FUTURE LEADERS
Seminar 3 (11 July):
BUSINESS & INNOVATION

Delegate
Resource
Pack

@RIBA futureleaders
Architecture.com/FutureLeaders2017
How to use

Welcome to your interactive Delegate Resource Pack. We would like to take this opportunity to thank you for attending our Future Leaders Seminar: Business & Innovation. We hope you had an engaging and inspiring day. This document offers a summary of the insights shared throughout the day and links to recordings of all presentations should you wish to watch them again.

Clicking on this icon below the session summaries will take you to the video recording.

Sessions

Welcome .............................................. 3
General Keynote: Introducing problem-solving and creativity to business .............................................. 4
Architecture Keynote: Business at the heart of practice ................................................................. 5
Architecture as the art of profit and loss, and good business organisation ........................................ 6
Workshop: Understanding how to improve profitability through incremental gains ......................... 7
Innovation through research ................................................................. 12
Future Focus: Emerging trends & technologies in architecture ...................................................... 13
Closing remarks ................................................................. 14
Speakers and presentations ................................................................. 15
Resources ................................................................. 16
Welcome
*Alan Vallance, CEO of the RIBA*

From working for others to earning leadership positions, Alan has experienced the varying quality of business leaders as well as the challenges of implementing successful leadership. In a time of significant change – technological, social, and regulatory – he now helps steer the RIBA towards a more flexible and innovative version of itself, one fit for the 21st century.

**Effective leadership**

- Learn to listen
- Seek feedback on your own performance
- To change an organisation you need to understand it deeply
- Understand the ‘why’ before addressing the ‘how’
Learning outcomes

Market entry conditions in architecture

- Easily accessible supply chains
- Low legal barriers
- Low start-up costs come with a crowded playing field
- Vital brand recognition is hard to establish for newcomers

SWAT analysis to inform business strategy

- Architects often present an undifferentiated offer to clients – what makes you unique?
- “Do something different and do it differently”
- How can you gain access to clients in the early stages?
- How can you maintain cash flow and a pipeline of projects while generally being time poor?
- How will you carry the business through typical boom & bust cycles?

Apply your creativity to your business

- Apply your creative problem solving skills to your business
- Differentiate yourself - what adjacent activities can help you do that?
- Use your ability to see the bigger picture, to deal with complexity, to solve problems creatively and to persist through difficulties
- Consider the business opportunities inherent in Stages 6, 7 and 0

Leading within a large established practice

- Build on the past to develop future opportunities
- Doing so will help to get buy in from the founders
- Leading means taking on the responsibility to do more not less

Find your purpose in your vision

- Understand why you do what you do and carry this throughout your business
- Communicate it succinctly – most architects don’t
- Business success in isolation is not sufficient
- Don’t focus solely on targets and results
- Learn about effective branding from the world of business

Keynote: Introducing problem-solving and creativity to business

Paulo Pimentel, Creative Director for Museums and Visitor Attractions, EVENT Communications

Having started his career as an architect working for globally successful firms, Paulo realised soon that he could apply his skills to branding and communications. Having experienced both industries, he understands their respective strengths and what they can learn from each other. Before taking the leap to start out on your own in architecture, he recommends doing what entrepreneurs in other sectors do – consider your industry’s specific entry barriers and opportunities.
Helen Logan, Partner, Allies and Morrison

Helen has led the delivery of many large and complex projects and now heads the practice’s submission team. Her experience has taught her that to become a leader in architecture it is essential to get good at business. Most architects respond in one of two ways – apprehension at the prospect of getting ‘dragged away’ from their passion, or a willingness to get stuck in but a tendency to get lost in too much detail. Helen’s advice is to take a step back and think about the context you operate in. Your overall attitude counts above all else.

Learning outcomes

**The business of architecture**

- In order to win clients you need to understand and respect their needs
- Money always matters – be prudent with your client’s money
- Seek to understand what your client considers value for money
- Consider other potential client drivers such as risk mitigation
- Consider all opportunities for adding value – whether establishing effective processes or offering guidance on new technologies

**The cycle of sustainable business**

- Win work
- Protect yourself contractually and financially
- Adhere to professional standards at all times
- Deliver work cost effectively
- Win work on the back of successful projects

**The business in the market context**

- You cannot shape the market context but you can choose how to respond
- Be alert to emerging opportunities and use them effectively
- Mine your own portfolio for competitive advantages and build on them gradually
- If the market changes find new ways to regain your foothold
- Strategic alliances are a vital risk mitigation strategy when entering new markets

