetic matches her own? If so, you have an advantage in that she already appreciates what you do. Then you can find out what it is about you and your work that resonates with her, and use that information to move forward.

Often, however, clients see designers as commodities (a what, not a why): they need to get something done and they can’t do it themselves, so they have to hire *someone*. Maybe it’ll be you, but it could just as easily be someone else, especially if someone else’s price is lower. In those instances, it’s even more important to get a handle on a project’s and a client’s why. To sell yourself—your why, your ideas, and your services—you must first find out whether there’s really any affinity for them and, if there is, where that interest comes from.

SEVEN KEY QUESTIONS

1. Why are you building this project?
 2. What about this project is important to you?
 3. Why have you come to us?
 4. What are some places or spaces that have appealed to you in the past, and why do you think you found them appealing?
 5. Have you ever done a project like this before?
 6. Can you tell me about how you live and how you work—and what is important to you about the way you experience your home and work life?
 7. What are the three things that you hold near and dear?
-



FIGURE 9
Inquiry and advocacy

Only after you've gotten a full picture of these points can you determine if this is a project and a client that's right for you. If the answer is yes, you can then begin defining and communicating the value of your why and your work. You'll create a tailored, specific definition of what your value will be for the client on this commission.

From here, you can turn to the second part, advocacy. This means communicating your value by educating the clients on the value of your services—as ever, starting with why and then moving on to *what* you do and *how* you do it. You want to impress clients with your passion for what you do and your desire to share it with others (the why), and then dazzle them with your skills, both aesthetic and organizational (the what), and the complete service you provide (the how). Throughout, you'll be helping clients understand why things cost what they cost. **FIGURE 9**

INQUIRY

- Learn about your client.
- Explore their likes and dislikes.
- Find a connection you have with them.
- Find out why they liked your work.
- Find out how they found out about you.

ADVOCACY

- Tell them why you do what you do.
- Share with them your strengths.
- Give an example of what you learned about them and why you can service them well.
- Begin to show relevant work that your client can relate to.
- Share an idea or two.

THREE ADVOCACY STRATEGIES THAT ESTABLISH VALUE

① START WITH WHY: REVEAL YOUR PASSION. Begin by explaining why you're a designer and why you're the kind of designer you are. What's the passion that brought you to this field? How do you share this passion and use it to improve people's lives or even the world? From here, move into why you'd love the opportunity to work with this client on this project. How do you see it lining up with your why?

② MOVE ON TO WHAT: SHOW OFF YOUR PROJECTS. After you've established your why to a client, the most important aspect of advocacy is probably sharing your past work. Taking them on a tour of completed commissions that relate to their own project, either through pictures or, even better, live and in person, provides them with the best sense of you and your work and allows you to draw connections between what you've done for others and what you can do for them. This is your what.

Use these tours as teachable moments. If you can show projects at different price tiers, all the better. That lets clients see what detailing and finishes look like at \$600 per square foot compared to \$1,000. It makes these differences very clear to someone who may not otherwise understand, and it goes a long way toward explaining why you may be more expensive than others. What I hear constantly, especially in residential work, is, "My neighbor built a house for \$300 a square foot, and your houses are \$600 to \$800, and I don't see why." A house tour is your chance to clarify what can be done that will cost more or less—maybe even addressing the fact that a client's budget may not match what he or she has in mind in terms of program and scope or level of finishes and detailing.

3 THEN GET TO HOW: EXPLAIN YOUR PROCESS AND PROCEDURES.

Beyond the house tour, you should also advocate for your worth by giving clients a sense of your process and relating that to your fee structure. This is your how. If you pride yourself on your involvement in projects, here's the time to explain that you're different from someone who just hands off a set of drawings to a builder. If you like to work with clients who are very involved—and your prospective client wants to be involved—talk about that. To explain all this, you can show project and meeting schedules, timelines, budgets, and even invoices. These documents demonstrate how you are an advocate for your clients, managing their money and their time, and they show how you will include them in the process through meetings and walk-throughs. It's a huge part of communicating value. They're entrusting you, potentially, with millions of dollars, so you want to be clear about how you'll take care of that money and how you'll take care of them.

Explaining how you staff specific projects and even how you staff your entire office is a huge part of this how. It helps clients understand what they're paying for—the head count, the skill level, the complete suites of services offered by your various employees. You can provide examples of staffing lists for projects of a similar scale, offering examples from different tiers of pricing, and you can bring key team members to meetings. In fact, I always suggest bringing one member of your staff to an initial client meeting. This makes it clear that you're leading a team that you trust, and it lets clients know from the onset that their project will be supported by other people in your office. (Always be sure to introduce any additional people from your office, and explain why they're at the meeting.)

Giving a sense of your overall office structure, meanwhile, goes even further to define the services a client will receive from your staff, and it also explains your firm's overhead. This doesn't have to be a PowerPoint presentation of your firm's org chart. It can be much more subtle. When you show what a typical bill looks like, for example, you can mention your bookkeeper and talk about how he or she will be there to help clients with any questions they may have about billing.

GETTING TO THE PROPOSAL

I had a client years ago who once sat me down and said, “We have a problem. We don’t know what it is, but we’re not winning commissions the way we usually do.” I asked him to tell me about his firm’s process for getting work, and he explained that he would usually meet prospective clients at the project site and walk the site with them while hearing about the commission. He’d give ideas and let the client know what he thought about the project’s potential while they walked around, and then he’d send the client a proposal a few days later.

And I said, “Wow. You send them a proposal after just that initial site meeting?” He nodded. “They haven’t even seen your work at this point, and you haven’t met with them at your office?” He nodded again.

So, I explained that his process was broken. While he’d initiated a process of inquiry to help him understand the project and the client, he hadn’t done anything in the way of advocacy. And he had not merely failed to start with his why, he had skipped it entirely. He wasn’t educating the clients about himself, his passion, and his work, or relating his past experiences to their project. And he certainly wasn’t explaining where his fees came from. He was failing to define and communicate his value to these potential clients; that’s why they weren’t signing contracts with him. And who could blame them? They were receiving contracts and pricing sheets and terms in a vacuum.

“I think you’re sending your proposals too soon,” I said. “This is a step-by-step process, and you don’t want to get to the agreement too soon but instead build the relationship as much as you can before the contracts stage.” The steps I recommended to him then, and to all my clients now, are:

① MEET THE CLIENT AT THE PROJECT SITE. This is the inquiry stage, when you come to understand all you can about the commission, the client, and the client’s interest in you, getting as much out of them as you can and asking those key questions mentioned above. Discover the client’s why.

Bring the client to your office, and give them a tour of your work. This is advocacy, and the point at which you use the three

value-establishing strategies discussed earlier to illustrate what the client's money gets them—your why, your what, and your how. Show them your projects, let them understand your processes, introduce them to your team. Throughout this, you'll still be talking about their project too, of course, learning more about them and their commission as you go. End your time together by saying something like, "Now that we have a great understanding of your project and you understand why we do what we do and how we do it. We'll take a few days to assemble a proposal, which we can then review together."

② INVITE THE CLIENT BACK TO REVIEW THE PROPOSAL. I prefer to have the client and designer review a proposal in person, so that the designer can help the client completely understand it and can immediately answer any questions. Having this interaction together helps both designer and client figure out whether they do in fact want to work together. Depending on the client, you may want—or need—to send the proposal in advance of your meeting.

If you shorten this process in any way—and certainly if you skip the why—you're much more likely to lose a potential client.

LEARNING HOW TO SAY NO

If you can achieve a certain level of success that allows you to say no more commonly than say yes, this will be a powerful place for you to be during your career. There's great power in saying no, yet it's a difficult concept for designers to understand. It mostly comes from fear. Fear that you'll never know where that next project will come from, fear of alienating a potential client, and fear that no matter how much you believe the project isn't right for your firm, it just might grow into something bigger and better in the future. I have had clients tell me that their client came in for a bath remodel, which turned into an entire penthouse renovation. Yet there are those projects with a client who tells you that it will "turn into" something big and never does.

The most important decision-making element is your gut reaction to a client/project. Always listen to that feeling. It's there for a reason, and I know whenever I've ignored the feeling it comes back to haunt me.

The following are questions to ask yourself before taking on a new project or client.

- 1. Do I like the client?**
- 2. Will this project advance my firm?**
- 3. Can I work with the client?**
- 4. Does the client appreciate my expertise?**
- 5. Does the client have the proper budget to build this project?**
- 6. Are all the members of the team people I can and want to work with?**
- 7. Have they offered me a glass of water?***

*I put this in to see if you're paying attention, but the truth is that if a client doesn't offer you a glass of water, or anything for that matter, that client probably doesn't care about you. This may seem harsh, but I've tried it, and it's true. The client needs to treat you right for any project to be successful. I can't tell you how many people who have read the original version of this book have said this is always true and that it made all the difference in their decision to say no to a client.

If you can't answer yes to all of these questions, you need to say no to the project. Some people will tell you that if you can answer yes to six out of the seven, then you should take on the project (or if you desperately need the work, you should say yes, no matter what). I'm here to tell you that you should never say yes unless you can say yes to all of these questions. If you take on the wrong project for what you think are the right reasons, then when the right project comes along, you'll be too busy with the wrong project to see it. A bad client, a bad team member, a bad budget are all ingredients for disaster.

You'll notice that not one of the questions refers to your fees. This is because your fees should not be the main factor in deciding to take on the project. Start with the questions above, and you'll have the answer to your fees. If clients truly appreciate your work, they'll pay for it. If your fees represent value to them, they'll pay for it. If clients sense that you don't appreciate your own value, you'll never be able to justify your fees.

Many people ask how small residential practices eventually move on to work with major corporations: such practices have learned to say no to the wrong projects or clients, but they've also learned that residential clients can be a great source of new business opportunities if they simply ask. I don't think Robert Stern or Michael Graves would've had as many opportunities without Michael Eisner, or Philip Johnson without real estate developer Gerald Hines. These

relationships and their respective trust were deep. What may have started out with small-scale projects grew into large-scale, world-class projects because of that trust.

PUBLIC RELATIONS

PR for design firms is typically handled by professional agencies with expertise in the design profession. One of the most significant ways PR agents earn their fees is in knowing when trend stories are slated to come out and how to put their clients out there as experts. They can also be useful in assisting you to strategize the right image you want to present to the public.

Public relations has been one of the biggest changes for the design industry over the past ten years, with the rise in exposure through social media and the diminishing amount of printed materials. It is no longer about hiring a PR agency to get you published in a shelter magazine. Today, public relations has a multifaceted approach. It requires an expert to know how to juggle what and where to place your work and promote you as a designer. In the past, the PR process took years to develop. You may have had a project ready to be published, but were the publications ready for your project? These days, you are not as beholden to a magazine to publish your work. It is all about eyeballs! The goal is to get your work in front of as many people, or eyeballs, as possible. But to be clear, as many of the *right* eyeballs is the key. If all of your followers on social media are friends and colleagues, then you are not going to be as successful attracting a potential client as the magazines. However, if you have a significant following on sites such as Instagram, Pinterest, Houzz, and LinkedIn, you are more likely to attract the right clients. Many of my clients have received inquiries from these platforms that led to significant projects.

That being said, the magazine game is far from over. People still like to thumb through the pages of printed materials and all of the magazines today have strong websites as well. Posting your own work on your own account is not as persuasive as having a magazine validate your work. Two important factors to remember when approaching publications are: One, make certain you don't shop around your

projects—editors do not look fondly upon designers who submit their work to multiple magazines at the same time. Two, if you have an important project you want published, do not share it on your website or your social media channels. Editors will pull projects if they find them on social media. I have had a couple of clients who lost the opportunity to be published because they also shared a project on their website or the client’s clients shared the project on their social media accounts. The reason for this is that it is so easy to lift images from these sites and republish them elsewhere. This leaves the magazine with projects that are overexposed before their articles even come out. Public relations is not just about hiring a firm to handle your PR, many of the most published designers did not achieve success overnight by hiring a PR firm. They worked hard to build relationships with editors to show that their design work was worthy of publication.

When we first started working for one of our clients, who receives great press, people asked me all the time who handles her PR. She does. When you have a successful design practice, magazine editors will approach you to talk directly to the source. If you can forge those relationships within the publication world, then you’ll have the press knocking on your door. It’s always my recommendation, whether or not you have a PR agency, to reach out and get to know the key editors in our business.

Most designers feel that they need to be published only in the shelter magazines, like *Elle Décor*, *Architectural Digest*, and *House Beautiful*. The trick is to find out what publications your clients read and seek to be published there. When you visit their homes and offices, pay attention to the magazines and newspapers on their desks. If you work a lot with attorneys, try to get one of your law office projects published in the *ABA Journal*. You’ll be the only designer profiled, and the target audience is perfect. Some of the best magazines are lifestyle magazines that clients read, rather than industry publications: Magazines like *Departures*, the publication for American Express platinum card holders; *Town and Country*; *Vogue*; the *Robb Report*. Some of the airline in-flight magazines are good because you have a captive audience, especially on long flights when there’s nothing else to read. Publications

such as the *Wall Street Journal*, the *New York Times*, and other major city Sunday magazines almost always focus on design, and their large circulation results in terrific exposure.

Another item to consider in getting published is to hire photographers who work closely with the magazines. If you like a particular photographer and he or she is often published, hiring that person to shoot your project gives you another in at magazines to get your work published.

The public relations portion of your marketing plan should include the following elements.

1 THE RIGHT PR AGENT.

- Make certain they have specific industry experience.
- Get recommendations from present and past clients.
- Ask for recommendations from editors to understand the relationships the agents have with the editors of the major industry publications.
- Look carefully at their client base to determine if they know your specific world.
- Get a comparison of at least two agency contracts.
- Make sure they are the right fit for you both from how they will represent you and how you will work together.
- Make certain they are savvy in all aspects of media, print, web, social media, and television, if that is important.
- Look at the longevity of their clients: if they have short-lived relationships, they probably get hired for short-term assignments and don't build long-term PR relationships.
- Go with your gut: if it feels right after all your research, it is probably right; if it does not feel right, it probably is not.

Understand how much you can afford to pay. Most qualified PR firms charge a monthly retainer.

This is a very social profession, and you always want to make certain you and your PR firm know what's going on in the industry. It's important to get a list of events worth attending that attract both



FIGURE 10

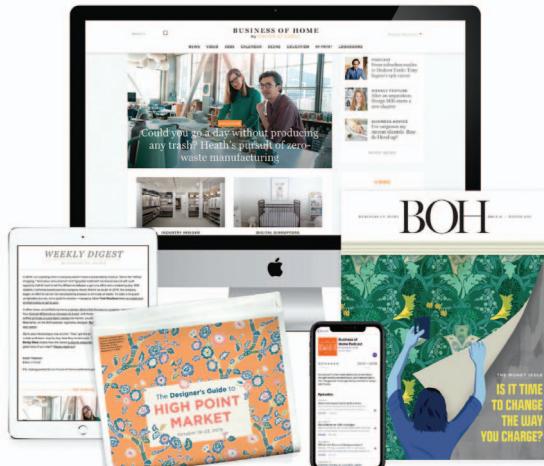
You can produce “leave-behind books” to give to prospective companies that have the potential to promote your business.

the clients and peers who will bring exposure to your firm. If you're not in a position to hire your own PR firm, it's important that you follow these recommendations and try your best to make yourself present in the community and to get to know the important connections in the press. **FIGURES 10 + 11**

② DIRECT OUTREACH. This is the establishment of a program that allows your firm to gain exposure through your ability to reach people with all forms and methods of communication.

- A. A graphic representation of your work: A regular posting—a minimum of twelve times a year, but weekly will most likely have a greater effect—puts you in front of your existing and potential clients. Graphic representations of your work can include a posting on your social media channels. An email that says “what’s new from your firm” can work, but it can also be annoying if your readership feels they already receive too many emails. Also, it can definitely wind up in a spam or clutter folder.
- B. Most holidays cards these days are sent as emails, but people still like receiving paper cards during the holidays. A holiday mailing could be a card but doesn’t necessarily have to be the holiday you’re thinking about. We had a client that sent a Valentine’s Day card. They were the only firm acknowledging the day; it was a surprise and their card did not get lost in the shuffle like Christmas cards. Many people create a New Year’s message. The significance of these pieces is to make people take notice of your firm.

③ SOCIAL MEDIA. Today, Instagram has become the most successful way to get exposure for your projects. The most important thing to understand about producing your own content, whether you create it personally or have someone create it for you, is that it must reflect your voice. You can always tell when a designer is having someone else post, especially if they don’t truly get the aesthetic or speak in the same tone as you. The second most important thing about building a social media presence is consistency. Consistency in the frequency of your

**FIGURE 11**

The Business of Home has become a valuable resource for current design industry news and valuable articles.

posts, consistency in the type of imagery you present, and consistency in the tone of your post words and tags. The more consistent you are, the greater chance you have in showing up in people's feeds.

An important aspect of social media is to make sure you have a written policy at your firm about what your employees are allowed to share. As I mentioned earlier in the chapter, if your work gets out on a social media channel while you are waiting to be published, you may lose that opportunity if an editor pulls the story. You should also have this policy because many clients these days request a confidentiality clause, and you don't want your staff violating an agreement.

4 AWARD SUBMISSIONS. As a designer, winning awards can be very satisfying to you, as well as to your employees and clients. The award itself is a nice recognition of the work you do every day, but the acknowledgment from your peers and industry professionals is what's most rewarding. It's another form of outreach that puts your name on the marquee. Clients like to know that their designers are successful and that they're appreciated within the industry.

Create a list of awards offered for the type of work you do. Make certain you understand all the requirements of these awards, and create a schedule to deliver submissions on time. Be selective about the work you're submitting. If you truly don't think it's your best work, you should reconsider the value in submitting the project. Oftentimes

these submissions are put up for public display; if it's not your best work, consider the message you may be sending the viewer.

If you're trying to gain experience in a new project type, often, unbuilt work that was part of a competition can be considered for awards. This is a way for you to gain recognition in a new area of expertise.

⑤ PUBLISHING A BOOK. Publishing a book of your work or of a certain methodology of design can create awareness of your design aesthetic and point of view. The importance of having a book of your work is similar to being able to speak to an audience: you're held up as an expert on the subject matter. It gives real credibility to your work and can be a helpful tool in marketing your work. There are many things to consider in publishing a book, and I can't possibly give you all the ins and outs of book publishing in this chapter. Instead, I'd like to give you a list of questions to help you determine when you may be ready to publish your first book.

- A. Do you have something unique to say?
 - B. Has your work developed enough that you believe it should be memorialized as a book?
 - C. Is there an audience for your book? Who's the audience?
 - D. What other books in the market appeal to you, and do you want your book to be similar?
 - E. Who will write the book?
 - F. Do you own your photography? (This can be one of your greatest expenses.)
 - G. What publishers are the most appealing to you?
 - H. Will a publisher acquire this book, or will you self publish?
 - I. Do you know whom you'd like to hire to design the book? If not, research potential book designers.
 - J. If you self-publish, do you have the resources (money) to complete this project?
-

CHAPTER 4

Human Resources

“Young talent no longer distinguishes between work and play. They work at all times of the day and night—on small and large screens—and they don’t see why one needs such traditional management guidelines. Design offices tend to struggle to adapt to this mentality and its constant evolution. The ones that do are keeping and attracting talent. Remote access, flexible hours, top technology, small rewards and perks, creative office space—these are the benchmarks for progressive human resource management today.”

