



Practice Management Digest

News & Best Practices from the PM Knowledge Community

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Components of Value for a Competitive Edge

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How can your firm achieve real success? As markets become more competitive, clients are looking for real value from professional service firms.

In contemporary practice, the foundation of value comes from our culture, values, and aspirations. Our core assets lie in the talents and resources that we have within our firms and that we can draw upon through outside collaborations. Our intellectual property, methods of approach, and work processes provide the opportunity to create distinction.

But it is not enough to assemble these components. Firm leaders need to understand and articulate who they are as a practice, where they fit within the competitive environment, and how they can leverage their talents and resources to maximum advantage. To ensure sustainability of your practice, it is essential to create a practice framework that enables continued creation of value within the context of our venues of practice, i.e., markets, clients, and projects.

Evolution of Practice

Traditionally, most design firms begin life as an opportunity-focused general design practice, with one or more principals who have the desire to build a portfolio of work. They have a diversity of building types and clients, often within a defined geographic reach. The principals might determine they like the challenge of different types of clients and projects and choose to build on that diversity. They might also learn they have the ability to develop relationships that guarantee access to decision-makers and decision-influencers, which will enhance their value in the eyes of their clients and potential clients.

Service Partner

In the 1980s, the nature of the client role changed significantly in many market sectors, with expansion in the position of the client facilities manager. Design firms were no longer working directly with the highest level of decision-makers or decision-influencers, but instead working with gatekeepers who reported to a variety of stakeholders within their organizations. As a result, professional services were often viewed as a vendor-based commodity, evaluated on the basis of price and deliverables, and customer relationship management (CRM) became a more important differentiator.

This evolution encouraged the rise of the client-focused service partner model, in which a practice seeks to form enduring relationships with key clients. The value of this model focuses on relationships—building a significant connection or involvement for two or more people or groups.

The service partner relies on leaders who have excellent CRM skills and who work in alignment with specific client types. A successful service partner will understand the characteristics of their best clients and seek opportunities to develop relationships with potential clients who meet those criteria. In addition, the service partner will want to capture an increasing share of their client's work, developing new capabilities and services in order to cement their relationship. There are significant financial advantages to this model because it focuses on developing a high percentage of repeat business with existing

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clients, reducing the need to chase work or reinvent the wheel in terms of project delivery process.

Market Leader

In the last decade of the 20th century, most of the larger architect/engineer practices realized they needed to broaden their marketing reach. Many reorganized into a market-diversified practice model, pursuing multiple market sectors and clustering market-focused expertise into studios or practice groups. The value of this model focuses on competency, an ability to understand required standards and perform to them.

The market-diversified model simplified business development. It created an easy path for clients and potential clients to align with subject-matter experts who would serve as project leaders. It also simplified practice management because it was easy to set boundaries around each practice group for the purpose of metrics and controls. Unfortunately, it also became difficult to differentiate one large practice from another, since the larger firms were concentrating on most of the same targets of opportunity.

Only a few firms have developed the distinction of true market leaders, recognized experts in a specific market or building type who have the ability to call the market to them. Market leaders are often perceived as knowing more than the client about a specific market or building type, with the ability to reframe the client's problem and create solutions that fulfill a higher standard.

Thought Leaders

Individual theorists or thought leaders, who use projects as an opportunity for exploration, have become market-busters. They are hired by clients who seek unique solutions or want to attract high-level donors as well as top-tier knowledge workers or students to their facilities—regardless of, and often despite, limited expertise in specific building types.

Thought leaders are perceived as being able to rethink the question. They have a high level of distinctiveness, with limited substitutability. They understand they need to work with subject-matter experts to address programmatic issues. The most successful thought leaders have developed a method of approach for these working relationships or collaborations.

Vertically Integrated Giants

At the other end of the spectrum, the giants, vertically integrated engineering/construction firms, have unique resources that enable them to amass and allocate significant assets so that they, too, have limited substitutability. The result is that only a limited number of firms are considered for the largest projects, which are primarily related to infrastructure development.

The Next Wave

We are on the crest of a new sea change in competitive strategy. Ideas-led firms, regardless of practice model or type, have been reframing their venues of practice—moving away from a focus on markets, clients, and projects toward a broader contextual framework. The extension in venues of practice allows these firms, working with key collaborators, to look across social and cultural issues, thereby leveraging a higher level of intellectual capital.

At the same time, the boundaries for traditional markets or building types are changing, with more intersections between one market and another, creating new hybrid markets. Those firms that have developed subject-matter expertise without a broader understanding of larger contextual issues will find their sphere of influence decreasing, resulting in subconsulting roles to other firms, rather than the role of lead consultant or advisor.

Value Propositions

The most successful contemporary practices have recognized they need to develop new value propositions, service offerings framed within an expanded

context. A value proposition is a hypothesis in which a buyer and seller reach agreement regarding the value of a specific service or benefit. Successful value propositions will include

- Creative analysis of the problem
- Distinctive capabilities and competencies, e.g., services, expertise, collaborators
- A coherent positioning strategy, e.g., relationship to the client, image in the marketplace
- Creation of a positive alignment between your goals and your clients' goals.

Creation of Value

Real value is the result of a carefully crafted strategy that is based on the culture you create, the principles you express and demonstrate, and the results that you are able to attain. By looking at the components of value within your own practice, you can begin to create unique value propositions that will resonate with your firm leaders, your employees, and your clients, allowing you to achieve true success.

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The AIA California Council and the National AIA Practice Management Knowledge Community are cohosting the 2004 Desert Practice Conference, October 29-31, in Indian Wells, Calif. Marjanne Pearson and Nancy Egan are presenting a preconference workshop on Components of Value for a Competitive Edge. For more information, [click here](#).