Beyond the Numbers
Why design firms are seeking new ways to measure success beyond revenues, profit and growth

By Marjanne Pearson, Nancy Egan and Paul Nakazawa

If what you measure is what you get, can the managers of design firms, narrowly focused on financial measurement systems, achieve their true goals when some of these goals defy standard measurement? What does success mean for design firms anyway? Does success require focusing on future, long-range aspirations as well as today's bottom line?

In these heady times, firm leaders are staying focused on their long-term futures instead of just the next opportunity. Established practices are revisiting earlier mission statements, while emerging practices have taken the first steps towards articulating their envisioned future. Sequestered in conference centers, out-of-town retreats, and boardrooms across the country, older experienced partners and promising associates are examining their firms' potential for sustainability.

Traditional questions include "What kinds of projects do we want?" and "How can we grow?" Now leaders must also explore "What makes our people happy?" and "What matters to our clients?" Going a step further, they're even asking "What changes in the environment are driving our decisions?" and "How are we going to assure our future?"

Issues affecting all business are creating a new ecology in the design professions. The catalog of concerns reshaping professional firms includes: speed, globalization, technological advances, market segmentation, brand awareness and intergenerational differences. No wonder thoughtful leaders are engaged in collective soul-searching. As a result, their vision statements reveal strong commitments to the full range of social, professional and personal beliefs and aspirations.

Yet when it comes time to link these value statements to performance, even the most dedicated leaders often act like day-traders in an overheated stock market. The ubiquitous numbers are what matters: profitability, sales volume, billable hours, utilization and market share. Growth in revenues, size of professional staff, and number of offices are the yardsticks in survey after survey.

Internally, everyone from entire departments to individual designers is judged and rewarded primarily on quantitative measures. The ubiquitous metrics are numeric, namely profitability, sales volume, billable hours, utilization and market share. That's how "best in class" is awarded even now.

Performance and satisfaction, however, are multi-dimensional. So what kind of measures will encourage innovation, initiative, and the other values that firm leaders eloquently espouse in their vision statements? Perhaps the question for firm leaders is not only "What do we measure?" but "Who do we need to satisfy?"

CFOs and producers of surveys benchmark winners based on the numbers, but success is ultimately in the eye of the beholder. But how do staff or clients or design critics evaluate achievement?

SUCCESS MEASURES FOR DESIGN FIRMS

STAKEHOLDERS
o Clients
o Users
o Communities
o Firm: owners, key employees, staff
o Lenders, Project Financiers
o Consultants
o Contractors, CMs, Constructors

KEY CRITERIA
o Business/financial
o Client satisfaction
o Firm employees: key, staff
o Firm organization
o Professional: management, design, technical

AUDIENCES
o Society, Culture
o Markets
o Professions
o Design Critics, Media
o Public
o Special Interest Groups

EXPECTATIONS
o Society, Cultural Contribution, Benefit
o Market Expertise, Innovation
o Norms re: Growth, profitability
o Ethical Practice
o Standards of Professional Duty and Care
o Aesthetic

GATEKEEPERS
o Selection Boards
o Statutory Boards
o Regulatory Agencies
o Historic commissions, etc.
o Professional Licensing Bodies

REQUIREMENTS
o Standards
o Regulations
o Codes
o Prerequisites

Size, revenues, and direct job labor may not matter for long if the firm consistently fails to recruit and nurture young talent, disappoints clients or produces poor quality work.

Stakeholders: Relationships that go beyond revenues and profit

Every firm has stakeholders with whom it has formal relationships or covenants. Internal stakeholders include the firm owners, managers, key employees and staff. External stakeholders include clients and the ultimate users of the environments designed by the firm. Each of these groups has criteria by which they judge the success of the organization.

Owners are justifiably concerned about the finances and business practices of the firm. As professionals, they and their staff are concerned about the quality of their work process and product. Individual staff members have a wide range of expectations from winning design awards to having schedules that allow time for family and friends. Meanwhile, clients want their projects to meet schedule and budget parameters and add value to their bottom line. End-users expect a comfortable, efficient and inviting place to live, work, shop or play.

Unfortunately, the metrics we see most often primarily satisfy owners and firm management. Revenues and profit are certainly indicators of a successful process and happy clients. However, firms also require interactive controls to measure achievement from the perspectives of the other stakeholders.

A missing link in the effort to optimize the alignment between values and measures is an understanding of boundaries. When participants don't know the rules, it's hard to win the game. By taking time to map the edges of a given practice, firm leaders give stakeholders a template for making decisions that support the stated goals of the organization.

Audience expectations: A firm's responsibilities as gift and challenge

Success is not simply self-referential. Design firms exist in a broad context that encompasses near neighbors like the markets they serve and the professional communities in which they practice, as well as more abstract audiences such as society and culture. The relationship between the firm and its perceived responsibilities to these publics is both a gift and a challenge.

More often than not, the stated values of firms extend to their role in shaping the built environment. How successful are they in doing this? Unfortunately, beyond the judgments of the press and the commendations of their peers, there are few measures of a firm's impact on society at large.

Firms that sincerely want to succeed must seek ways to encourage, measure and reward those less tangible aspects of service performance like the cultural relevance, social contribution, and market innovation. This will demand that internal stakeholders engage more fully with their external audiences, which in turn will require a significant level of support on the part of the firm. Rewards for public service, stipends for research and development, and other similar initiatives are on the agenda of forward-thinking leaders.

Beyond the gatekeepers: Assuring private and public good

Finally, firms must fulfill the requirements of those fiduciaries whose job it is to assure the public good.

Meeting rules and regulations in an increasingly litigious society can bog down firm management and create a risk adverse atmosphere. However, those firms that see the gatekeepers for what they are often find opportunity on the other side of the fence. A new generation of creative managers is rethinking its approach to regulatory bodies and profiting from improved relationships with the likes of preservation commissions and public agencies.

Visionary change requires courage and commitment. It is far simpler for managers to turn on their calculators than it is to create a system that is accountable to the needs of so many, diverse stakeholders. However, in the new business era, those firms whose balanced measures and actions can satisfy the clients and staff (stakeholders) while guaranteeing both "the gate" (the audience) and the bondholder (the fiduciary) will realize true success. ◆

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