—GRANT KIRKPATRICK, KAA DESIGN GROUP

“Ten years ago, all talk of ‘culture’ was in your gut. Today it’s in your company. Ten years ago, employees thought a discreet ‘thank you’ was an appropriate gesture. Now they think they’ve done something wrong if they don’t get a public shout out.”

—LEWIS HEATHCOTE, CEO NICOLE HOLLIS

“Make a place for careers to flourish. It’s more than a job.”

—MARK FERGUSON, FERGUSON SHAMAMIAN ARCHITECTS

“Another lesson we absorbed while working with Keith is that, as principals, we want to create an environment and a culture within which people do their best work. In the COVID-19 world, the environment is ethereal, and culture is propagated by Zoom. The solutions to these new realities are yet to be defined.”

—WADE KILLEFER, KFA LOS ANGELES

“The level of complexity surrounding human resources has increased exponentially over the past ten years. Chapter four begins by stating that human resources is key to a successful practice. That advice has never been more true, due to emerging themes such as equality in the workplace, expanding rules around family leave, COVID-19 response, or the ‘care and feeding’ of millennials and Gen-Z staff. Having the right in-house human resources—by hiring a professional or outsourcing to a reputable consultant —has become an essential part of any design firm.”

—GREG WARNER, WALKER WARNER ARCHITECTS

“Our natural resources include human resources. Successful HR begins with the heart. Now more than ever, we must consider the needs of our employees: what are their priorities, what drives them. Companies that make this their priority will create a healthy culture of engaged, talented people because that’s who they will attract. The HR of the future will be your strongest marketing, public relations strategy.”

—CHARLOTTE MOSS

“Keith convinced us that our staff is our number one asset, and how we treat people is the most significant part of protecting that asset. In the era of Black Lives Matter, another consideration comes forward. How do we recruit, mentor, promote, and reward people of color while being honest with ourselves and our other staff? I look to Keith to help us proceed equitably.”

—WADE KILLEFER, KFA LOS ANGELES

The world is a lot different than it was ten years ago when it comes to managing people. What has been added to this chapter are two significant changes. The first being that as we live longer, we now have offices that are more multigenerational than before. We have baby boomers coexisting with Gen Xers, millennials, and now Gen Zers. They all have very different goals and habits. This chapter will touch on how to understand each generation and how to work efficiently with each one. Secondly, and not because of the pandemic, the need for managing different lifestyles through a more flexible work schedule has significantly increased.

I've found that some people simply forget that the design business is essentially a service business. Except for the designers who sell products, most of us design something on paper that someone else will ultimately build. We need to remember that the two most important aspects of running a service business are that our staff is our number one asset and that how we treat people is the most significant part of protecting that asset. Whether it's how you treat your employees or how your employees treat each other, or how you and your staff treat clients and how the clients treat you, it all sets the tone for your practice. If you surround yourself with people trying to build a career rather than just keeping a job, you'll both be mutually served.

Human resources is the key to a successful practice. You can't have a successful practice without understanding the value of the employees. You can have all the documents and manuals in place that tell people you care about them and their growth, but if you don't practice what's in those manuals, they won't matter one bit.

We write many employee manuals, but the best manual should have only four words in it: "Simply use good judgment." If people understood those words before reading a manual that tells them how to behave, the employment world would be much easier to navigate. Every employee manual ever written was written for one reason: to protect the firm from that one person who doesn't use good judgment or simply wants to break the rules. There are important aspects of employee manuals: you should be very clear about benefits, policies, and job descriptions, but it should never be used to police your staff.

I've learned many lessons through my years consulting and my years as an employee. This one lesson I repeat often because, even after all these years, it still makes the same point: communication is the key to a successful organization. This lesson stems from my first ninety-day review as an employee. Gensler had hired me to run the mailroom. I took my job seriously and quickly found ways that the company could save money and put systems in place that helped me advance to other tasks in the company.

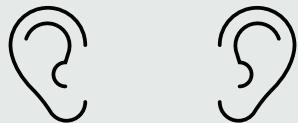
But my review was anything but positive. My supervisor was the manager for the San Francisco office. The first words out of her mouth completely shocked me. She said, "Keith, I don't think this is going to work out." I was devastated. I loved my job and I loved the firm. The problem was that I talked too much. I asked her how long this had been bothering her, and she said from the first day I started at the company. She thought I was talking too much, but, in fact, I was telling the people I delivered the mail to what was in their mail to help them address it more quickly.

It didn't seem to matter—her mind was made up and I had to go. Not knowing what to do, I asked her boss, who was the managing principal of the office, to sit in on the rest of the review. When he walked in—well, if looks could kill, I would not be writing this book today. He liked me because I also delivered his mail. He told her that I wasn't going anywhere and that I was doing a good job.

I tell you this story because the lesson is very simple: you need to communicate your concerns immediately and not wait for ninety days or longer until it's time for someone's review. Reviews, I teach my clients, are for goal setting and not for punitive actions. Punitive actions should happen the moment a problem develops.

If you take the time to connect to your staff, your clients, your consultants, then you build relationships. Having relationships with people is ultimately what keeps them around. I often hear people say, they stole my best employee, or my former employee stole my best client. Employees and clients cannot be stolen. They went somewhere else because they had a relationship with that person. If you lose these people, it's you who failed to maintain these relationships.

YOU WERE BORN WITH **TWO EARS**



AND **ONE** MOUTH



THEREFORE YOU SHOULD

LISTEN****

TWICE AS MUCH



AS YOU
SPEAK



FIGURE 1

A valuable lesson on the
importance of listening

How do you build relationships? Without getting into all the psychology of human behavior, I'll tell you the secret I've discovered: it's all about being a good listener. In the design profession 80 percent of our job is problem solving, and if you know how to listen, then you can help people solve their problems.

There are two types of listeners. Those who listen to listen and those who listen to react. People who listen to listen are truly engaged in what you're saying, and they respond to your thoughts in a way that allows you to feel they've heard what you're saying. If you're someone who just reacts, you should slow down and ask yourself during the conversation whether you're really listening, and when the person makes his or her point, you should acknowledge what you just heard. Saying things like "I agree with your thoughts" or "I think you make a good point, and I'd like to tell you how I think I'd approach the situation" will keep your partner engaged in the conversation. I bring this up simply because in design if you don't design for your clients' needs but for your own needs, you won't be as successful. Yes, there are people known for their formulaic design, and clients come to get exactly what those designers have to offer, but that's a rare minority. When it comes to design products, you have to design with the end user in mind.

If you remind yourself to ask, "Am I listening to listen?" then you'll be engaged with your partner and the relationship will begin to form. The firms with the most successful track records are the ones whose people know how to listen, and through their listening they understand how to manage their clients. The most successful firms also realize the importance of communication, even if they have to communicate bad news. People prefer honesty over cover-up. You'll build a stronger relationship by acknowledging your mistakes.

There are many relationships you'll have during your career: employee to employer, employer to employee, designer to client, designer to consultant, designer to vendor, and designer to manufacturer, to name a few. The most likely place you'll start is employee to employer or vice versa.



“...it’s crucial to hire first for fit and second for skill.”

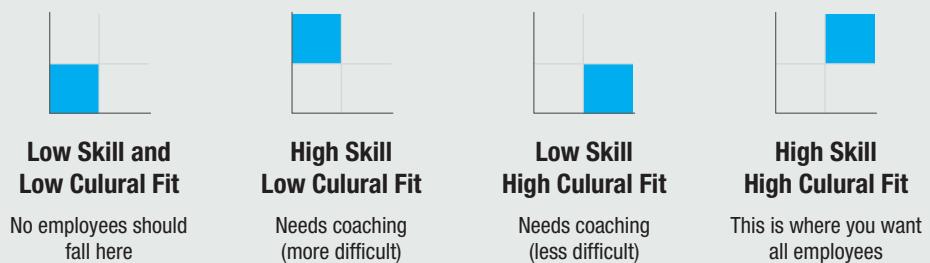


FIGURE 2
Culture/Skill chart, first phase: understanding each quadrant

FIGURE 3
Culture/Skill chart, second phase: evaluating your staff

Whether you're hiring your first employee or your tenth, or you're the employee being hired, it's crucial to hire first for fit and second for skill. The right employee has both these traits. Many people believe that skill is most important and that if the new hire doesn't completely fit in, it'll be no problem. I believe otherwise. The chart on the facing page is a tool I use to hire a new staff member and to evaluate my current staff. **FIGURE 2**

The x-axis represents culture, or how a person fits within your organization in terms of his or her personality. The y-axis represents skills that he or she possesses, adjusted for relative experience. The diagram is divided into four quadrants. The bottom-left quadrant represents the low end of the spectrum—someone with low skills and low cultural fit—these people should not be in your organization. The top-left axis represents a person with strong cultural fit but low skills; the bottom-right axis represents someone with a strong skill set but low compatibility. Everyone in the top-right quadrant has high culture and high skill. This is the quadrant that you want all of your employees to be in. It's rare, however, that you'll find all of your staff in this quadrant.

I've said that the staff in the bottom-left quadrant should be let go, but what do you do with the people in the upper left and bottom right? Those who fall in the bottom right and who get the culture of your firm could be coached to help them improve their skill set (and move into the top right). The people in the top left are highly skilled, but they just don't fit in that well. People who fall in the top left quadrant are far more difficult to coach, since it's an incompatibility issue based on personality.

I use this tool to help firms evaluate their staff. A lot about the firm's culture is revealed in where the majority of their staff falls on the chart. The firms whose staff mostly lands in the upper right are typically successful and high performing. Firms whose staff mostly falls in the top left tend to be sweatshops. They hire people for their qualifications, not their fit. These firms tend to produce a lot of work efficiently, but since the employees are not very synergistic, they tend to stay by

themselves, and the work product tends not to improve as rapidly as with employees who work well together. Firms with most of their staff in the bottom-right quadrant tend to get along well but get very little accomplished. They love working together, but they tend not to be as successful.

During economic downturns in our industry, this tool can be particularly helpful in evaluating whom to retain. This is hard because when you're forced to lay off staff, you often are forced to lay off people you really don't want to lose. This tool helps you evaluate the right people to keep. **FIGURE 3**

FINDING THE RIGHT FIT

How do you select people for your organization? At Granet and Associates, we find the following questions helpful during the interview process.

1. Why does our firm interest you?
2. How familiar are you with our work?
3. Do you know anyone who works here?
4. Why are you leaving your current employment?
5. Does your employer know you are leaving?
6. What would you say are your greatest strengths?
7. What skill set would you most like to improve?
8. Are you neat or are you organized? (There is a difference!)
9. Have you ever been told anything about your work that surprised you? Both positive and negative.
10. Do you see this as a job or a career?

Here are a few tips for reviewing résumés:

- Always check references. It shocks me when people don't check references.
 - Avoid people who move around a lot unless you know and understand why, and it makes sense to you. The millennial generation values quality of work more than loyalty and time commitment. They tend to move around more often than other
-

generations because they want to constantly be growing and learning. They won't tolerate "do your time and you will get the opportunity." They do need to understand that there is very little substitution for experience.

- If you find a typographic error on their résumé, it says a lot about their thoroughness.
- The résumé is usually a good representation of who a person is. If it's neat, the person is probably neat, and if it's hard to follow or is inconsistent in format, the person is probably not very organized.
- Whom they've worked for in the past says a lot!
- Remember this is a visual profession; their résumé should demonstrate their desire to express their understanding of the importance of visual communications.

UNDERSTANDING THE GENERATION GAP

Baby boomers, Gen Xers, millennials, and Gen Zers. They all are in the workforce today. What does this mean? Baby boomers were taught that if they work hard, they will succeed. They tend to be competitive and disciplined. Gen Xers believe in a work/life balance; they tend to be very flexible and informal. Millennials were raised in a world of participation trophies. They are tech savvy, curious, and seek instant gratification. They need to be acknowledged and appreciated for their work more than the past two generations. Gen Z is the newest generation, and having recently graduated from college, they want to be responsible citizens of the world. They are independent, entrepreneurial, and crave human interaction. I am generalizing, and there are exceptions to everything, but if you understand the thinking, then you will know how to manage your staff, interact with them, and learn how to create an efficient office by juggling their individual goals to match the firm's goals.

If you understand the traits of each generation and put into account their individual skills to interact in an effective and efficient way, then your office will be highly functioning. If you allow the younger generations to learn from the experience of the older generation, they will progress at a faster speed. If you allow the younger

generations to share their knowledge of technology with those who did not grow up with it, the older generation will have a chance to embrace change quickly and adapt to new methods of working. Where baby boomers might believe that *success comes with experience*, millennials and Gen Zers believe that *success comes with ideas*.

Understanding the generations is much like grasping any of the personality tests, like Myers-Briggs or the Disc. The more you understand people's motivations and ways of thinking, the easier it is to lead them.

REVIEWING YOUR STAFF

Unfortunately, many firms don't review their staff regularly. I recommend that you review your employees annually and check in with them quarterly. Check-ins may simply be a fifteen-minute conference. If significant issues come up, then you'll want to extend that time to address the issues.

Annual reviews should be more formal. There should be a good form that both you (the reviewer) and the person being reviewed should fill out. The questions you want to ask to revolve around how you want this person to improve and grow in the upcoming twelve months. You should evaluate his or her skills and talents, and you should find ways to expand his or her contribution to the firm. You should also revisit previous reviews to assess how much improvement has been achieved in the past year. You should evaluate the previous goals that you set together and determine the success of those goals. The following questions are for your employees to answer.

- 1. What are your goals for the next twelve months, and how can the firm help you achieve those goals?**
- 2. If you were the principal of this firm, name three things you would change.**

There are two important variables about reviews: first, when to have the review, and second, who should participate in the review. Some firms like to have all their reviews at once and select a time of the

year to conduct reviews, such as December or June. It's easy to experience review fatigue when you do it all at once. But some people think that if you have a staff of twenty-four, you're potentially reviewing two people every month, and it seems like you're always in review mode. My preference is on the anniversary of the employee's hiring date, but either way is fine.

As for the second variable, the person who the reviewer reports directly to should be there, as well as a senior member of the staff. There's no need for the principal to review everyone in the office. I often hear principals say that it's the only time they get to sit down with certain staff members. It's a luxury for the principal to review every single member of the office, but in most cases the principal is too removed from the staff member's work, and the review will actually not be as productive as it could be if the immediate supervisor conducts the review.

Lastly, when you have reviews, people usually want to know whether they'll be getting a raise. The problem with doing this at the same time is that during the entire review, the person being reviewed is thinking about the money and may not be fully focused on the review. It's better to structure the process so that the expectation is not a salary review but a performance review and that after the review you'll follow up with a salary adjustment. That way you can use the data from the review to assess salaries.

MENTORING YOUR STAFF

One of the most powerful tools for successful firms is their mentor programs. Mentoring works because it allows people the ability to grow and for the staff to know there's greater potential within the firm as long as they're growing. If you care less about their growth and more about your firm's growth, you'll compromise the firm's future. As I mentioned earlier, your staff is your greatest asset, and you need to nurture that asset to work well for you. The most successful offices are the ones with low turnover and high staff improvement. I mention both of these things because an office with low turnover but no growth indicates complacency—people are happy to just do the same thing as long

as they have a job. That's not a healthy environment. You need both growth and stability to run a successful practice.

One of the best ways to mentor is in the art of delegating. I have used the following chart for years, and every time someone sees it, a light bulb goes off because they realize they have failed at following this simple process. This favorite tool of mine (from the book *The One Minute Manager*) is the Direct/Coach/Support/Delegate chart. **FIGURE 4**

The phases of delegation, as demonstrated in this chart, start in the Direct Box and move clockwise until you reach the Delegate Box. The Direct Box is the phase at which you need to specify, in detail, every aspect of what you're delegating. I equate this phase to when you call someone's home, and a child answers the phone. When you say, "Is your mom home?" the response is often a simple yes. You have to explicitly ask, "May I speak to her?" In this phase you have to be completely clear with everything you ask someone to do for you. I call this phase "unconscious incompetence." You don't even know what you don't know.

After you understand what they know or don't know, you get to move to the Coach Box. At this phase you're coaching them on what to do with the task you're delegating to them. This means saying things like, "Keep up the good work, but I would change x, y, z," or "That's OK, but you might want to change it this way to better communicate your thoughts." You're coaching this person to handle the task in a manner in which you want them to perform the task. We call this phase "conscious incompetence." You now know what you don't know.

You then move to the Support Box. This is the phase in which you're supporting the person to fine-tune the task. You just encourage him or her to keep up the good work, the great job, or suggest minor changes. You, as the mentor, are essentially there for moral support. This phase is called "conscious competence." You know what you know.

Finally, you move to the last phase, which is simply to just do it. The true delegation box. You know when you've reached this phase: it's when you can say three words and the person gets what you mean and can complete the task. This phase is called "unconscious competence." You can do it without thinking about it.

The Art of Delegating

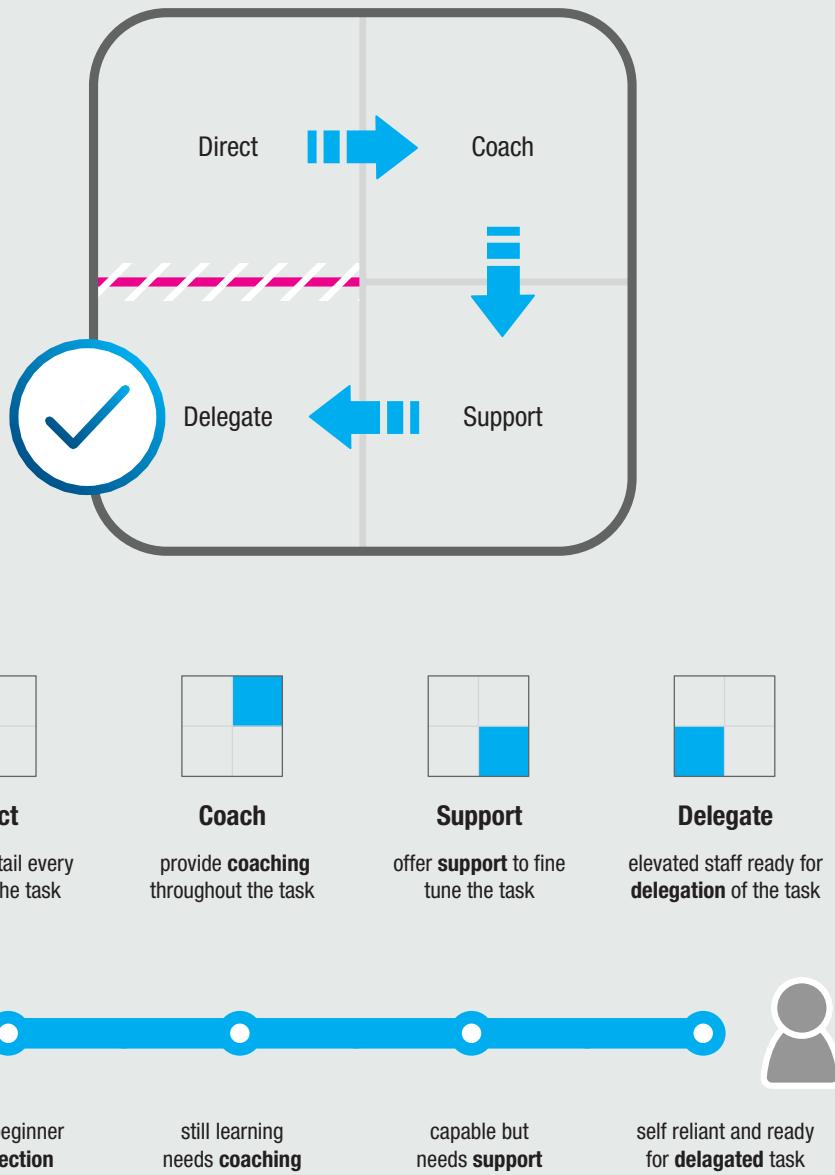


FIGURE 4

FIRST PHASE: understanding each quadrant

SECOND PHASE: understanding how the flow of delegation works

THIRD PHASE: understanding what happens when you ignore one or more phases

FOURTH PHASE: description of each phase of understanding

Inspired by "Coaching Stages" from Kenneth Blanchard and Spencer Johnson, The One Minute Manager (La Jolla, CA: Blanchard-Johnson, 1981).