**Key reminders**

- No clients, no architecture
- Overall attitude more important than the detail of business technique
- Get involved in the business side and support those people whose day job it is
- Once you understand the client perspective and are able to talk ‘money’ you can innovate and take risks

**The mortal sins**

- Forgetting the client
- Sense of entitlement
- Arrogance, overestimating your knowledge
- Over optimism or wilful ignorance
- Denigrating the commercial
Learning outcomes

**AHMM business strategy**

- Generalists - no sector specialisation
- Seek out the ambitious clients
- Aim to build what you design, by the team that designed it
- Never compromise on the quality and value of your output
- Analyse if opportunities are a fit for your business
- Bid only for those projects you have interest in and capacity for
- Don’t make profit your only measure of success

**Practice management 101**

- Learn about how your company is managed
- Study the RIBA Handbook of Practice Management
- Establish clear lines of responsibility
- Balance bureaucracy and efficiency
- Work towards lean and empowered front line management
- It’s the business of small steps - try to do simple things better all the time
- Factor in uncertainty about the future - expect cycles of growth and contraction

**Getting fees right**

- The 80/20 rule of thumb on average applies
- Around 80% of fee income is generated by 20% of clients
- Lower yielding projects are nevertheless important opportunities
- Seek to be a fee setter rather than fee taker
- Don’t be afraid to ask for a realistic fee, commercial clients understand the value of architects
- Don’t fix your fee before you really know the project’s scope and programme
- Protect yourself against contractor delays
- Be consistent across clients, they talk to each other
- Do not make good clients pay for the bad clients

**The art of financial planning**

- Know what you know and what you don’t know
- Budget for small increases or decreases rather than dramatic changes
- Get your profit and loss account on an A4 than get lost in too much detail
- Analyse why variations happen to improve your future forecasts

Architecture as the art of the profit and loss and good business organisation

*Jonathan Hall, Director, AHMM*

As co-founder of AHMM, Jonathan has witnessed the evolution of the practice from small start-up to professional large practice and learned about business management along the way. As someone who he says ‘gravitates towards other people’s weaknesses’ he has taken on the responsibility for risk management. Some of the insights he shares with us today have only come after decades in practice.

Beyond the practical advice he leaves us with the reminder not to let the business become an end in itself. Be good at it but remember your original purpose – to make money to make architecture, rather than vice versa.
Margins

- Identify direct project costs separately from overheads
- Gross profit margin helps understand and compare project performance
- Different sectors and project types offer different margins
- Adjust performance targets accordingly

Operations

- Deal with the short term view – immediate past, present and future
- Establish clear responsibilities between architects and other departments such as finance
- Aim to have architectural sensibility within the finance department
- Differentiate fees by actual, proposed, likely or other
- The flip side of fees is resources, in particular staff time

Managing cash flow

- Good information helps deal with the economic cycles
- KPI = average £ per fee earner in a month
- Test fee performance twice a month, using KPI as an early warning metric
- Keep close watch of your debtors and who pays in time
- Establish close relationships with your clients’ finance teams
- Overly high performance is usually a sign of being understaffed
- Any fee imbalance should not persist beyond a very short period

Business in Practice Q&A
with Helen Logan and Jonathan Hall

Click on the arrow to watch the Q&A session
Learning outcomes

The principle of marginal gains

- Marginal changes across several areas can compound to significant improvements
- Focus on what you can control
- Adopting the right mindset is key – take ownership and responsibility
- Don’t give away control to external factors through denial or assigning blame

Key financial data

- Net profit
- Project/contract profit (forecast and actual)
- Cash flow forecast 6 months ahead minimum
- Analyse data thoroughly to understand scope for improvement

5 ways to build profit

- Number of leads x conversion rate = no. of customers
- No. of customers x no. of transactions x average £/sale = turnover
- Turnover x margin = profits
- Working on any of these five variables can help increase profit
- Most architects assume they should focus on winning more work
- Yet winning work is time consuming and costly
- Quickest way to increase margins is to raise prices, if feasible
- Or, seek to increase efficiency by raising workforce productivity

- Measure the actual project profits
- Keep control over project delivery, any overruns or free work
- Check your profitability as close to real time as possible