This is a very powerful tool that I've used with my clients and shared with my students. I've told people to keep this chart at their desks to remind themselves of the art of delegation. The response I get from most executives who want to improve their delegation skills is that they don't have time to do all these phases. I tell them they do, especially since there's always time to redo the task completely. When things go wrong in delegation, it's pretty easy to pinpoint whether you've skipped one or all these phases. When you go right to delegate and skip all the other phases of mentoring, you'll find yourself saying I should just do it myself, it's so much easier than trying to explain it. If you find yourself doing that, you're either surrounding yourself with the wrong people or you're not delegating effectively, and ultimately, you're not mentoring your staff to grow.

Whether you're doing the delegating or being delegated to, you have equal responsibility to understand the process. If you're being delegated to and you don't think you completely understand the assignment, then it's your responsibility to ask the person delegating to reexplain the task. If you still don't understand the task, keep asking questions until you're confident you can complete the task. If you're the person delegating, it's your responsibility to make certain that that person understands your directions. We all know that moment when we think someone's heard us, but in our head, we're saying, "OK, that's good enough"—we also know there's a good chance the outcome won't be what we want it to be. You should keep explaining if you feel this way because good enough is never enough. If you think they only heard part of it and think they can move it forward, you might want them to take the task to a certain point and report back to you before they complete the task. This way you can adjust the outcome quickly if they're on the wrong path.

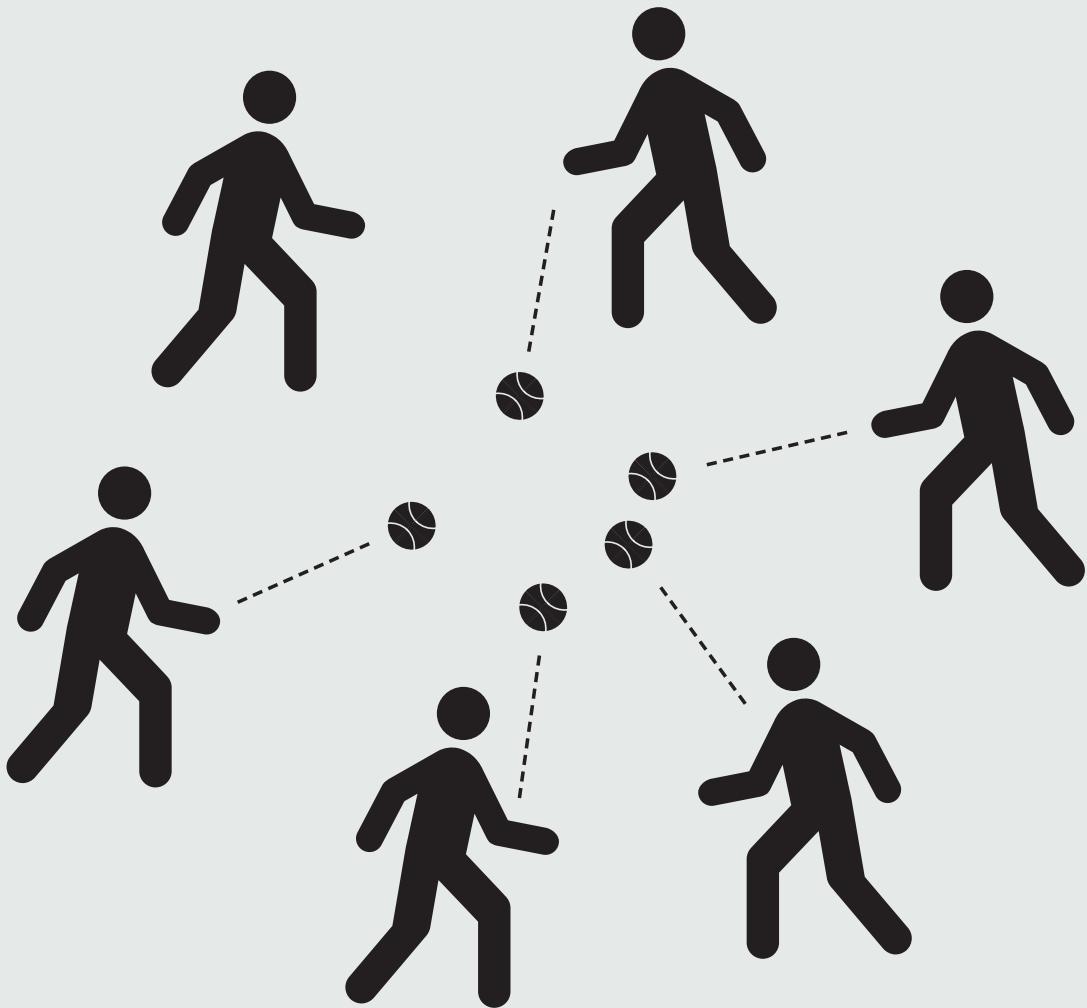
To help firms learn the skills of mentoring, I often hold company retreats to work on management skills and also to set goals for the coming year. One exercise in teamwork I do at a company retreat is to put the group in a circle and slowly hand them tennis balls. At one particular retreat, there were eight people in the circle, and I slowly

handed tennis balls to one person to start throwing around the circle. If N equals the number of people in the circle, then the most balls you can have in motion is N minus 1. Why? Because it's almost impossible to throw and catch at the same time. The purpose of the exercise is to demonstrate the importance of an individual's action. People are much more concerned about catching the ball than throwing it. What this demonstrates is that it's equally important to the success of the exercise that the person you're throwing to catches the ball as that you are able to catch the ball. If you're less concerned about how you deliver information than with how you receive it, you'll ultimately fail at delegation. You have to be equally adept at both. **FIGURE 5**

While delegating is only one piece of the puzzle of mentoring and growing your staff, the frequency of how often you're mentoring your staff is equally significant. You want people to be in a growing environment all the time. The challenge many firms face today is a restless talent pool of people who want to grow faster than their skills grow. No matter how educated someone is, there's no substitute for experience. What you learn from being involved in a project, no matter what phase it's in, is very different from what's taught in school. Nothing is better than the hands-on knowledge of having the experience. You need to have these experiences to grasp the design profession. You need to make mistakes and grow from those mistakes.

An example of an effective and established mentoring program is the AIA's Architectural Experience Program (AXP). Its purpose is to establish elements of training that are important to the architectural practice. Before a person can be licensed, he or she must go through an AXP with a firm. The intern identifies a mentor to supervise him or her through the program and trains under the direction of that registered architect.

Several areas of expertise are addressed. They include design and construction documents, construction-contract administration, management, and professional community services. Time is allocated as follows: practice management, 160 hours; project management, 360 hours; programming and analysis, 260 hours; project planning and



PEOPLE = 6 BALLS = 5

FIGURE 5

The tennis-ball exercise demonstrates the equal importance of how information is both received and delivered.

design, 1,080 hours; project development and documentation, 1,520 hours; and construction and evaluation, 360 hours. For a total AXP required hours of 3,740.

To learn more about the AXP requirements please visit <https://www.ncarb.org/sites/default/files/AXP-Guidelines.pdf>

Internships are an essential part of understanding the profession in a whole new light when you're in school. If it weren't for my internship at Gensler, I don't think I could've found my path in this profession or know what I would've been most suited for in my career. I might still be struggling as an architect had I not seen early on that I needed to find a niche, where the practice needed me and I needed it.

Mentoring can come in all forms and shapes, and like delegation it's important that both parties are completely engaged in the process. If you want to grow, you must always be willing to learn.

What employees want is to be stretched beyond their day-to-day tasks. No matter how inexperienced people are, they need to be challenged to grow. This is especially true with the newer generations. They need to feel like they are learning and contributing, and if they do not, they tend to simply move on to other jobs. Finding small ways to test the skills of your junior staff and help expand their experiences will allow them to grow. In some companies there are slack-time lists that allow for people to take on different tasks outside their everyday work when things are slow or they're waiting for direction. These tasks are important but not urgent and might include building on a detail library or research work—things that you'd love to accomplish if only you had the time. This way, you can keep your staff productive when there are lulls in the schedule. Anybody can add to the slack-time list; it simply needs to be approved by someone in a position of authority to make sure the tasks are worth performing.

Another way to grow your staff is to promote the idea of information flowing from the bottom up. Art Gensler used to ask me why I thought all the information had to come from the top down. It would be refreshing if ideas were also generated by the people on the front-lines. I was one of those people who looked critically at things

considered “sacred cows” in the office, tasks that everyone did without question just because they had always been done that way. I would ask why it was done this way when it could be more efficient another way. I always took a proactive approach to improving the organizations where I worked, and in my own company I encourage people to do the same. Some of the best ideas don’t come from the principals of the companies we work with but from their staff. Encouraging people to speak up builds an environment of growth and learning.

EMPLOYEE BENEFITS

Another indication of how well a firm treats its employees is directly related to the benefits package offered to employees. Keep in mind that the greater the financial health of the firm, the more benefits it should be able to offer. The following are the typical benefits I have seen offered in design firms.

HEALTH INSURANCE

Most firms offer health benefits to their employees. Most of the time, the basic coverage is offered, and if an employee chooses to upgrade the plan, he or she pays for the difference in cost. In addition, if an employee has a spouse and a family, he or she typically pays for the additional costs for the family members. In some cases, firms offer this benefit to their management. As health insurance has skyrocketed during the past couple of years, more and more companies are asking their employees to contribute a portion of the monthly costs. Typically, I have seen 25 percent as a common ask of employees but have seen as much as 50 percent.

TIME OFF

The most common time-off benefits are:

- 1. Vacation time: two weeks for the first five years of employment, three weeks for employees who have been with the firm for five years, and four weeks for employees who have been with the firm for ten or more years.**
-

2. Sick time: five days per year, but certain states like California now require a minimum number of sick days. Please check with your employment agencies for the regulations.
3. Holidays: the average is seven paid holidays per year. Typical ones are New Year's Day, Memorial Day, Fourth of July, Labor Day, Thanksgiving, and Christmas and the day after. Some firms offer an additional floating holiday that the employee can choose, such as President's Day, Martin Luther King Day, Good Friday, or Passover.
4. Paid time off (PTO): some firms combine all of the days off and provide what they call PTO time. The problem with PTO is that you are required to pay out any unused portion of the PTO time when an employee leaves as opposed to regular vacation and sick time, for which only the vacation time is required to be paid out.
5. Most firms require people to earn their time off by accruing a certain number of hours each month.

EDUCATION ALLOWANCES

Many firms create an education allowance for their employees. This usually requires an employee to submit a request for educational dollars to be paid for by the firm if the classes are relevant to the employee's position.

BONUS PROGRAMS

Many firms provide for a bonus program to compensate employees for efforts above and beyond their day-to-day responsibilities. I have a strong opinion about bonuses. I always ask my clients: "When was the last time you were thanked for giving someone a bonus?" The answer is almost always never or rarely. If that is the case, then this program is not working for you. If you are willing to create a bonus program, then it should work to encourage your staff to work hard to achieve greater compensation. The way you make this program successful is for your staff to understand what it takes to get a bonus and why they are receiving it. The more they understand, the more the motivation to earn a greater bonus.

PROFIT-SHARING PROGRAMS

Many firms offer 401(k) plans that allow for retirement savings. These funds can come either directly from the employee's salary or from the firm's profits being distributed each year. Many companies match the contribution made by the employee to encourage their staff to save.

HIRING PRACTICES

When it comes time to grow your company, it's important to evaluate the skill sets of your current staff. It's always better, when possible, to promote from within rather than to search outside your firm for talent.

When hiring from within, the message you want to send to your staff is that you've created a place of growth and advancement. It's important for them to know that they can advance within your company, provided they can gain the experience required for the role they want to grow into. Many people like to have job descriptions in their employee manuals, and the effective ones are the ones people use to know what's expected of them to advance. It provides a road map for advancement to know what the requirements are for people to grow to the next level.

If the talent doesn't exist in your organization, you have no choice but to reach outside your company to find the right people. It'll be important to explain to your staff why you must go outside the firm to hire for this position. Smart people understand this, and they also understand that their growth will benefit from having access to other smart experienced people.

When you hire from outside, you'll need to follow the steps mentioned earlier in this chapter in the section "Finding the Right Fit." Again, it's more important to hire first for fit and second for skill.

WORKING REMOTELY

Months ago, I would have told you that this should be more of the exception then the rule. However, when the pandemic hit, there was no choice. To my surprise, it was well received, and firms saw some very successful approaches to remote working.

The following are some key approaches to managing staff working remotely:

WORKING FROM HOME IS NOT FOR EVERYONE

Since the design profession is a collaborative profession, most people need to work in teams. Creativity doesn't come from a Zoom screen. It comes from collaborating with people and sharing ideas in real time.

Determine who can successfully work from home and who cannot. There will be staff that are quite capable of self-managing and there will be staff that are not as capable of the same level of self-discipline—those people are less manageable and will need clear expectations and goals.

FIND AN ONLINE PLATFORM THAT CONNECTS TEAMS DURING THE DAY

Slack (messaging) and Zoom (video chat) are two platforms that can keep you connected. They allow everyone to see each other and to ask questions throughout the day. I would recommend that each team or studio set up their own individual chat room to avoid too many distractions. Communicating through video calls is very productive because seeing the person is a very powerful way to read their motivation and emotions.

WATCH FOR WARNING SIGNS OF PEOPLE NOT WORKING A FULL SCHEDULE

- Taking too long to reply to emails
- Not focused during calls
- People who don't use their cameras typically don't want you to see what they are up to. Ask people to turn on their cameras. It is important to see your staff while they are working remotely.
- Missing deadlines
- Taking longer to complete tasks
- Set expectations immediately. Make clear your expectations to your staff about working hours and goals. Here are a few ways of checking in:
 - Create regular check-in calls (hourly/x-times/day), especially if you are not online. Limit these check-ins to fifteen minutes.

- Ask for an end-of-day status of the work completed
- Don't micromanage—this will create trust issues with your team
- Each Monday, set expectations for the week (deadlines, client meetings, site visits)
- Lastly, leaders need to participate—it is important for staff not used to working on their own to feel the office leadership through these communication outlets.

FIRM STRUCTURE

How should your firm be structured to create the most efficient organization? If you have an organization that doesn't have layers of reporting, or for that matter much structure, you'll be challenged with two major issues. First, the distance between you as the principal and the junior person reporting to you is too great and puts a greater burden on your delegation skills. Second, you'll run into the problem that too many people are reporting directly to you. The rule of thumb is that one person can be responsible for no more than ten people at a time. If you want to grow your firm, you'll need to learn how to leverage your talents to others to manage more staff. A full explanation of the different structures found in a design practice can be found in chapter five, "Project Management."

Job descriptions are important for structure, but people seem to find them puzzling. Some people love them; some people deplore them. But job descriptions are a necessary evil. Why? Because they help people understand what's expected of them in their position and if they want to grow into the next position. The problem with job descriptions is that it's difficult to define all that you need someone to do in a written document. People who don't like them don't like them because they think their employees will say, "That's not in my job description." If you ever hear those words, those should be the last words you hear from that employee. You don't need people in your organization who are looking at a piece of paper to tell them what to do. The newer generations appreciate knowing what is expected of them and seem to really need a clear job description to help define their roles and the future roles they can grow into.

The other issue with job descriptions and titles is that the same word means different things in different companies, and a different title can mean the same thing in a different company. A project manager in one firm can be the equivalent of a job captain in another firm. Smaller firms often give less experienced people the chance to grow faster because there's less layering in the organization. If an individual joins a large firm, he or she may get to work on larger-scale projects, but his or her responsibilities will be less broad and he or she may not grow as fast. In smaller firms, an employee may be stretched to enhance his or her skills, but the projects may not offer as much challenge. There are pros and cons to working in larger versus smaller firms, but the important thing to take into account is whether the individual is in a firm that allows for learning and growth.

Here's a list of titles that you may come across in the design world. Job descriptions for the project-related titles are also in chapter five, "Project Management."

Project titles (associated with running projects): partner, principal, design director, senior project designer, senior project manager, senior designer, project manager, job captain, project architect, drafts-person, expeditor, CAD operator, junior designer, junior draftsperson, intern (you can add landscape, interior, or engineer to the front of any of these titles for those disciplines).

Office titles (associated with running the firm): partner, principal, chief executive officer, chief financial officer, chief operating officer, director of marketing, director of finance and administration, CAD manager, studio director, studio manager, marketing coordinator, bookkeeper, accounting clerk, office manager, executive assistant, administrative assistant, receptionist, office assistant.

Promotional titles (titles given to people solely for the purpose of being promoted for their contribution to the betterment of the firm and not for any specific role change): partner, associate partner, principal, vice president, senior associate, associate.

Let me share some thoughts about using promotional titles. Some firms have very loose criteria as to what it takes to become, say, an associate of the firm. Some base it solely on longevity; others on

level of responsibilities. I believe a title should be awarded to employees for showing dedication to the firm in multiple ways. They should be looking out for the betterment of the firm and not just themselves or their projects; they should be able to promote the firm's culture internally and to the outside world. They should be performing tasks necessary to operating the firm but still outside their day-to-day responsibilities. You must consider whether the promotion will send the right message to the staff about who you are as a firm and what you expect from your leaders. If the message falls short, then you should seriously reconsider promoting someone.

When it comes time to consider people for promotion to partner or principal, they must contribute an indispensable value to your firm. Not necessarily irreplaceable (you can say that on some level, everyone is replaceable), but the firm would be at a loss without these people on board. Picking who you want as a partner is a serious decision that can be equated to marriage. It's a relationship that you don't enter into lightly, and you want to make certain it'll be around for a long time. The most significant role a partner brings to the table is the ability to bring in work and attract clients. In some states, such as New York, there are limitations if you are not a registered architect. This eliminates many people who have all the qualifications but not a license. In other states, like California, you can be a corporation with partners, and those partners don't need to be licensed to be owners in the company.

SPECIFIC QUESTIONS TO ASK YOURSELF WHEN CONSIDERING A PARTNER:

1. Is this a partner that adds value to your company?
 2. Does this person fit within the culture of your company?
 3. Is this the person who, if something should happen to you, can carry on the firm?
 4. Does this person have an indispensable quality?
 5. How long has this person been with your company? If less than two years, I'd question whether that's long enough to be able to evaluate this promotion.
 6. Does your staff look up to this person as a leader?
-

7. Are clients comfortable with this person?
8. Is the design quality or their unique talent at or above par with the work being produced by the firm?
9. Are you 100 percent certain this person is committed to your firm?

OWNERSHIP TRANSITION

Once you ask yourself these questions, and if you can answer them in a positive way, the next step is to start an ownership-transition plan.

Ownership in your company should never be given away—ownership encourages accountability. It's akin to a rent-a-car: when's the last time you washed one? If it's not yours, you tend not to take care of it in the same way. If people realize that their hard-earned dollars are going into buying the company, they'll treat that investment very differently than if they're simply receiving a bonus for their shares of ownership. In some cases, you may want to create a hybrid ownership that is partially gifted and partially purchased. I sometimes recommend this when someone has been with the firm for a long time and they have contributed to the success of the firm. It is also important to remember that gifted shares have a tax implication, and you should consult your accountant to understand the financial and tax repercussions.

The process of ownership transition is a book in itself. I won't try to abridge the information here, but I do recommend that you search for books on ownership transition in design firms: they do exist. That being said, here's an outline of the steps to help you understand the process of ownership transition:

1 UNDERSTAND YOUR OBJECTIVES. Are you selling shares because you want partners or need partners, or because the people you're doing this for have earned the right to obtain ownership in your company? The shift from being a sole proprietor to a partner is not always the easiest. In the past you could make all the decisions on your own, and you could spend the company funds any way you chose. When you bring in partners, you have an obligation to create transparency in your business and to allow them to know exactly how the company is performing both functionally and financially. When you make

choices about clients, employees, and financial matters, you'll have to consult with your partners. Whether they're a 2 percent owner or a 50 percent owner, if you want them to be true partners, then you'll want to engage them in these decisions.

Like any change in a company, it takes time to settle in and to understand the relationships you've created. Some are seamless and some take work.

2 Identify your candidates. Make certain you conduct your due diligence to really determine the right candidates for ownership in your company. It's my recommendation that this person never be brought in from the outside and immediately made an owner, no matter how much expertise he or she possesses. If you're merging your firm with someone else, then you won't have a choice, but if you're selling shares of stock or a piece of your partnership, you'll want to make sure this is the right person.

3 Assess the value your company. There will be a need to assess the value of your company to determine what it's worth and how much each person will be paying to become an owner. Whether it's based on sales or profits or a combination of the two, the value of your company should be discounted for internal buy-ins (versus an external purchase). That is, if you're selling shares of your company to people who helped create the current value, you might want to discount the cost of his or her shares in proportion to their overall contribution. In other words, someone who's increased the value significantly by his or her contribution to the firm would receive a greater discount than someone with a lesser contribution. It's also important to explain to future owners that although some people might have made a large contribution to the success of your company before you considered them for partnership, they must understand that you were taking all the risk during that time and they held none of that burden. The reason that an outside purchase is typically higher is that you're giving up more control when you're selling to a third party versus selling to one of your employees. At times, the determined value for a third party can be as much as double the selling price to an employee, but that's based on many factors.

④ Decide on cost of shares. You will need to figure out how the future owners will pay for their shares. Do I sell my company to my future partners and give them a bonus to pay for the company?

⑤ Present a term sheet to your candidate. Once you've established your firm's value, you'll then present that value to the candidate, along with a term sheet to spell out all the other terms associated with the purchase. These include the number of shares you're selling or what percentage of the company you're offering, who's selling the stock or shares (typically the current owners sell their shares to the individuals, but the company can issue new shares if it chooses to take that direction), payment of shares (this is how the candidate will pay for the shares), restrictions on the shares (how they can be disposed), a list of documents to be signed, and a timeline for the process.

⑥ Explore representation for your candidate. The candidate should have different representation than your firm's attorney. Some firms offer to pay for these costs as part of the transition benefits. I recommend that you establish a budget to pay for these expenses.

⑦ Prepare documents to be signed. There will be many documents to be signed to complete this transaction. These include the following: stock purchase agreement (this is for corporations selling stock); promissory note (if you're going to finance the sale for your employee); stock pledge agreement (this pledges the stock for financing the shares); shareholder agreement (this is the main document that details all the conditions of the ownership); shareholder indemnification agreement (this indemnifies the parties from each other for selling shares in the company).

BUILDING A LEGACY FIRM

There is always the question of whether designers can actually build a legacy firm—a firm that lives beyond its founders. There are plenty of good examples in the commercial design firm arena, such as Skidmore, Owings & Merrill (SOM), Helmuth Obata and Kassabaum (HOK), and Gensler. But this case is rare with more boutique firms. Most designers have attached their names to the firm's name. Once that person retires or dies, usually the firm does the same. I have clients who

FIGURE 6

The author facilitating a retreat at the Mohonk Mountain House in New York for his client GP Schafer. Having inspiring venues to hold retreats enhances your ability to expand your goals and perspective.



have created an ownership-transition firm for the sole purpose of creating a legacy firm. The most significant factor to creating a legacy firm is finding the right people who have the talent to carry the firm forward, the personality to promote the business, and a strong business sense of how to run the company. These are not easy attributes to find in one person.

If it's your desire to build a firm that continues on after you, then you'll need to think about who'll be adept at carrying on the practice. You should also consider that you might need to add those people's names to your firm name to allow for public recognition. One mistake that many principals make is to look to their peers as successors when, in fact, they should be looking to the next generation. There's little use in trying to build a legacy firm by selecting people who are all the same age.

Many firms transition from a single name to a group of names or an acronym of those names. This can be helpful because it lowers the expectation of clients that they're going to get only the name on the door. Of course, in high-profile projects, the expectation is that you will get the name on the door to work on your project.

The transitioning of a firm is never without challenges. At the end of the process, the most significant issue is whether the founding members' wishes for continuity are met.

CORPORATE RETREATS

I facilitate annual retreats for many of the firms we work with, and the ones that consistently have these retreats year after year grow faster. Companies willing to get off their daily treadmill and take a look at themselves are the ones that find new ways to run their businesses. These are management retreats focused on improving the firm's management and helping the leaders understand how they want their firms to grow. What we like to incorporate are learning techniques that allow people to step out of their comfort zones to learn something new and experience a new way of thinking. **FIGURE 6**

The following are some questions I'm always asked about our retreats:

1 Who should attend the retreat? The answer is simple. The people who should attend are the people most likely to contribute to the growth of your firm, not for their role in projects but for their role in the overall contribution to the organization's health.

2 What's the best size for an effective retreat? Should it include the entire office? If the number of participants becomes larger than twelve, the retreat's effectiveness is compromised. You want everyone to be involved and to contribute, and once you increase the size beyond twelve, there's little room for individual contribution. We also tend to have people who don't participate when the group is too large. I've conducted retreats that are a hybrid between management and staff. These retreats bring the management team in first, to work on specific tasks, and then bring the next tier into the retreat for a one-day session.

This allows you to see the level of engagement you receive from the next tier of staff and to identify your rising stars. It also allows for buy-in from your employees to get them on board with the coming changes of the organization because they'll feel like they've been a part of authoring the changes.

3 How long should a typical retreat be? We recommend that retreats be a minimum of two days, with a social event midway. The reason for this is best illustrated by a story about the first retreat that I ever facilitated. The company's founding partner had recently passed away, and I was brought in to help facilitate a plan for the firm's future and its potential for growth and reorganization. What I identified early on was that the dynamic of the five remaining principals was very different principal to principal. In some cases, they were willing to collaborate, but in other cases, they were out-and-out competitors, even though they were partners. The past owner had purposely put each of them in a competitive role, thinking that it would be a motivator to build a diverse practice. It did the complete opposite and put them at odds with each other.

A legal document was drawn up that created a stipulation that upon the death of the previous owner, each new owner had to stay for three years before his or her ownership accrued fully. To deal with the tension, the principals decided to hire someone to help them change the firm's dynamic. At this first retreat—which despite my recommendation was only a single day—we needed to address the issues that existed between the partners and then take those issues and build on them to mend the firm. There was so much tearing down of the dynamics of the old regime, there wasn't enough time to plan a restructuring strategy to strengthen their partnership. By the time dinner came around, no one wanted to eat with each other, and everyone simply went home angry.

The lesson this taught me was that all retreats need to be a minimum of two days. Day one to tear down the issues. Evening one to break bread and realize that this is just business, but we do actually enjoy each other's company. And day two to build back what was torn down the previous day. For almost thirty years, I haven't deviated from

this formula, and it works. I've added to the number of days when the issues were broad, but only when needed.

4 Why have a retreat? It's what I call the treadmill theory. If you're on a treadmill every day, leaving the office is like getting off the treadmill and taking a run outdoors. You need to get out of your environment and into one where you are free from distractions. You need to find a place that's relaxing yet productive. If you work in the city, then go to the country. Locations that are about two hours away from your office are perfect because people feel they're getting away without having to spend a lot of time traveling. People will stay focused when you narrow the issues around your retreat agenda and nothing else. When people are in a new environment with their coworkers, they tend to share the same experiences with each other, and it becomes a bonding time to help build their relationship. It can take place in resort towns, islands, mountains, deserts, or cities. The most successful places are the ones where people are all sharing the same experience at the same time.

5 What else do you do on retreats that is of interest to the participants? Often, when I first recommend a retreat to a new client, the first question is: "This is not some kind of touchy-feely thing, is it?" My answer is always the same: no walking on hot rocks or climbing telephone poles (although I think there are lessons to be learned from that kind of retreat). During the retreat, it would be beneficial to incorporate a side trip to a completed project or a significant architectural location. One year we had a retreat in the Elrod house (1968) designed by John Lautner. It was simply an inspiration to be in the house , and it also was fun because it was featured in the James Bond movie *Diamonds Are Forever* (1971).

6 What do you do to make sure that the work completed on the retreat continues to move forward? During the retreat we're always keeping a to-do list, which is tallied at the end. This list is then vetted to make certain it represents the most important goals for the coming year. Each to-do is assigned to a single person—never more than one person, because when two people are assigned a task, it rarely gets done. Assigning one person doesn't mean that person needs to

complete the task, he or she just needs to be responsible for its progress and will be held accountable for its completion. Each task is assigned a deadline for completion. Once a quarter, we review the tasks to make certain progress is being made and that those assigned are being held accountable. The truth is, no one wants to return to the next retreat being the person who didn't complete their task. If it becomes apparent that the wrong person is assigned to a task or if the task is deemed unachievable, then it can be reassigned or simply taken off the list. It is also important to limit the number of tasks you want to tackle in the year to come. If you overload yourselves with retreat goals, you might be setting yourselves up for failure.

Just for fun I want to share my worst retreat experience. I have probably facilitated a couple of hundred retreats over the years. I once had a client who was very democratic in his thinking and wanted to include his entire staff on the firm's first retreat. I reluctantly agreed and allowed the whole office to attend.

The first day was productive, but quite a few junior staff members didn't participate. After the sessions were completed, we all went out for a social dinner. That night after dinner, we all went to bed to get ready for an early morning start time. So we thought. It turned out that two of the management team members decided to host a cocktail party in their room. The next morning three people were missing (one being a senior member of the management team) and six other people showed up physically but mentally were anything but present. That was the last retreat of the entire staff for that firm. Retreats are expensive and time-consuming, and you truly want to get the most you can from the event.

“If your actions inspire others
to dream more, learn more,
do more, and become more,
you are a leader.”

—SIMON SINEK

CHAPTER 5

Project Management

“A truly transparent firm, one that readily and freely shares information among its entire staff, has created an environment where project managers can achieve their best results. Information is power, and it is a critical tool to the success of any great firm. Isn’t a failure to provide your staff with the necessary tools for success akin to sending them out to sea without a map and compass?”

—LOU TAYLOR, GP SCHAFER ARCHITECTS

“Over the course of the last ten years, we have noticed an additional layer of responsibility with project management—an expectation of instant gratification. Everyone from our clients to vendors and contractors wants instant feedback via email or even quicker by text. Servicing and managing communication between all parties can be time consuming, and we have encouraged our younger staff to avail themselves only at certain times of the day to respond to emails so they can have blocks of time for production. Design and development takes concentration and being distracted by a deluge of emails and text messages is an entirely new responsibility that needs to be managed correctly to be efficient and effective. Thank god no one actually calls anyone on the phones anymore...”

—THOMAS HICKEY, GRADE NEW YORK

“Survey the conditions, understand the problem, imagine the solution, and reverse engineer a road map to get there. Be thorough and disciplined. Seek to continuously improve your performance. It will drive excellence.”

—MARK FERGUSON, FERGUSON SHAMAMIAN ARCHITECTS

“Over the last ten years, new technologies have transformed all aspects of the interior design business. Project management is no exception. For example, cloud-based management systems like Studio Designer, videoconferencing programs like Zoom, and instant messaging platforms like Slack have become vital to overseeing increasingly complex projects. Although there is no substitute for the attention to detail, collaborative work ethic, and interpersonal and organizational skills required of successful interior design project managers, technology gives them a better grip on the countless moving parts of their day-to-day tasks.

They can plan, execute, track, create, present, modify, and communicate more efficiently. They can more easily adhere to schedules and stay within budgets. Put simply, technology helps designers do their jobs better. In turn, positive results are achieved, clients are happier, and the business is more profitable. At the end of the day, what's more important than that?"

—MARC SZAFRAN, PRESIDENT HOLLY HUNT



PROJECT VISION STATEMENT

CLIENT: Marianne Nelson
NAME OF PROJECT: Cheviot Hills Home
DATE: January 15, 2021
PROJECT DESCRIPTION: Single Family Home

VISION STATEMENT:

“To renovate a home that will evolve from caring for small children to living with adult children as guests”

GRANET & ASSOCIATES, INC.
3767 Overland Ave Suite 103 Los Angeles CA 90034 t 310 306 8100 f 310 306 2800 www.granet.net



FIGURE 1

Sample project vision statement, which should be developed at the beginning of a project

I once heard someone say that mastery of the rules leads to limitless expression, and this struck me as appropriate to any creative profession. No matter what business you're in, understanding the rules of the game allows you to take liberties with them and to express your process in a way that works well for you.

For a design firm, project management is what sets the successful firms apart from the struggling ones. If you can master how a project is managed, it can influence so many other parts of your organization. When projects are successful, you'll have happy clients, happy employees, happy consultants, and, ultimately, a very happy place to work.

PROJECT KICKOFF

A successful project management system all starts when a project is first launched. If you jump right in without any forethought, you jeopardize the project's outcome. Having a method to allow a project to get off on the right foot will set the tone for the entire project, and determining some facts at the onset will help guide the team members as they move through the project and will aid any new team members as they enter the project along the way.

① VISION Create a vision for your project, understanding that this should be a combination of your vision as a firm and the vision the client has expressed for the project. [FIGURE 1](#)

Years ago, I was consulting for an architect who was having difficulty engaging his clients, a couple, in the project. The clients were going through the motions of building a house without seeming to have a purpose. When I asked the architect if there was anything unusual about this family, it came out that they had recently lost a child. They wanted a new home, not to forget their son but to move their life into a place that was not so burdened with death. They thought a new home would help usher in a new phase of their life. Not only was this family building a new home, they were rebuilding their lives.

I suggested that they treat this project as a healing process, to help them move through this difficult phase. Healing became the vision for this project, and I told the architect to ask subtle questions to engage the owners in the process and to understand this vision.

Building a home is a very personal thing, and it takes a little bit of design, a little bit of talent, and a whole lot of psychology to get through it. My client asked questions such as, “How do you want to honor your son?” and “What was special about your old house that you want us to bring to this new home?” The process greatly improved. In the end everyone was extremely satisfied with the project.

I bring this up to point out that the vision for your home, office, hospital, or institution may not always be about the architecture; it may be about an experience or a need that you should try to identify. I tell my clients, who are residential architects, all the time: a house is a product, a home is a process. You need to go through the process to create your home.

2 BUDGET As much as possible, you need to know the project budget. Be careful of clients who tell you that there’s no budget. There’s always a budget.

Designer: What's your budget?

Client: We have no budget.

Designer: If we do this, we believe it'll be right for you, and we'll probably spend \$5 million.

Client: I don't want to spend any more than \$3 million.

Voilà, you have a budget. Of course, the next step is to figure out if you can complete the project within the client’s budget. Clients lie! Period. They are afraid to tell you what they want to spend because they think that you will double the price, so they lowball their budget, which helps no one. If you can get your arms around the budget early on, you will be designing to what they can afford and not simply around what they want. The two are often mutually exclusive.

3 THE DECISION MAKER You need to know immediately who the decision maker is on the project. You can waste hundreds of hours going down the wrong path if you’re listening to the wrong person. I always tell my residential clients that if two parties are involved in the project, they must be at every meeting. The person spending the money is as important as the person writing the check.

④ TEAM Again, as much as possible, you need to identify the team both internally and externally. It's also vitally important to the project's success to identify each team member's role. If the team is set up correctly from the beginning, the project will run a lot smoother throughout its life span.

⑤ SCHEDULE Determine a preliminary schedule for the project that can be continually updated. The more you can match your performance with client expectations, the better the project process will be.

FIGURE 2

⑥ EXPECTATIONS You should document client and firm expectations from the beginning. These will most likely shift during the process, but it's healthy to see at the project's end whether you met the client's and your own expectations, and it's an opportunity to see how those expectations changed throughout the project. Expectations might be design related, but they can also deal with performance, vision, budget, and a number of points raised at the project's start.

Once you've established the team, schedule, and budget, it's time to start designing the project. Project management has the potential to be many books in itself. This chapter offers an overview of the

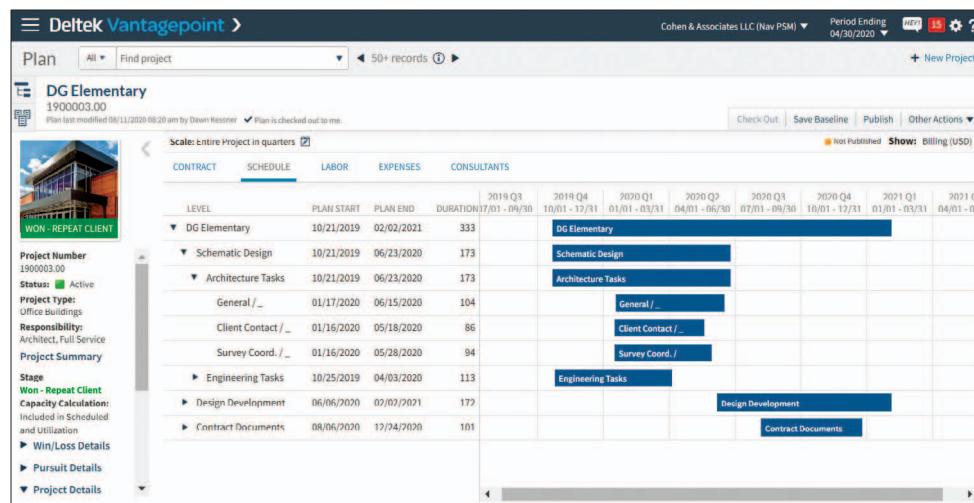


FIGURE 2

Sample project delivery timeline

subject, focusing on team structure, roles, project monitoring, and reporting.