Differentiate or die

- Most clients want value, rather than just the cheapest service
- Architects need to communicate the value they can bring
- Most do not make a good job of differentiating themselves
- If clients have no other information, price becomes the only differentiator
- Understand your market and what it wants from you
- Think about your USP – cast the net wide
- Consider what guarantees you can offer your clients

Learning to sell

- Practice makes perfect – commit to ongoing training and learning
- One-off events are not enough, develop a proper learning strategy
- Measure the actual time you spend per month on relevant reading, courses or events

Understanding how to improve profitability through incremental gains

Parag Prasad, Managing Director, London Business Coaching

A chartered accountant turned business coach, Parag enjoys helping architects build better businesses. Perhaps surprising to some, he says it is not always necessary to make big strategic changes. Small changes across different business areas can fundamentally alter the profitability of a practice over the long term. For that approach to be implemented effectively, practices need to gather timely and relevant financial information about their performance.
Social proof

- People follow the crowd and buying decisions are often based on emotion
- Online reviews are an influencing factor
- Not many architects see this yet – if you do you’ll enjoy first mover advantage
- Reviews can come from professionals also, not only from clients
- Source testimonials or present case studies on your website, consider using video
- Generate more leads by asking your clients for referrals
Learning outcomes

A framework for research

- Engage in both artistic/practice-based research and scientific research
- Three spheres of research – knowledge collection, collaboration with other institutions, and eventually project and thought leadership.
- Develop strategy for all three spheres
- Adopt academic approach to sharing knowledge freely

Collect knowledge to improve current practice

- Enhance personal expertise
- Build corporate credibility
- Improve project performance

Collaborate to create an internal discipline

- Benefit from external knowledge
- Influence others
- Increase revenue

Leadership through professional research

- Direct the profession
- Build an innovation legacy

Internal research management

- Research set up as a distinct discipline within the company
- 25 year strategy – from revenue/resource neutral to revenue generating
- Appoint discipline leader and define clear role for knowledge managers
- Recruit professional researchers (academics)
- Align all knowledge across sectors
- Work within a 5 year programme frame
- Develop formal collaborations with universities
- Seek sponsorship from commercial clients
- Set up a centralised library for all research documents accessible to all
- Create a centralised research database accessible to all
- Clarify marketing and project support
- Future outlook: create separate publication arm, expand collaborations and enhance support infrastructure incl training and resource tools

10 thematic research labs

- Each one led by one individual
- Labs on Energy, Materials and Health, Water in urban environments, Resilience, Sustainable Communities, Mobility, Building Technology, Human Experience, Process

Innovation through research

Mijail Gutierrez, Associate Principal, Perkins + Will, London

Perkin + Will believe that design has the power to transform people and the planet for the better. Transformation requires new thinking to solve problems differently, and research is important precisely because it fosters new ideas. The company has developed a long-term strategy to build up their research capacity in its own right and the organisational structure to support it.

Mijail’s advice to all practitioners: think about how you can apply research on a day to day basis even if you are not in a big firm; and how you can raise standards across the industry.
Future Focus: emerging trends & technologies in architecture

Dr Rachel Armstrong, Professor of Experimental Architecture, Newcastle University

Rachel lives by the motto that ‘the best way to predict the future is to invent it’. As Professor of Experimental Architecture that means working towards an entirely new architecture, one self-generated from living ecosystems. Merging the natural and human world for her holds the hope of avoiding natural and economic collapse.

To achieve this vision she seeks to understand the computational processes of nature herself in order to learn how to programme them for human purposes. The complexity of the task and new digital tools have opened the door to a new era of architectural research that we are only beginning to glimpse.

Learning outcomes

Architectural research

- Research in context increasingly important – the more complex the context the more valuable design becomes, as design thinking helps shape the research questions
- Rapid prototyping and computer modelling allows fast iterative testing
- Rather than designing with seemingly inert objects, how do we integrate or create solely with living or evolving structures?
- Can buildings have a physiology? What are the units of design in a lively world?