TEAM STRUCTURE AND ROLES

Most of my clients know that I'm a big proponent of the studio system as a way to structure the organization. The studio system breaks the office into smaller pods—teams—that work closely together. Small offices may have one or two studios, and larger ones, many more. Some studios are divided by expertise, others by discipline, and some merely by size. As I mentioned in the previous chapter, people are capable of managing effectively when there are no more than ten people reporting directly to one manager.

Some firms divide studios up by discipline, such as landscape, interiors, or architecture. Other firms divide up by expertise. These studios might be design, production, or construction. My personal preference is to divide studios by discipline. This allows employees to gain a more well-rounded professional experience and not be pigeonholed. You want to create an environment of collaboration and integration.

The following charts outline the different structures we see in design practices. [FIGURES 3-5](#)

The following is a list of titles typically found in architectural firms and in interior design firms, accompanied by a description of the position.

ARCHITECTURE

PRINCIPAL/PARTNER-IN-CHARGE: The principal has the overall responsibility for achieving the firm's goals and growth plans and has ultimate responsibility for employee and client satisfaction.

Specific responsibilities can include:

- Cultivating and securing new business
 - Leading the firm
 - Developing and promoting the firm's vision, mission, core values, and long-range plans
-

ORGANIZATIONAL STRUCTURES

Small Firm / Base Structure

Efficient

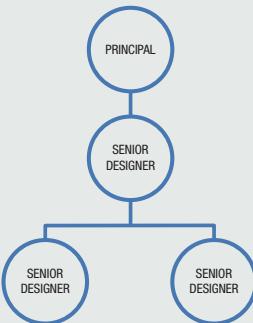


FIGURE 3

Organizational chart showing a design firm structured by discipline

Large Firm / Flat Structure

Inefficient

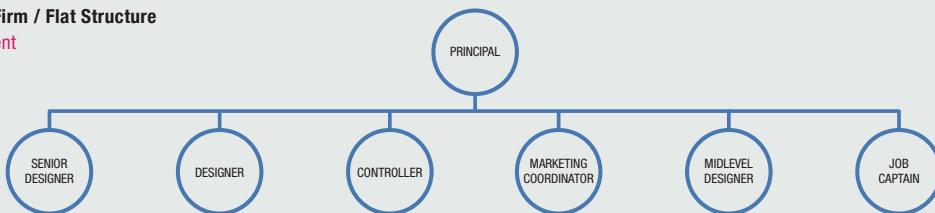


FIGURE 4

Organizational chart showing a design firm structured by expertise

Large Firm / Dynamic (Studio) Structure

Efficient

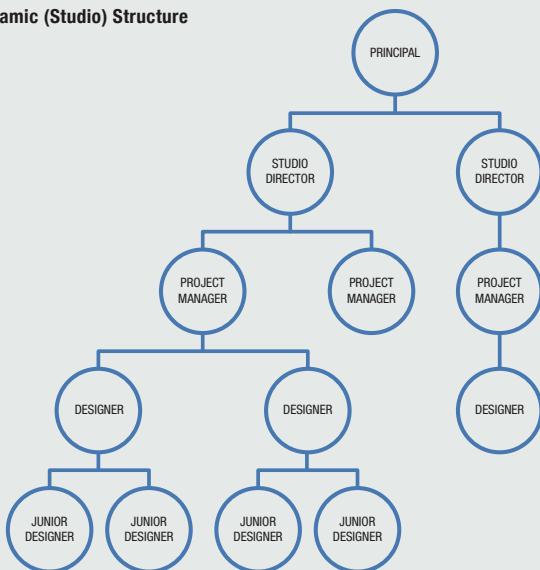


FIGURE 5

Organizational chart showing a design firm with little or no structure

- Inspiring the organization to ensure maximum efficiency, employee satisfaction, and growth
- Participating in creating and positioning the firm to take advantage of opportunities for growth and marketplace expansion
- Assuming the leadership role of operational functions necessary to run the firm, including, but not limited to, human resources, marketing, financial administration, quality enhancement, and professional growth for the firm

PROJECT MANAGER: The project manager acts as the leader of the project team to manage the development and delivery of various projects under the supervision of the principal-in-charge. The project manager is the primary client contact for the project and acts as the project implementer, responsible for creating and distributing all necessary information to all the members involved in executing the vision.

Specific responsibilities can include:

- Prioritizing, delegating, and coordinating work assignments and project team members' tasks
- Coordinating job site visits and agendas as directed by project leaders
- Managing financial and administrative aspects of projects, including implementing schedules, preparing and coordinating cost-estimate budgets, and overseeing maintenance of necessary logs and records to manage projects
- Overseeing construction, including preparing contractor documents and creating punch lists

JOB CAPTAIN: The job captain supports the development and delivery of numerous simultaneous projects under the direction of the project manager. The job captain assists with prioritizing, delegating, and coordinating project tasks among support staff and consultants for each project.

Specific responsibilities can include:

- Maintaining logs and records necessary to manage the projects
- Processing construction documents through plan check
- Composing transmittals, preparing site-analysis documents and other correspondences as necessary
- Coordinating presentation work, including materials and color palettes

PROJECT ARCHITECT: The project architect assists with the development and delivery of an individual project from inception to construction.

Specific responsibilities can include:

- Performance drafting, including creating or delegating the development of conceptual sketches
- Performing or delegating presentation work for the project, as well as design development of the project
- Developing conceptual sketches into design presentation and developing sketch details into construction documents
- Scheduling, budgeting, and overseeing work assignments of project staff with the project manager and job captain

DRAFTSPERSON: The draftsperson assists with the design and documentation of the drawings for a specific project.

SPECIFIC RESPONSIBILITIES CAN INCLUDE:

- Drawing and preparing contract documents under the direction of the job captain
- Researching codes and city ordinances

INTERN: The intern provides assistance to all staff, from design staff to business administration. This is an entry-level position and specific responsibilities can vary greatly.

Specific responsibilities can include:

- Assisting designers with project management and preparing presentation material for client meetings
- Assisting with general office administration, including providing copies and filing, maintaining office equipment and office supplies, managing sample and resource libraries, and running errands, including pickups and deliveries
- Preparing office mailings, receiving deliveries, and answering phones

INTERIOR DESIGN

PRINCIPAL/PARTNER-IN-CHARGE: The description is the same as under “Architecture” above.

SENIOR DESIGNER: The senior designer acts as leader to the project team and manages the design development of specific projects. The senior designer plans and executes the presentation of these designs in graphic forms or in detailed scale models.

Specific responsibilities can include:

- Liaising with principal, clients, contractors, consultants, vendors, and employees
- Overseeing the design for a client and ensuring that the designs fit with the client’s expectations
- Selecting all furnishings for approval by the principal-in-charge
- Maintaining the project’s overall design direction and aesthetic
- Managing the delivery of the project
- Managing and mentoring design staff
- Overseeing installation

DESIGNER: The designer supports the development and delivery of various projects under the supervision of the senior designer.

Specific responsibilities can include:

- Performing drafting for various projects, including developing sketch details into CAD or other drawing platforms
- Assisting in the selection of furnishings, including furniture, textiles, flooring, paint and stain finishes, accessories, and lighting
- Assisting the expeditor or design assistant in the expediting of purchasing for a specific project
- Developing conceptual sketches into design presentations
- Preparing construction documents
- Maintaining logs and records, and composing documentation and correspondence necessary for the project

DESIGN ASSISTANT: The design assistant provides assistance to all design staff and business staff. The design assistant is an entry-level position.

Specific responsibilities can include:

- Assisting designers with project management and decorative aspects of projects
- Researching and shopping for fabrics, furniture, lighting, wall coverings, antiques, carpeting, and accessories as requested by designers
- Sourcing online resources for projects and interacting with vendors for quotes and order questions
- Helping prepare presentation material for client meetings
- Creating and maintaining tracking grids for status reporting, project schedules, and client files

EXPEDITOR: The expeditor assists the design team by coordinating the furnishings purchases for the firm.

Primary responsibilities can include:

- Purchasing all furnishings and materials specified by the design team for the project
 - Creating proposals and purchase orders
-

- Working closely with vendors, warehouses, and delivery services to ensure proper coordination for the projects installation
- Creating contingency plans for delays associated with the final installation

Other less project-specific roles for both interior design and architectural firms include the following roles.

DESIGN DIRECTOR: The design director oversees the design for a client and liaises with the client and senior project designer to ensure that the designs match with the client's expectations and the company's identity. The design director also manages the conceptualization, design, and construction of new products.

Primary responsibilities can include:

- Overseeing and ensuring the general direction of the firm's design vision
- Serving as liaison and primary point of contact between the principals and designers
- Overseeing the approval of design direction and visioning for each project as it's conceived
- Researching and establishing relationships with new vendors to enhance the overall design aesthetic of the firm

DIRECTOR OF PRODUCTION: The director of production works closely with project managers and staff to ensure that the standard of production is being upheld throughout the firm.

Specific responsibilities can include:

- Managing and scheduling the entire production system for all projects in the office
- Researching new technology for the betterment of the firm and its production capabilities

- Ensuring policies and procedures are followed in regard to the standards set forth by the firm as they relate to graphic and production standards
- Working closely with outside consultants, such as specification writers, to articulate the firm's standards

STUDIO DIRECTOR: The studio director provides both managerial and operational support to the design team by implementing timelines, monitoring project activities, managing deadlines, and overseeing construction to ensure smooth delivery and completion of projects. The studio manager collaborates with principal and senior design staff to identify and define path and timelines for project scope, budget, and completion; ensure sufficient staffing; and identify and implement action plans to achieve firm-wide goals and objectives.

Primary responsibilities can include:

- Communicating with clients about project timelines, budgets, and overall project needs
- Generating and managing comprehensive project timelines and coordinating team workload assignments to ensure sufficient staffing on each project
- Managing timelines and implementation of projects with design teams (and as required, with general contractors, architects, and vendors) to stay on schedule
- Coordinating and implementing installation logistics in collaboration with head of purchasing, design teams, and assistant project manager
- Creating, administering, and tracking individual project budgets and collective budgets for all projects
- Hiring, supervising, and developing staff

OFFICE MANAGER: The office manager oversees the overall management of the office and office staff, from the supervision of administrative staff and interns to managing human resources and all office meetings and events.

Specific responsibilities can include:

- Developing and overseeing all programs and procedures relevant to the administration of the office, including office organization and daily routines
- Managing recruitment and training and scheduling timely reviews of employees
- Supporting and managing the functional areas of human resources, including maintaining personnel records, and compensation and benefits administration
- Implementing human relations policies/procedures and disseminating this information to all staff
- Managing the facilities of the office. This can include all the resources to keep the facilities clean and working properly.
- Managing the external office consultants, such as IT, telephone providers, insurance providers, and service contracts

CAD MANAGER: The CAD manager provides support to the design team to ensure proper use and systematic approach to the firm's drawing technology. A CAD manager also maintains copies of all drawings and maintains information regarding changes to the CAD database.

Specific responsibilities can include:

- Providing training and supervision of in-house CAD users and supplying technical support for all CAD software, including the customization of CAD programs
- Providing production CAD support, including support for plotting and electronic file submissions, and producing corporate CAD screenshots
- Developing, implementing, and enforcing CAD standards
- Organizing the CAD environment, including maintaining CAD document archive and retrieval for projects, the clean up of CAD files for project closeout, and archiving projects when completed
- Monitoring and maintaining CAD server, including daily backups.
This may include in-house servers and cloud-based storage.

As important as it is to have a solid internal team structure, it's equally important to create one with your external resources. Depending on the type of project you're working on, you'll have to develop a team that may include any and all of these consultants: mechanical, electrical, plumbing, lighting, structural, acoustics, landscape, audiovisual, interiors, technology, kitchen, storage, art. The team also includes the contractor, the owner's representatives, the client, the project management team, and anyone having a decision-making role on the project.

The first thing to consider when forming the team is that each and every person is there to be an advocate for the client. As soon as one of the team members forgets that and tries to put someone in an adversarial position, the team starts to fall apart. Defining roles, clarifying responsibilities, and understanding who's accountable to whom will make this team a highly functioning structure.

When the teams are formed, the education of the client to understand the roles of each team member is vitally important. Clients often are concerned about each team member's roles and whether there'll be a duplication of effort. These are very natural concerns, and the answer is simple. There'll be some overlap, but if you trust your team, then they'll minimize the duplication and make the project and process run as efficiently as possible. The key word here is trust: when you trust your team and they prove trustworthy, the process is smooth.

Above all else, management reports that you share with your internal team should be shared with the external team as well. The more information that your entire team shares, the more connected and clear each team member will be with the project.

SCHEDULING

Scheduling your projects is one of the most important aspects of project management. It helps define the expectations of the client and the team and assists with managing deliverables. A project schedule creates a road map throughout the project. There should also be an officewide schedule that compares all projects and the phases they're in during a particular time period. These schedules can then be tied to fees, revenue projections, and backload.

A variety of good project scheduling software is available. Most of our clients use Smart Sheet, Hubstaff, or they track their projects through one of the Deltek products. There are many others, however, that you can research to determine which one is the best fit for your firm.

BUDGETING

Budgeting for your projects is as important as scheduling. Any budget is only an educated guess, but it's essential for the successful management of a project. The budget you create for each project should address each phase the project will cycle through. In architecture, those typical phases are concept design, schematic design, design development, construction documents, bidding, and construction administration. In interior design, those phases may include preliminary concept development, design development and presentation, documentation, procurement, and installation. It's important to develop the budget to track not only time being spent on the project within each phase but also any anticipated expenses.

When establishing budgets for your projects, it's wiser to give your staff dollars to manage rather than just simply hours. The concern often raised is whether having access to the numbers on a project will reveal staff salaries. I personally don't think this is an issue, but if it concerns you, set your reporting to allow the numbers to be at billing rates rather than cost rates. This way you won't be sharing salary information. The bottom line is the more information you give people to manage their projects, the more successful you'll be as a firm in controlling those costs and maximizing the firm's profitability. I have learned through the years that the more an employee knows about the cost of running your business the more they can help you make it profitable. They also realize that if the firm is profitable, the greater chance for a bonus.

The easiest way to start budgeting for a project is to work backward. Most of the time you're given a finite schedule to run your project. The installation date or project completion date is a good data point to work backward from. Let's use the example of a project that'll

be completed within eighteen months. If you have a fee of \$720,000 to complete the project, this breaks down into \$40,000 a month. Of course, the time spent does not distribute evenly during the project, but as a baseline it's a good starting tool. You can then break the project into phases. Then you start building your team to understand who'll be on the project during these phases. You need to allocate the time expected of each person during each phase and divide the fees proportionally. This is just a starting point because now you'll have to take your best guess and refine it to accommodate the fees by phase and staff. After just a few tweaks, you'll have the workings of a meaningful budget.

Once the budget is established, you'll want to input the data into project-costing software that allows you to compare your budget by actual time spent (see sample report, [FIGURE 6](#)). A good job-costing accounting system, which allows all time and expenses to be posted to specific projects, will be able to make the input and reporting of this data fairly simple. These tools are only as difficult to manage as you make them. Start out with the simplest approach, and if you require more detail, you can always add a layer of complexity. What I run into are firms that think they need to see every level of detail, and they then make the systems so complex that they don't really understand how to manage this information. The budget can be calculated using cost rates—although if I give people their cost rates, they can do the math and figure out what everybody in the office is earning. Alternatively, you can show your budgets at billing rates. Many employees have equal billing rates but unequal salary rates. This way they can still manage the dollars being expended at billing rates against your fees and be successful at this task.

To help validate the budget, you'll want to compare your budget with other similar projects to determine if you're in range with what you've spent on previous projects. If this data isn't available, you'll need to use your best educated guess to determine if this is achievable. The good news is that as you accumulate more and more data, this process becomes easier. [FIGURES 6-8](#)

Deltek Vantagepoint

Project Review All ▾ Find project ▾ 50+ records ⓘ ▶ + New Project

DG Elementary
1900003.00
Principal: Dawn Keson - Project Manager: Tara Malley - Supervisor: Michelle Perry

Show: Cost (USD) ⓘ

Update % ⓘ Options Other Actions ⓘ This project has unpublished changes which are not included.

	CONTRACT/FEE	BUDGETED COST	PLANNED COST	BUDGETED PROFIT	PLANNED PROFIT	JTD COST	ETC PLANNED COST	EAC PLANNED COST
Directs								
Total Labor	100,000.00	72,675.00	47,396.25	27,325.00	52,603.75	38,793.09	47,396.25	86,189.34
<i>Direct Labor</i>		25,500.00	17,235.00			13,611.60	17,235.00	30,846.60
<i>Overhead</i>		47,175.00	30,161.25			25,181.49	30,161.25	53,342.74
<i>Direct Labor Hours</i>		850.00	1,006.00			456.00	756.00	1,212.00
<i>Average Rate/Hour</i>		30.00	17.13			29.85	22.80	25.45
Direct Expenses	5,000.00	5,000.00	5,000.00			1,000.00	4,000.00	5,000.00
Compensation	105,000.00	77,675.00	52,396.25	27,325.00	52,603.75	39,793.09	51,396.25	91,189.34
Direct Consultants	10,000.00	10,000.00	10,000.00			5,500.00	5,500.00	11,000.00
Total Directs	115,000.00	87,675.00	62,396.25	27,325.00	52,603.75	45,293.09	56,896.25	102,189.34
Reimbursables								
Reimbursable Expenses	5,000.00	5,000.00	5,000.00			1,655.00	3,345.00	5,000.00
Reimbursable Consultants	5,000.00			5,000.00	5,000.00			
Total Reimbursables	10,000.00	5,000.00	5,000.00	5,000.00	5,000.00	1,655.00	3,345.00	5,000.00
Total	125,000.00	92,675.00	67,396.25	32,325.00	57,603.75	46,948.09	60,241.25	107,189.34

Key Performance Indicators

Revenue	Profit	Multipliers	% Complete	% Expended
JTD Earned Revenue: 49,100.00	JTD Earned Profit: 2,151.91 = 4.38%	Effective Multiplier: 3.01	JTD Earned % Complete: 39.28%	Budgeted Hours % Expended: 53.65%
	EAC Budgeted Profit: 12,756.91 = 11.09%	Budgeted Multiplier: 3.02	Budgeted % Complete: 37.47%	Planned Hours % Expended: 45.33%
	EAC Planned Profit: 17,810.66 = 14.25%	Planned Multiplier: 5.80	Planned % Complete: 41.98%	Budgeted Cost % Expended: 50.66%
		EAC Budgeted Multiplier: 1.43		Planned Cost % Expended: 69.66%

FIGURE 6
The project performance report from Deltek allows you to compare your fee against actual costs.

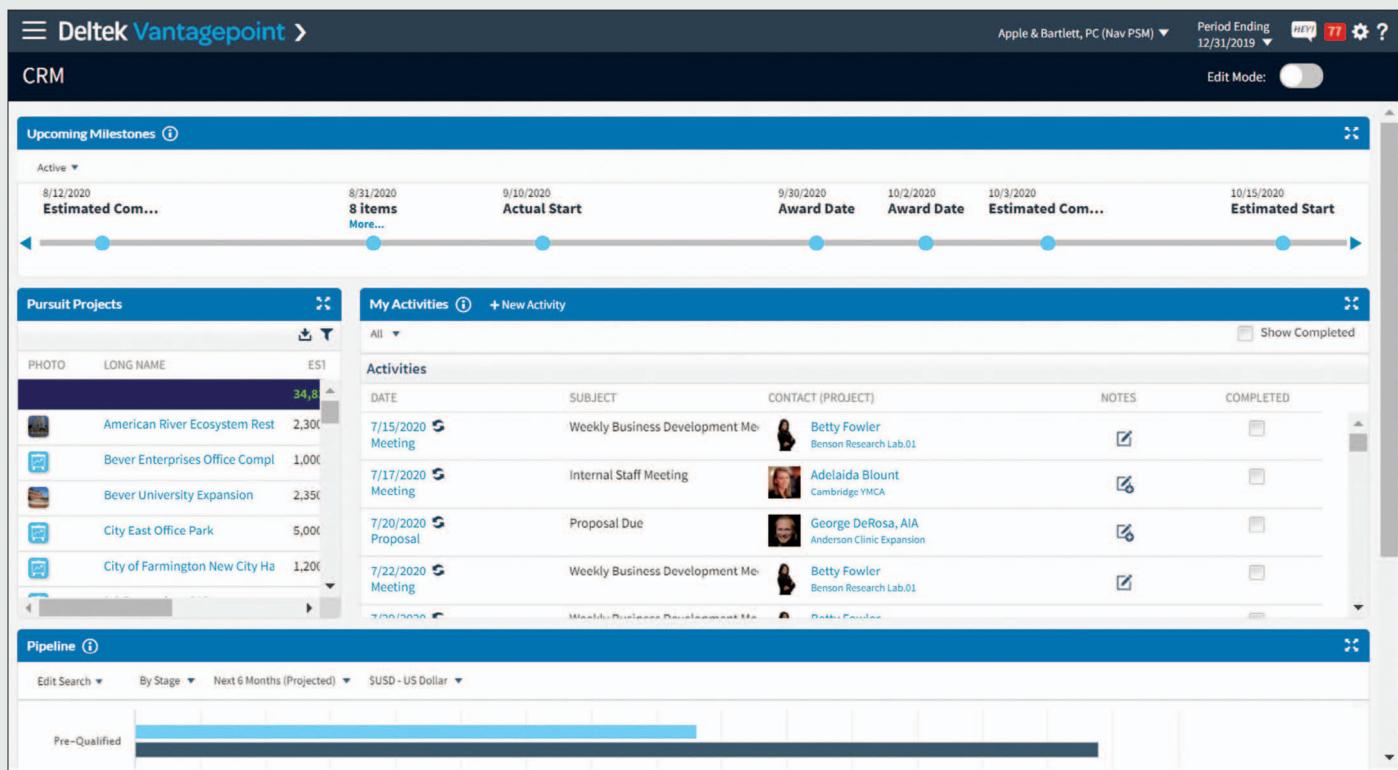
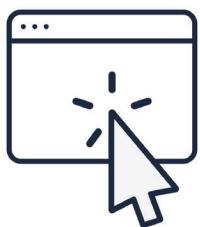
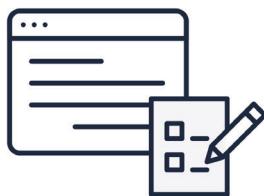


FIGURE 7
 Project progress reports
 from Deltek Vision
 software analyzes
 a specific project's
 financial performance.

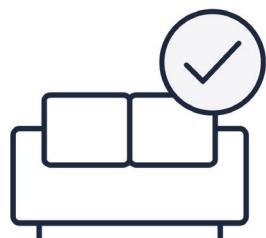
Digitally source items from all your vendors.



Capture images,
product details, and
pricing in a click



Quickly create items
to propose to clients



Seamlessly
communicate with
and order directly
from your vendors

FIGURE 8

Project profitability reports from Studio Designer software analyzes the profitability of a specific project by its different income sources.

Let's start with the general philosophy of budgeting. If you have a budget of \$1,000 and you give someone \$1,000 to spend, they'll spend \$1,000, if not more. However, if you give them \$900, they may spend \$900 and they may spend \$1,000, but in both cases, you'll be on or under budget. This plays into the 10 percent rule, which allows you to pull out 10 percent of your fees as a contingency and to manage with the 90 percent remaining. If you have skilled project managers and they can successfully manage the budget, your profits will be 10 percent higher. However, if unforeseen issues arise, this "surplus" is a contingency to cover those issues.

Creating the budget is only a small part of project management: the bigger piece comes from truly managing your resources in a successful way. An example of this might be how you manage your staff on projects by delegating certain tasks with specific hours associated with that task. This way they understand your expectations and perform accordingly. Another example may be managing consultants on your project by setting clear goals for them to accomplish their work within budget and on time. Once you have the reports to manage your resources, you actually have to learn what to do with these data. Having the information is only one part of the management process. Knowing how to use the information to manage the project should be your ultimate goal. If you notice that a project is beginning to exceed your budget, these reports can help you understand how to correct the project's course and bring the budget back on track.

Here's an example. You receive a report that shows that during the previous month you've spent 20 percent more than you have in your budget. You also recognize that the project is limping along in a way that this pattern may continue for several months. If this continues, it won't be long before you'll eat up your entire budget and the project will be operating at a loss. You need to ask yourself the following questions:

- 1. Is the project simply going through a unique period and will it naturally correct itself, or is this a trend that'll ultimately kill the budget?**
-

2. Will this situation continue and for how long?
3. What's at the heart of the problem? Do I have the wrong staff on the project? Are they being managed inefficiently?
4. Is this a client-driven problem? Should we be asking for additional services because this problem was caused by scope changes that are outside the initial services?
5. Is this simply a project in which we negotiated a fee that was too low to perform the work?

Whatever the answer is, the problem needs to be identified and addressed in order to be fixed. If it's a staffing issue, it may or may not be remediable, depending on your staff constraints. If it's a client issue, you'll need to communicate the situation to the client and propose a solution. If it's a management issue, then the project manager needs to jump in and fix it.

Budgeting the expense side of the project and managing the process involves an understanding of what real dollars you'll have to manage each project. These expenses are typically divided into reimbursable expenses and direct expenses. Reimbursable expenses are paid for by the client when they're incurred. Typically, firms charge a markup on these expenses for having to manage them and run them through the books. (For a more detailed explanation of this expense, see chapter two.) Direct expenses are the costs directly related to the project and covered in your fees. These expenses can be consultant, travel, or printing costs. It's important to have your staff understand what the financial commitments are in the contract for this to be managed. If you allow these costs to get out of control, you can quickly eat up any profits. Experience is the ability to see a mistake before it happens twice.

CONTRACT MANAGEMENT

Similar to the financial data on a project, the more contract information you share—ideally, the complete contract—the better chance you'll have of your project being well managed. Having your contract available to your employees allows them to have access to and an

understanding of the scope of services and responsibilities the firm has committed to.

This may seem obvious, but first you need a contract. I can't tell you how many firms that have hired us to manage their office don't have contracts with their clients. The excuses are endless, but the potential results are disastrous. It doesn't matter whether it's a first-time client or one you've worked with for decades, or even your best friend, contracts exist for a reason. Like employee manuals, they help define your responsibility when things go bad. They should clearly spell out what's expected of you and what's expected of your client and what happens when either one of you doesn't perform. I also tell my clients that as important as a contract is for spelling out responsibilities, it rarely plays in your favor if the contract needs to be used against a client. In most cases, your clients are richer and have more resources than you, so you are most likely going to lose. If a contract is used to settle a dispute, it means that trust has been lost between you and the client.

Rather than outline every aspect of what the contract should cover—there are plenty of good books on this subject—I list some of the things we've added to our contracts because, for one reason or another, they're missing from the standard agreements we've been asked to negotiate.

1 Define an end date for the contract. Often, projects get extended for reasons beyond your control, and it's important to put a realistic completion date in the contract.

2 Give as detailed a scope of services as possible. This helps define your commitment when the client is requesting additional work that should require additional fees.

3 Make it absolutely clear who your point of contact is on the project and who the ultimate client decision maker will be.

4 Make sure you have a "kill clause" in your contract. Most contracts include this, but it's one of the first clauses to be negotiated out. The importance of this clause is to protect the designer if the client puts the project on hold for an extended period of time. In all likelihood you'll have the capacity to commit to only a few projects per

year, and if one of those projects stops, you'll have to replace that project with another. As you know from reading this book, the time to accomplish that could be as long as six months. The kill clause creates a penalty to the client that allows you to sustain your staff until you can replace the canceled project.

5 If you're an interior designer and you purchase antiques for your clients, you want language in your contract that protects you against verifying the authenticity of the antique. You should require your client to perform an independent appraisal of the goods and to make certain the liability is not residing with you, the designer.

6 It's very important when negotiating the ownership of documents that you protect your intellectual property and that clients understand that they're hiring you and your firm to provide a service and that any designs you create on their behalf are your intellectual property. If they want to own the designs, then you need to be compensated accordingly.

7 We've created a term called Presented Price. This is language used in interior design contracts to identify products that you'll be offering your clients at a price set by you and not a third-party vendor. The purpose of this language is to allow you to charge for the value of your designs rather than the cost of raw goods. If your contract provides for you to charge a markup on the cost of purchased goods, it doesn't often take into account the cost of goods that you custom make for a client. If a client wants you to design a piece of furniture because there's nothing in the marketplace that's appealing and he or she likes your product designs, the cost of the labor and materials does not equal the value of your designs by simply marking up those raw costs with the typical markup. We instruct our clients to add a clause that allows for the designer to set a price that's equivalent to the value of the product created. This language compensates you for the perceived value of that good. In the end, of course, clients have the last say: if they think the custom product is too expensive, they can always pick something for sale in the marketplace.

8 We find that designers have a problem asking their clients to cover travel time to and from the job site or the client's location. This

expense should be viewed as lost-opportunity costs. As long as you're working for a client, whether it's physically in the client's office, home, or site, or if you're traveling back and forth to those places, you're still working for that particular client. Our suggestion is that you determine a day rate for your time and that you charge clients that agreed-on day rate while traveling on their behalf. We've negotiated everything from charging 50 percent of our hourly rate while we're traveling to full billing rates. If you're traveling for more than one client, split those costs to be equitable.

9 Always have a clause that allows you to increase your billing rates annually. You'll typically increase your staff salaries every year, and if you don't adjust your rates, you're simply eating up your profit margins. If clients agree to this clause, the burden is on you as the designer to make certain you change your billing rates each year. I've worked with many firms that simply forget about this clause and wonder why three years later their billing rates are so low.

10 To protect your intellectual property, you should include language to make certain you're compensated if the project is repeated in another location. For example, if you design a restaurant and the client intends on creating multiple restaurants from one design, known as "rolling out," you should receive compensation for each rollout.

It's important that if you agree to allow clients to roll out your designs that you also get them to indemnify you from any liability that may occur on the projects that you're not involved with. An example of a major liability case occurred with a home designed to be built in the Southwest in a moderate climate. The owner took the drawings and built the house in the mountains where there was significant snowfall each winter. When the first snowfall came, the roof collapsed because the structural engineers didn't anticipate the load factor for snow. The architect was sued and lost the case with the judge.

TECHNOLOGY AND PROJECT MANAGEMENT

No matter what I write on these pages, it'll change before the ink is dry. So here are a couple of helpful hints on dealing with the ever-changing environment of technology in design. Ten years ago, when I wrote this

book, designers were working on AutoCAD and had desktop computers for their employees. Today, most designers work on powerful laptops and iPads that allow them to redline drawings no matter where they are. They communicate through tools like Slack and Google Meeting or Zoom. We all function with truly mobile offices.

Where most firms get into trouble with keeping up on their technology is updating their hardware and software. The rule of thumb is that one-third of your equipment should be fairly new, one-third a year old, and one-third two years old. If you follow that formula, the annual investment is much less than if you let your computers all grow old at once and are forced to upgrade your entire office.

The other rule of thumb is that the faster equipment should be with the fastest people. If you have a whiz kid on Revit and he's stuck with a slow machine, or if you have a principal who barely uses the computer for anything other than text and spreadsheets and email, you're creating an inefficient scenario. In one case the person is being underutilized, and in the other the computer is being underutilized.

The other dilemma that many companies face is what software they need to purchase. There are many consultants in the computer design world who can assist you in assessing your needs and determining what's right for you. What's most important in figuring out your hardware and software needs is to make certain that any consultant you use understands your needs. You may not have the type of firm that needs the fastest, most powerful hardware. Overcomplicating your needs can lead to a system that ultimately may fail for your company. We all tend to utilize technology only to a fraction of its capabilities.

As the technology world changes rapidly so does the desire to find new solutions for yesterday's problems. Let's take the company Material Bank, newly formed by the owner of Sandow Media, Adam Sandow. Material Bank is an automated sampling system. Thousands of vendors provide the samples of their products to Material Bank. Sandow built the factory next to the Federal Express facilities in Memphis, Tennessee. This way, a designer can request a sample at midnight and receive the sample by 10:30 AM the next day. It can include one sample or many from multiple vendors. There is no cost to the

designer for these samples, and it is more cost efficient for the manufacturer than having to send individual samples to designers. For more information about Material Bank visit them at <https://www.materialbank.com>. **FIGURE 9**

POWER OF COMMUNICATION

Communication today comes in every shape and form. Mostly, it is through technology. Whether you are using email, texts, or software, such as Slack or Zoom, you are communicating. The clearer you are with these tools, the better the relationship will become. But one thing you need to remember is that boundaries need to be set. If you answer an email or a text from a client at 1:00 AM, you will be expected to answer morning, noon, and night, and there will be no boundaries.

The last point I'd like to make about project management and the power of communication is that no tools, no budget, no software, and no schedule can ever replace the power of communicating well with your client. When you're open and honest about the issues, finding a solution is easier, and when you manage a client's expectations through good communication, the relationship thrives. The following story demonstrates poor communication and, certainly, poor customer service.

A client of mine called me one day to ask what he should do about a situation with the graphic design firm they recently hired. My client explained that he simply needed a reprint of some materials that they had already paid for. He thought this would be an easy task and was surprised to see a proposal come through for almost \$1,000 for ten prints of a document that was completely designed and only needed to be printed and bound. He discussed the process and concluded that even though the price tag seemed high, the quality of the work was worth it, and the hassle-free communication of not having to pass this on to a third party would make it all worthwhile and quick to accomplish. He agreed to the \$1,000 invoice and received the documents. Everyone was happy because the product was in fact beautiful. It truly showed that paying a little extra was worth it, and the value was recognized.

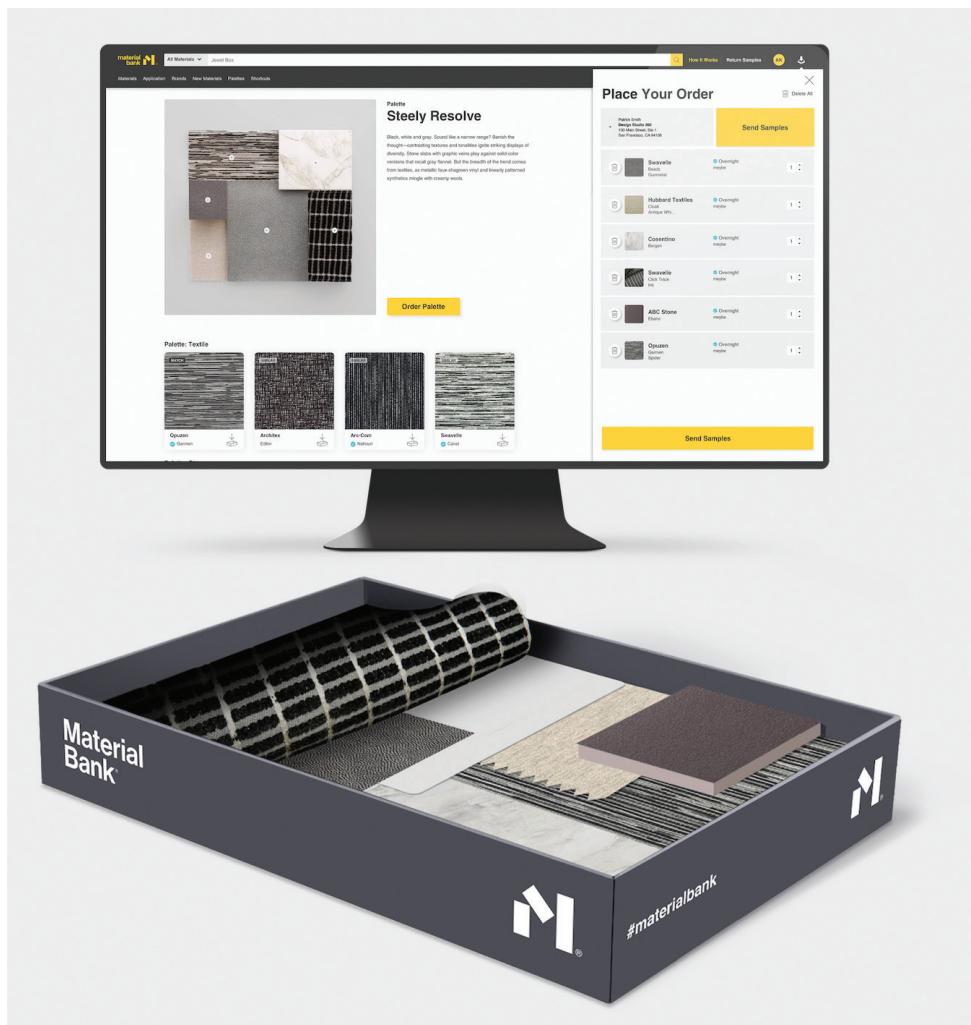


FIGURE 9
Material Bank website

Now fast-forward thirty days, to the arrival of the final invoice. It was \$4,700. My client was shocked. The graphics firm knew how concerned he was about \$1,000, so how could this have happened? After the shock subsided, the questions were asked. This was a reprint. How could you be so off on your quote if you've already done this entire process in the past? How could it ever cost \$4,700 to print a ten-page softcover book? The anger came next. Why would you ever send a bill without explaining why the invoice would be almost five times the proposal? What gives you the right to spend \$4,000 of anybody's money without permission?