Living materials

- How can we direct the growth patterns – structure and process at once
- Could ‘Oystertecture’ help rebuild protective coastal reefs?
- Could bridges be built from living organisms?
- Can we create a different type of earth from detritus?
- Could ‘bioconcrete’ from bacteria colony sediment help protect the foundations of Venice?
Closing Remarks
Lucy Carmichael, Director of Practice, RIBA

• We live in uncertain times, politically and economically
• The future could be fundamentally disrupted
• It is more important than ever to differentiate yourself
• Understand and communicate your values, and what value you bring to your clients
• Understand the needs and drivers of clients
• Improving your business requires really good business intelligence – know the rules to play the game
• Incorporate research and innovation as an integral part of your business
Speakers

Dr Rachel Armstrong  
Professor of Experimental Architecture, Newcastle University

Mijail Gutierrez  
Associate Principal, Perkins+Will, London

Jonathan Hall  
Director, AHMM

Helen Logan  
Partner, Allies and Morrison

Paulo Pimentel  
EVENT

Parag Prasad  
London Business Coaching

Presentations

All presentations from the day can be accessed via Box:  
https://riba.box.com/s/vjvraflnxwr7x42y3e65yddyjih0erp
Resources

1. Creativity & Business

https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

https://www.amazon.co.uk/d/Books/Purple-Cow-Transform-Your-Business-Being-Remarkable/014101640X

https://www.ted.com/talks/tim_brown_URGEs_designers_to_think_big

https://www.amazon.co.uk/Change-Design-Transforms-Organizations-Innovation/dp/0061766089

https://www.forbes.com/sites/reuvencohen/2014/03/31/design-thinking-a-unified-framework-for-innovation/#782caeb78c11

Idris Mootee, Design Thinking for Strategic Innovation: What They Can’t Teach You at Business or Design School, Wiley 2013.
https://www.amazon.co.uk/Design-Thinking-Strategic-Innovation-Business/dp/1118620127/ref=pd_sim_14_1?_encoding=UTF8&psc=1&refRID=RBHTP5FPZEZOF96JDS8

A Virtual Crash Course in Design Thinking from The Stanford D. School: an online version of one of Stanford's most frequently sought after learning tools. Video, handouts and facilitation tips are provided to take you step by step through the process of hosting or participating in a 90-minute design challenge.
https://dschool.stanford.edu/resources-collections/a-virtual-crash-course-in-design-thinking

2. Business in Practice


Property developer Martyn Evans gives the low-down on how architects should communicate with developers for the best working relationships, February 2017.
https://www.youtube.com/watch?v=2lWTFiGA-1M

Roger Zogolovitch, Architect and Developer on Entrepreneurship, August 2016.
https://www.youtube.com/watch?v=DiY1knhsrQ

RIBA, Practice Resilience: How architects survive and thrive during challenging times, June 2017. Download the findings of our research into what makes a resilient practice and learn how others have prospered during the challenging times of recent years.
https://www.architecture.com/knowledge-and-resources/resources-landing-page/practice-resilience

Eleanor Young, ‘Reaping the benefits’, interview with Andrew Mulroy Architects, RIBAJ April 2016.
https://www.ribaj.com/intelligence/reaping-the-benefits

RIBA CPD by Blue Turtle Consulting, various seminars on writing fee proposals and pricing design services.
https://www.ribacpd.com/blue-turtle-consulting-uk/27903/overview/#material

https://www.architecture.com/knowledge-and-resources/knowledge-landing-page/profitable-practice-is-all-about-productivity
3. Improving profitability through incremental gains

https://www.youtube.com/watch?v=x6PcmUyVmn4


BBC Magazine, ‘Viewpoint: Should we all be looking for marginal gains?’, September 2015.
http://www.bbc.co.uk/news/magazine-34247629

https://londonbusinesscoaching.com/3-financial-reports-every-entrepreneur-needs/


London Business Coaching, ‘3 Horrible Mistakes You’re Making With Testimonials and What To Do About It’.

4. Innovation through research & experimentation

Perkins + Will – Research.
https://uk.perkinswill.com/research

Perkins + Will – Inside the Labs.
http://researchlabs.perkinswill.com/

ArchDaily, Architectural Research: Three Myths and One Model’, January 2017
http://webcache.googleusercontent.com/search?q=cache:p7RIN7BMG0pJwwwww.archdaily.com/802766/architectural-research-three-myths-and-one-model+%cd=6%&hl=en&ct=clnk&gl=uk

http://www.ribabookshops.com/item/demystifying-architectural-research-adding-value-to-your-practice/83983/

https://www.degruyter.com/view/product/448453

http://livingarchitecturesystems.com/publication/architecture-and-adaptation/

http://livingarchitecturesystems.com/publication/planet-b-100-ideas-for-a-new-world/

https://www.ted.com/talks/neri_oxman_design_at_the_intersection_of_technology_and_biology