The client told me it ended the sixteen-year relationship with the graphic design firm because, instead of trying to reach out to my client and explain the situation to help him understand why the charges were so much more than expected, the graphic design firm responded with a simple email that said, “All charges are legitimate.” This was an unfortunate way to end such a lengthy relationship, but the vendor didn’t understand the value of communicating with a long-term client. We’ve all heard the expression “never burn bridges.” Or as George Strait says in his song “By the Light of a Burning Bridge”: “It’s amazing what a man can see by the light of a burning bridge.”

“Our goals can only be reached through a vehicle of a plan in which we must fervently believe, and upon which we must vigorously act. There is no other route to success.”

—PABLO PICASSO

CHAPTER 6

Product Development

“The last ten years has seen major changes in advances, guarantees, and partner selection. Careful partner selection has become paramount over high advance and guarantees. Licensors are also expected to contribute to marketing and promotion. Last continued retail consolidation has made licensees more selective.”

—JEFF LOTMAN, CEO GLOBAL ICONS

“Because of more internet sales, product development has also changed. Product lines have become more streamlined, and there is less customization to make it easier for online shoppers and the manufacturer.”

—JAN SHOWERS, JAN SHOWERS AND ASSOCIATES

“Over the last decade, the product-development process has experienced a significant shift. By and large, the once-hierarchical model of the past has become increasingly collaborative. Traditionally, there was one person who envisioned the product, dictated the desired end result, and carved out the creative path to achieving it. Fast-forward to today, and we see that collaboration among multiple individuals is instead generating innovation and functional diversity in product development. This collaborative model encourages the free exchange of ideas, approaches, and techniques, without the traditional management barriers of a hierarchical chain of command. It also promotes greater levels of creativity, participation, and problem solving by multiple team members toward a common goal. That’s not to say that there isn’t a system in place to ensure efficiency and compliance, with ultimate decision-making over product development still occurring at the leadership level. However, it does mean that individuals’ seemingly fixed roles within an organizational structure are less likely to impede the creative process and that more people are contributing throughout the product-development life cycle than ever before.”

—MARC SZAFRAN, PRESIDENT HOLLY HUNT

“As an interior designer, we are often designing custom product for our projects, and I was fortunate enough, about twelve years ago, to connect with Keith Granet. We worked on a strategic plan on how to take many of my concepts and ideas to the companies producing product to start my own furniture, fabric, and lighting collections. At that time, it was not as popular for designer’s to make products [as it is now]. One of the biggest changes is that most of the product companies had in-house teams working in collaboration with the designers to develop our ideas and bring them to life. Now, those in-house staff are not there, and it is on the designers to entirely develop and engineer the designs. It makes a big difference, balancing how many pieces you bring to market with the money you invest to develop the pieces. The rewards have been a big positive part of my design business and established my interiors business as a brand.”

—SUZANNE KASLER, SUZANNE KASLER INTERIORS

Although product development is not meant for every design business, it has rapidly found its way into many firms. Products branded with designers' names have become the norm when introducing a new product line. For this reason, I felt compelled to add this chapter in a book about the business of design. Product development can have many advantages for your design business and can help expand your name recognition to a broader marketplace.

Product development has been a staple of the Granet and Associates business for the past fifteen years. For many of our clients it's been the fastest-growing part of their businesses as well. One reason is the attention to good design from companies such as Design Within Reach and many of the home-makeover TV shows. Home design has become a favorite pastime of our population. Businesses such as Wayfair have fared well during the pandemic because people are sitting around their homes trying to make their spaces more appealing. I'm often asked if there's actually any more room to add designers' names to products, considering the flurry we've been experiencing. My answer is always the same: yes. When you walk into a department store and see the walls littered with fashion designers' names, it doesn't faze you, because you're used to it. Even though designer brands in the home-furnishing world are common, the number of names getting attention from the consumer today is significantly higher.

I began my entrée into the product-development sector twenty-five years ago with the launch of the Barbara Barry Collection for Baker Furniture. It was wildly successful and taught me that I enjoyed working with both designers and manufacturers. Our phone rings daily with designers and manufacturers interested in developing new lines.

The first thing we tell potential clients is that just because you've designed products for your individual clients doesn't necessarily mean that you can design products for the masses. To be truly financially successful in product design, you need to design for the masses, and if not the masses, then you need to have a very special product offering that has great appeal to a wide audience in our profession. Designing a beautiful chair for one client does not make a product line.

I wish I could tell you that it's all about skill, talent, and design, but it's about so much more, and some of the factors seem rather nebulous. Sometimes it's just about being in the right place at the right time. What I do tell potential clients is that the most successful designs are ones that fill a need in the marketplace. Something that you always look for, but you can simply never find. When you fill those voids, the product is usually a hit.

Another important factor that I tell clients when we first start working with them is that you must keep your design practice running. Even if you're wildly successful at product development, it's important to keep designing for your clients. You can scale this portion of the practice way down once you've developed a robust product program, but you should still have private clients. The reason for this is that your design firm is your sandbox. It's the place where new ideas are conceived and tested, and there's no better place to do this than your design firm. When you're only designing products, you tend to lose a connection to the end user, and your design firm allows for that connection.

Let me share with you a story about a client, Suzanne Kasler, who wanted to break into product development. She approached us because she already knew exactly what the product line should look like. She was located in the Southeast and had minimum exposure in the national shelter magazines. We met in New York to discuss her goals and designs, and I immediately liked her. We began our search to try to sell her ideas. Right after she signed the contract, she mentioned that the only furniture company she wanted to design for was Hickory Chair. This was our first challenge, since Thomas O'Brien, Alexa Hampton, and Mariette Himes-Gomez—all high-profile New York designers—were already on its roster.

I headed to the High Point furniture market and set up a meeting with Jay Reardon, president of Hickory Chair. Jay reviewed the brand book presentation but wanted to run it by Thomas O'Brien to first see what he thought. Thomas had noticed the attention Suzanne had received during the previous months in shelter magazines like *Elle*

Décor, *Traditional Home*, and *House Beautiful*. We met, and the deal was made over the next couple of weeks.

I tell you this story because it was one part about Suzanne's designs, one part about the right fit for her and Hickory Chair, one part about the press she was receiving at that particular moment, and one part about who she was as a person. None of these parts could stand alone, but together the alignment created the perfect timing and perfect recipe.

HIRING A LICENSING AGENT

I do believe that you should have a person representing you to build your licensing program. We once had a potential client who decided he would try it himself first, and if that didn't work out, he'd call us. At one of the home-furnishings markets, we ran into him, and his first response was, "This feels like I'm trolling for licensing partners." People tend to respect it only if you have someone representing you on your behalf. It's also important to separate the design talent from the business negotiations. It's a little bit like playing good cop/bad cop. As a designer you want to focus your energy on the designs and not on all the details of closing and managing deals. Even so, plenty of people have successfully started their own brands without hiring a licensing agent. It all depends on what you're capable of handling and how you want to approach this endeavor.

What you should expect from having a licensing agent is someone who's well connected within the industry to make the proper introductions but also someone who has the inside story on which companies are looking to expand their licensing offerings. A licensing agent needs to be in constant touch with what's happening in the marketplace and have direct correspondence with the industry's decision makers. Otherwise, the agent's just knocking on doors to see which ones open. You want someone who attends all the international and national trade shows, and there are many of them.

You also should expect that your agent can handle your deal from A to Z. The process begins with an understanding of your brand and its position in the marketplace and then moves to identifying

potential partners, negotiating agreements with the right partners, managing agreements until the product launches, and finally managing the relationship from a marketing, financial, and operational standpoint. It's appropriate to think of your agent as a partner in the success of your program, who has as much a vested interest in your success as you do.

Compensation for agents is all over the board, but you should expect to pay a percentage of your royalties that they obtain for you as part of their compensation. Some agents also charge a monthly retainer while they're searching for deals.

This investment requires a significant financial commitment. You should not get into the field unless you have the financial wherewithal and time to do it properly. This is a financial investment in your future, and it may be a minimum of two years before you see any return on the initial investment. If that's not possible, it's best not to pursue product development. It seems like a long time to wait, but when you think about the many phases, it's not long at all.

Building a brand and a product line is illustrated in our Product DNA graphic. [FIGURE 1](#)

PRODUCT DEVELOPMENT PROCESS

The first step is a brainstorming session to gain a strong understanding of the brand and of the goals of the designer or manufacturer, depending on who's hiring us. This session explores the categories that the designer is passionate about and delves deeply into who he or she is and what the brand may look like.

We try to gain as much knowledge as possible about the audience that a particular designer wants to reach. If your audience is large because you have television exposure, we might look for retail partnerships. If your audience is the design profession that knows your work through trade publications, we may align the designer with a trade showroom. We're diligent about making certain that we don't try to take a designer to a mass audience before there is mass awareness. If we had an unlimited marketing budget, we'd be more lenient about this rule. But rarely if ever are we presented with unlimited marketing

PRODUCT-DEVELOPMENT DNA

The following diagram walks you through the process of bringing a product line to market and the responsibilities of each of the participants in the process.

1 STAGE 1: Product Conception

Enter into Granet/Designer Product development Agreement

GRANET & ASSOCIATES
MARKET RESEARCH | 4 WKS

- A Marketplace
- B Financial Capacity
- C Demographics
- D Price Points
- E Potential Manufacturers
- F Potential Retailers

DESIGNER
Product Development | 4-8 WKS

- A Schematics and Drawings
- B Renderings
- C Colors Palette
- D Materials
- E Finishes

LEGAL | PATENT RESEARCH
8 WKS

- A TM Research
- B Confidentiality

2 STAGE 2: Product Development

Enter into Granet/Designer Product development Agreement

GRANET & ASSOCIATES
DESIGN + PACKAGING | 4 WKS

- A Evaluate and Critique Design
- B Packaging Development
- C Continued Research on Manufacturers and Retailers
- D Contract Negotiations

DESIGNER
Product Development | 4-8 WKS

- A Dimensioning
- B Refining Materials
- C Refining Finishes
- D Design Refinement
- E Renderings
- F Models (3D/Physical)

3 STAGE 3: Prototype

GRANET & ASSOCIATES
PROTOTYPE REFINEMENT | 4 WKS

- A Critique Design
- B Fine-tune Prototype Changes

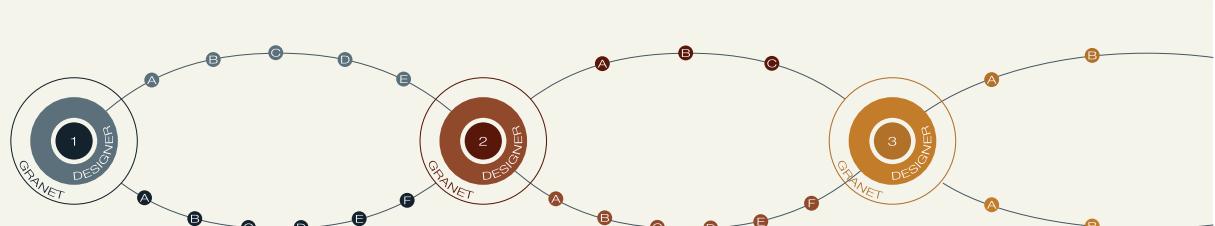


FIGURE 1

Graphic used to articulate to Granet clients the product-development cycle

4 STAGE 4: Marketing

GRANET & ASSOCIATES
MARKETING | 4 WKS

- A** Identification
- B** Name/Logo Design
- C** Packaging Design

5 STAGE 5: Manufacturing & Distribution

GRANET & ASSOCIATES
MANUFACTURING | 8-24 WKS

- A** Contract Negotiations
- B** Fabrication
- C** Retailer Distribution/Buyers

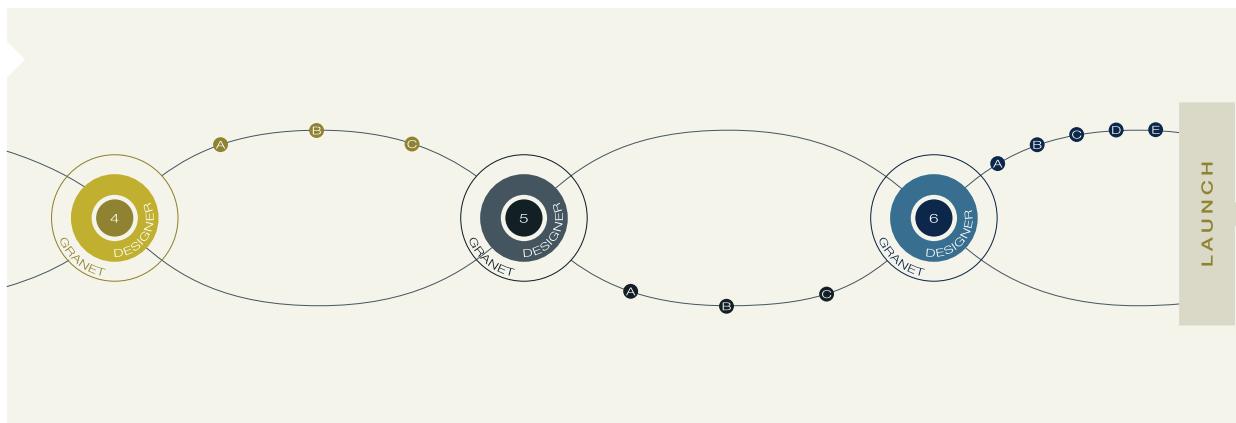
6 STAGE 6: Product Management

GRANET & ASSOCIATES
MARKETING | ONGOING

- A** Tradeshows
- B** Tear Sheet
- C** Website
- D** Press
- E** Launch

LEGAL | PATENT RESEARCH
8 WKS

- A** Copyright
- B** TM/Patent



budgets. We may discover that a designer has great mass appeal, but currently his or her work is recognizable only by the design trade. We build the brand through fabrics and furniture in trade showrooms, and once that program is up and running, we look for partners who have a more consumer-based audience. This allows us to build brand awareness first in categories such as bed and bath and tabletop, and then to move to bigger categories, such as furniture and lighting for a mass audience because the designer is beginning to build brand loyalty by the consumer.

Even after all these years, if you think about designers the average consumer knows in the home-furnishings-brand arena, it would be only Ralph and Martha. I don't need to name their last names because their brands are that strong. Interestingly enough, neither one of them comes from the home design world. Ralph comes from fashion and Martha from entertaining and publishing. The top recognizable people in our industry who have built brands that consumers might know are people such as Kelly Wearstler and Thomas O'Brien. We cannot talk about product design without mentioning Joanna Gaines and her Magnolia brand. Through the power of television, she has built a multi-million-dollar home-and-lifestyle brand. All from her home in Waco, Texas. Fashion icons have entered into the home category for years—Calvin Klein, Bill Blass, Oscar de la Renta, Donna Karan, Fendi, and Armani—because they have huge brand loyalty and trust that will follow them almost anywhere. So why is it that interior designers have had a hard time becoming recognizable to the public eye? Marketing is one reason; interest in the category is another. Home furnishings are not impulse buys and do not get replaced as frequently as fashion lines. Today, Instagram and Houzz have made it easier for home designer to reach a broader audience.

We caution potential clients to make certain they start their licensing programs at the highest point of entry in terms of price point. As their brand becomes better known, they can start moving down the marketplace to the masses. If you start high, you can always go down, but if you start low, it's much more difficult, some say impossible, to go up.

THE BRAND BOOK PRESENTATION

Once we've completed a strategic plan for our clients, we then move that plan into action with a beautiful brand book that articulates the essence of the designer. The books we create with our clients always have two parts. The first part is an aesthetic peek into the designer's creativity, and the second is a press portfolio. The success of the line is truly about the product, but what sets the collection apart is the designer and what he or she brings to the marketing and promotion aspect for the companies he or she aligns him- or herself with. Companies are very interested in how much the press follows a designer. The designer's ability to attract editorial coverage for the collection allows manufacturers to gain exposure that doesn't require tremendous amounts of advertising dollars. The combination of editorial and advertising coverage makes the connection to a designer brand very appealing. If a designer is a media darling, then the chances of getting great exposure for the collection in the press are improved.

The brand book is a tool that can quickly reveal what a company can expect to get from a designer. It's often made the difference between simply hearing a name and the ability to demonstrate the designer's value that can seal the deal. Here are some examples of very successful brand books. [FIGURES 2-4](#)

RESEARCHING POSSIBLE COLLABORATORS

Once the brand book is ready, the next steps are to present it to manufacturers that you've identified in your strategic plan. This may come in the form of a one-on-one meeting with manufacturers or at trade shows, such as High Point, Maison Objet, Neocon, ICFF, the New York Gift Show, or the tabletop show. The most successful meetings come when you've made contact with the company's decision maker. The brand book should give the decision maker a sense of the design and the designer to gauge his or her compatibility.

In the research phase, we often start by asking a designer to list his or her favorite resources. This usually helps us understand the caliber and aesthetic of the manufacturers we should approach. It's also helpful when you're presenting a designer to a manufacturer and that



FIGURE 2
Brand book for Commune

FIGURE 3
Brand book for Kyle Bunting

FIGURE 4
Brand book for Charlotte Moss

designer is a good customer of that manufacturer. The designer knows the brand, and usually the aesthetic, and connection develops much more quickly. Sometimes the opposite can happen, and a manufacturer doesn't understand why a particular designer is a good fit. On one occasion, we had a client who wanted to design Tibetan rugs, but the manufacturer wasn't sure about working with the designer because the rugs were all made of sisal. It turned out that the designer always used sisal because there weren't beautiful simple rugs in the marketplace, and the designer had great ideas to fill that void. This successful collection has been available for over twenty years now.

Sometimes the collaboration seems to be a stretch for both the designer and the manufacturer, but there may be a quality about the work that connects the two. We have put unlikely partners together because their business visions were similar and the quality of products were equally similar to each other, but they had never stretched themselves in a certain aesthetic direction. All the best business deals come from entrepreneurial people who can think beyond their current offerings.

On another occasion, I walked into a showroom and asked to speak with the president about licensing, and the response was that the manufacturer didn't license designer's collections. I asked if there might be some interest in exploring the possibilities. His response was surprising. He said the company had thought about it but didn't know how it worked and asked if we would be interested in explaining the process. From that point forward, we knew we were educating the manufacturer on the process and had to explain it in a way that was simple yet appealing. This was the first textile collection for Charlotte Moss. At the kickoff meeting, she and I walked into the manufacturer's conference room, and hanging there on the product-development board was a bed Charlotte had designed for her own home. It turned out that it had been there for months, and the company was using it for inspiration. The synergy was already in place before we even started designing the line. The best deals come together when there's some other force at play that connects the team.

The truly innovative companies take advantage of economic downturns to start looking for collaborations to create a buzz when the market turns around. If a business is holding back in hard times, then when the market turns it'll have very little new product to show and probably won't be able to catch up in time to weather the upswing. When the economy is slow, there are still buyers with needs, just fewer of them. Having new products in a downturn keeps you fresh and helps the consumer know you'll be around even in the worst of times. This also helps build brand loyalty. Interestingly enough, when we see 30 percent fewer people at trade shows, it doesn't correspond to a 30 percent drop in sales. This is because the people who continue to come to trade shows are the serious buyers. When the market falls, the casual shoppers are the ones who fall off, and the pool of buyers becomes much more serious.

BUILDING A BRAND HIERARCHY

Although there are no hard-and-fast rules to building a brand, it's easier when the development builds in this direction: furniture, lighting, rugs, textiles, decorative accessories, wall art, bed and bath, tabletop. (There are other categories, such as outdoor, hardware, broadloom, and office, but they're often supplemental to the brand you've first established.) The reason this hierarchy is successful is that each product tends to support the next product. If you first have furniture, then the furniture retailers tend to want to round out the collections with the other categories. If you start with lighting or textiles, you may not need furniture to promote the initial products, and the exposure for the brand can be limited.

The first license is the hardest one to obtain. This is because the first license involves taking the biggest risk in working with a new designer. Once a designer has that first license, it then gives great comfort to other potential manufacturers, knowing that the risk is being shared.

Another aspect of the licensing is the difference between licensing your name and licensing your designs. Once you have a recognizable brand, you may be asked to license your name. This simply means

that you're attaching your name to products that you have little or no design control over. This is where we tend to see celebrities and fashion designers enter the home market. Because their names are so recognizable, many companies are willing to slap a label on their products and pay the person a royalty for the use of his or her name. A perfect example of celebrity names on products is Ellen Degeneres or Gwyneth Paltrow. At the end of the day, it's the quality and design of the actual product that sells, not the label. **FIGURE 5**

NEGOTIATING THE DEAL

Once you've established which manufacturers to collaborate with, you need to negotiate the terms under which you'll work. We always start with what we call a term sheet. This document calls out the key deal points in the agreement, such as royalty rate, product naming, marketing requirements, number of designs, launch date, length of the deal, and any special requests. If the manufacturer agrees on these initial terms, we then move to the contract. The following are specific points that we include in every contract.

1 TERM: We typically limit the term of our agreements to three to five years. They're always renewable. If the term isn't specified, the contract needs to give you the right to terminate. If either party is not performing up to expectations, you need to have the ability to move in a new direction.

2 MILESTONES FOR PERFORMANCE: If a collection consistently sells at an increasing rate, it'll be renewed. But if the collection sales ever drops to less than 20 percent below the average of the last three years of sales, the designer has the right to terminate the agreement.

3 LABELING: Specify how the products will be labeled and branded. (For example, Jan Showers' home collection for Kravet indicated that the collection be labeled "Jan Showers for Kravet.") It's important that there's consistency in the brand both graphically and textually. This builds brand recognition, which will be useful for any collaborations associated with the brand.

LICENSING TERM SHEET

DESIGNER:	Joe Smith
MANUFACTURER:	ABC Home Furnishings
PRODUCTS:	Textiles Collection
MARKS:	Joe Smith for ABC Home Furnishings
TERRITORY:	US and Canada plus ABC Website and Catalog
TERM:	3 years
REPORTING:	quarterly, within 30 days after completion of each quarter. (1/1:3/31=4/30; 4/1:6/31 = 7/30; 7/1:9/31 = 10/30; 10/1:12/31 = 1/30)
EXECUTION FEE:	Upon execution of the agreement a \$20,000 advance will be given to the Designer
RENEWAL:	3 years if mutually agreed upon
PROVISIONS:	If a design does not make it into the marketplace within 12 months to launch, design rights revert back to designer. All products will be marked as Joe Smith for ABC Home Furnishings
ADVERTISING:	\$100,000 in advertising costs in year of launch and 2% of sales in all subsequent years. Advertising and packaging to be developed by Manufacturer in direct collaboration with and final approval by Designer. Production, materials, and media to be managed by manufacturer with input and approval from Designer.
DESIGN:	All Designs will be executed from Designer's office. Submitted materials will include: concept boards, color palettes, reference images, digital files. Designer shall be reimbursed for all incurred expenses to assist in prototyping.
ROYALTY:	6% of net sales, paid quarterly along with Royalty Report, within 30 days after completion of each quarter. Net sales are gross sales with deductions for returns and samples.
GUARANTEED MINIMUM ROYALTY:	Year 1: \$20,000 Year 2: \$30,000 Year 3: \$40,000
CHANNELS OF DISTRIBUTION:	All products will be distributed in retail stores, website and catalog. Samples: 1 (ONE) Production sample of every item will be supplied to Designer at no cost. Additional samples will be invoiced at wholesale.
APPROVALS:	Designer must respond with comments or approvals within 10 business days of Manufacturer's submission, or submissions are deemed approved. This provision applies to: product, packaging, and advertising collaterals.
EXPENSES:	Travel expenses will be reasonably reimbursed if they have been discussed and if budget has been previously approved by Manufacturer.
AGREEMENT TO AGREE:	The parties agree to negotiate in good faith a formal license agreement upon the terms hereof, containing the standard terms and conditions customary in such license agreements, to be executed within 30 days from the date of this term sheet.

4 ROYALTY RATES: These rates vary by product categories. On average the royalty rate is 3 percent on the low end and 12 percent on the high end. This will vary based on volume and name awareness of the brand. If the licensor is too demanding with the royalty rate, then the collection's price point will need to increase, and that can make or break a collection.

5 DESIGN CONTROL: Do not relinquish design control to the manufacturer. Always retain the rights to approve and sign off on all designs and quality control.

6 MARKETING: On average allocate a minimum of 2 percent of sales to marketing the product. In the first year of launch, designate a minimum amount of dollars to promoting the launch. This will vary depending on the manufacturer and category.

7 ADVERTISING: If the manufacturer has an advertising program, we request that 50 percent of the advertising campaign for the year of launch be devoted to our product launch. In all subsequent years, we request that the line receive equal coverage between all lines carried by that manufacturer, that is, if there are four licensed lines with a manufacturer, then each product line should receive one-fourth of the advertising campaign resources.

8 SAMPLING: The designer should receive one free sample of each product he or she designs and should also have the right to buy additional products at wholesale cost for personal use. This is good for the manufacturer because it helps promote the products.

9 LIABILITY: Place all of the product liability on the manufacturer. This is the benefit of a licensing agreement. The designer is taking a small percentage of the sales for the use of his or her designs, but, in exchange, doesn't have to take on the risk associated with manufacturing and distributing the products.

10 TERRITORY: Grant the right to sell in territories where the manufacturer has distribution. If the manufacturer doesn't have distribution, then we want to leave those territories open to others who can distribute on behalf of the designer.

(opposite)
FIGURE 5
A typical term sheet used by Granet and Associates to present the business terms of a licensing deal Will be redesigned.

PRODUCT-DEVELOPMENT SCHEDULE

PHASE			Date Week	2011												
				January			February			March			April			
				3	10	17	24	31	7	14	21	28	7	14	21	
				1	2	3	4	5	6	7	8	9	10	11	12	
				12	13	14	15	16	17	18	19	20	21	22	30	
Concept Development—4 Weeks																
Establish Design Criteria	LICENSEE/DESIGNER		10-Jan-11													
Initial Concepts & Materials	DESIGNER		7-Feb-11													
Sketches, Line Drawings, Reference Photos																
Approval	LICENSEE/DESIGNER		10-Feb-11													
Rewrites—Variable																
Design Development—8 Weeks, Rolling																
Technical Specs and Finish Samples Submitted	DESIGNER		14-Mar-11													
Shop Drawings to DESIGNER	LICENSEE		28-Mar-11													
Show Drawing Approvals	DESIGNER		11-Apr-11													
Rewrites—Variable																
Production Administration - 6–8 Months, Rolling																
Material Counter Sample/Finish Approvals	DESIGNER		6-Jun-11													
Prototype Review I			18-Jul-11													
Prototype Review II			26-Sep-11													
Finalization			17-Oct-11													
Production—Ongoing																
Production Begins	LICENSEE		17-Oct-11													
Marketing																
Press Release Approved	LICENSEE/DESIGNER		3-Nov-11													
Photography	LICENSEE/DESIGNER		10-Nov-11													
Advertising Campaign Approvals	LICENSEE/DESIGNER		7-Dec-11													
Trade Show Launch	LICENSEE/DESIGNER		16-Feb-12													

FIGURE 6

Product-development schedule depicts the time frame from conception to launch of a new product line.

2012

June	July	August	September	October	November	December	January	February	March
6 13 20 27 4 11 18 25 1 8 15 22 29 5 12 19 26 3 10 17 24 31 3 10 17 24 31 7 14 21 28 2 9 16 23 30 6 13 20 27 5 12 19 26									
23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49 50 51 52 53 54 55 56 57 58 59 60 61 62 63 64 65 66									

PMENT—8 WEEKS

Submitted

ls

REVISIONS

PRODUCTION ADMINISTRATION - 6-8 months

- ◆ Material and Finish Sample Approvals
- ◆ Prototype Review I

- ◆ Prototype Review II
- ◆ Finalization

PRODUCTION

MARKETING

- ◆ Press Release Approved
- ◆ Photography
- ◆ First Advertising Approvals

◆ LAUNCH

11 EXCLUSIVITY: Only grant an exclusive license for a category if the manufacturer is able to commit to a large volume of sales. Otherwise, it's okay to grant exclusive rights to the designs but not to the entire category.

12 LAUNCH DATE: Call out a launch date. If the products do not come to market within this time frame, the designs will revert back to the designer, who's free to bring them to another manufacturer.

13 ADVANCES: An advance against royalties can be negotiated to help defray the designer's costs in developing the line. The manufacturer might argue against offering advances, due to the significant costs associated with prototyping and launching the line, and the designer should be responsible for some of the start-up expenses. Our success in receiving the advance depends on the manufacturer's desire to obtain the license. The stronger the desire, the higher the advance.

14 MINIMUM GUARANTEES: This requires the manufacturer to actively market the products to meet the minimum sales in a specified time period.

15 EXPENSES: We require a manufacturer to cover all expenses associated with designing the line, including all travel expenses to visit the manufacturer during the prototyping phases and to market and promote the line at any point of distribution.

As I've already mentioned, any deal must be beneficial to all parties in order for it to be successful. All of these deal points are fair and reasonable. The success of the collaboration is based on the teamwork between all parties. As soon as the deal is good for only one of the parties, it will collapse.

MANAGING THE DEAL

Once the deal is signed, then the fun begins. Designing the product requires a schedule and a detailed matrix of responsibilities for each party. The clearer you are about responsibilities, the easier the process will be and the easier it will be to meet the launch target. **FIGURE 6**

Once the product has launched, the relationship will require ongoing management. The best relationships have longevity. For this to occur, there needs to be someone managing the process to allow for

it to be kept moving and improving. Some of the steps required in good management of a product line are as follows:

- ❶ Management and review of quarterly reports and royalty collections
- ❷ Semiannual review of product successes; if a product is not selling, it needs to be determined why and whether it's a fixable problem or if the product should be removed from the collection
- ❸ Augmenting the collection; annual reviews to determine new products to add to the collection
- ❹ Annual review of other possible categories associated with the manufacturer to expand the collection

LICENSING VERSUS SELF-PRODUCTION

A common question for designers is whether they should license their designs or produce the designs themselves. Licensing is the more common avenue in product design simply because of the start-up costs associated with self-production. The profits are considerably higher in self-production, but so are the risks. The main reason to self-produce any line comes from a desire to control the outcome, control the quality, and control the distribution, and with that comes all the risk and expense. To determine whether you should license or self-produce, ask yourself the following questions.

1. Is manufacturing your core competency?
2. Do you have the ability to distribute the products to achieve significant sales?
3. Do you have the capital required to produce the products?

If the answer is yes to these three questions, producing your own products is a viable alternative.

Here's a case study to help you understand what's involved: We had a client who wanted to produce a fabric line. She had a great love for textiles and knew how to produce and design textiles. What she lacked were the resources to make the textiles (or a connection to the

mills) and the ability to distribute them. But a few of her favorite multiline showrooms indicated interest in representing them if they created a line. She began by visiting local printing houses to see what was necessary to create a printed collection. It became quite evident that a printed collection, although the least expensive route to launch, was not going to satisfy her desire for a meaningful collection because her work was known for beautiful textiles that included wovens and velvets and jacquards, not just prints. The next step was to visit Proposte, the invitation-only textile show in Lake Como, Italy. Mills present their offerings, and a designer or a textile distributor has the choice of buying a particular fabric or leasing it with limited distribution. In addition, you can bring your designs to the represented mills and have them create original designs on your behalf. For a textile lover, this show is Disneyland.

Once relationships are formed with the different mills, the designing begins. Some designs are inspired by historical documents collected through the years, and others are original designs. Once the products are in production, all the other tasks and costs become evident. First, each design and colorway requires a minimum order that requires the manufacturer to commit to. This can be one of the biggest expenses. Additionally, there are the expenses associated with selling the line, including production pieces for displays and memo samples, logo creation, hang tags, business cards, sales kits, and photography.

The investment is substantial, but the hope is that instead of receiving a 5 percent royalty as in a licensing agreement, there will be a 40 to 50 percent margin on sales. The final step before production can begin is to approve the strike-offs in the case of fabrics, or prototypes in the case of furniture, lighting, or other home products.

The next step is to determine where to sell these products. In this case, the right place was high-end trade designer showrooms. We then identified the right showrooms for the collection and set up meetings with each showroom to introduce the collection. The collection was well received, and the product was launched in five cities: San Francisco, Los Angeles, New York, Chicago, and Paris. We

will eventually address other major markets once the collection has had a chance to gain exposure in these first five cities.

When self-producing a line, the burden of inventory and distribution lies with the designer. You must be prepared to handle these tasks and all the costs associated with this new company. We typically don't recommend self-producing unless you're prepared to make the product line a new business and a core competency within your current business. Another option for designers who have distribution through their own retail store or an online e-commerce website is to have companies produce private-label products for them. A private label means that a manufacturer will produce the goods under the designer's label at a cost significantly lower than market. These products are packaged exclusively for the designer. This eliminates the need for designers to manufacture the goods themselves. The profits in this scenario are better than licensing, but this method also requires designers to have their own distribution outlets.

BUILDING YOUR BRAND

In building a brand that will create consumer recognition and brand loyalty, you must be deliberate about how your brand is presented in the marketplace. Simple things are not always obvious. **FIGURES 7-16**

The following are our rules of thumb in building a brand.

1 It starts with a great name. It can be your name, but first make certain your name makes sense in connection to your brand and the business you're building.

2 If your goal is to build your brand and eventually sell it, then be careful about using your name because you'll have to sell it for its brand equity in the future. For example, Rachel Ashwell sold her name along with Shabby Chic and had to buy her name back when the investors in Shabby Chic went bankrupt.

3 A strong logo is necessary.

4 Consistency in the graphic presentation is best. We had a client who was building her brand, but every time you saw her picture it looked different. She placed her picture with every product she made, and in every ad the picture was different. This was not a good approach,

because the visual connection you make to a brand happens in a nano-second, and if you confuse your audience with different visuals, they'll never connect to your brand.

5 It is recommended, whenever possible, not to align your face with your brand.

6 Create a point of view that's easily grasped.

7 Don't surprise your audience unless you're introducing a new collection, and even the new collection should make sense to your followers.

8 Describe the brand in one sentence or even one word, the shorter the better.

9 Position yourself in the right marketplace, and remember to start high and then go down because you can never reverse the trend.

FIGURES 10-13

CONCERNS OVER BEING KNOCKED OFF

Often, designers are concerned about having their designs knocked off when we present them to manufacturers to determine if there's interest in collaborating. In most cases, we present the manufacturers with a nondisclosure agreement, and in most cases they're happy to sign this agreement. However, when you build a solid brand, you will be knocked off. The true defense for the brand is not chasing all the knock-offs but in building a brand that has loyalty and a strong following. You want to build a brand that people prefer. Who actually wants to be the one competing with Apple for the iPad? Plenty of companies will build more powerful versions and less expensive versions, and that'll attract enough people to buy enough of them to make some profit, but it'll never take away meaningful market share because of the brand equity of Apple. If you build a solid brand, the brand itself will carry as much weight with your consumer as the actual product.

Although imitation is inevitable, especially with increased success, I don't recommend you stand by and let someone continue to knock off your designs. We've sent around our fair number of cease-and-desist letters. But you can spend all your time with attorneys if you let it distract you from your business.





FIGURE 10
Commune Tiles for Exquisite Surfaces

FIGURE 11
Commune Chocolates



FIGURE 12
Charlotte Moss Pillows for Eastern Accents

FIGURE 13
Charlotte Moss Collection for Century Furniture



FIGURE 14
Suzanne Kasler textiles
for Lee Jofa

FIGURE 15
Suzanne Kasler for
Visual Comfort

FIGURE 16
Charlotte Moss for
Soicher Marin

MASS MEDIA AND YOUR BRAND

It's easier to spread the word when you develop your brand if you're involved in any sort of mass media: television, social media, movies, or major print campaigns. Mass-media exposure offers you the ability to reach a mass audience and ultimately mass sales.

The power of mass media is ever changing. QVC (which stands for quality, value, and convenience) and Home Shopping Network (HSN) have been around for almost four decades and have proven that home furnishings can be purchased through these channels. The internet has certainly made a significant mark on consumer purchasing of furnishings for the home and office. Sites such as 1stDibs, Wayfair, Restoration Hardware, and Perigold have made it easy to procure products in a very efficient way. You just need to confirm the quality of what you are purchasing. These sites are popping up regularly and will continue to grow as long as consumers have the confidence that they can make successful major purchases online. As the traditional landscape of retail changes and distribution shifts from mainly bricks and mortar, it's important to be aware of how to represent your brand in each channel as clearly and concisely as possible. **FIGURES 14–16**

CONCLUSION

In the first edition of the book, I said, “I suspect there will be plenty of new material in another five years.” Well, it’s been ten years, and yes, there have been plenty of changes to the advice I offered, to the design industry as a whole, and to our world, which at this moment is off its axis. It is my hope that by the time this book is in print, we will have a far healthier world.

As I mentioned, the biggest changes in our industry have been in the arenas of marketing and human resources. Even though many things have changed, there are still some things that will always stand the test of time: understanding your why, articulating your vision, and finding the right team for success. All of these things are as important today as they were ten years ago. Some people think that the more business systems you create and the more structure you build, the less you get to design and be creative. Nothing could be further from the truth. The more energy you focus on building a healthy business, the more freedom it creates for you to design and be passionate about your work.

This book is filled with my experiences and the many lessons I have learned from my clients. My hope is that these experiences and lessons will connect to you and help you run your business like a business. I hope it allows you to percolate your creativity by giving you the tools to place more energy on design and less worry on your business.

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My clients, my colleagues, my friends, and, mostly, my family are the reason I have been able to build my career in the design profession. Without their support, none of my work would have been possible or meaningful.

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I am honored that my friend Holly Hunt agreed to write the foreword. As you know, the first book’s foreword was by my mentor, Art Gensler. This edition is blessed with Holly’s words of wisdom. Holly is a remarkable force in our industry and has set the gold standard on how products are to be presented and sold.

I would like to thank my partner in the Leaders of Design, Meg Touborg, who inspires me every day to create an organization based on a life of learning and mentoring. To my dear friend and our director of operations, Dana Colla, who makes everything we do seem easy and seamless when we all know how complicated it is to manage hundreds of design professionals traveling throughout the world. And to all the members of the Leaders of Design for being a part of this remarkable journey.

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