

Does Size Matter?

BY MARJANNE PEARSON

A professional services firm is a practice in which one or more individuals can earn a living by applying specific knowledge and capabilities. As we all know, these practices come in a variety of types and sizes, from singular design studios and ateliers to vertically integrated businesses with thousands of employees.

Every day, I hear people in the A/E/C community ask whether small firms will survive, especially in the current environment with startups that double and triple in size, while giants become giga-firms.

Small firms are well-suited for dynamic environments—able to adapt to new conditions, and less likely to suffer from crippling management indecision. We have all seen small firms succeed in recessions as well as robust economies. What can we do to ensure that small firms succeed in the coming decades?

Competing Forces

There are two forces at work in any business regardless of size: an *evolutionary* force, which is the gradual process of adaptation and development over time, and a *metabolic* force, which is the fuel for the business—getting the work and doing it.

The evolutionary force begins at the moment of conception, but the metabolic force becomes dominant very quickly, creating momentum for a healthy and successful practice. As the firm matures, the leadership focus shifts from doing the work itself to business development and resource management, while the organizational focus is on methods of continuous improvement or optimization. Strategy development is focused on markets, clients, and opportunities, with a recurring emphasis on marketing plans and results. Those of us within the SMPS community recognize that we can't just feed our firms, we must help those within our firms learn to feed themselves.

Editor's Note: This is the first in a series of articles on leadership, strategy, and competitive advantage.

However important the metabolic force may be, there is a concurrent need for firm leaders to address and develop longer-term strategies for success and sustainability. This requires a renewed focus not only on the evolutionary development of organizational resources and expertise but on invention and reinvention of strategies related to markets, clients, and professional practice.

Small-Firm Advantage

When it comes to small firms, one definition doesn't fit all. Is it a firm with fewer than 100 employees (as defined by the U.S. Small Business Administration) or less than \$10 million annual revenues (as defined by the American Institute of Architects Salary Survey)? From the standpoint of competitive advantage, does it really matter? Rather than quantitative metrics, I think it's valuable to look at the characteristics of small firms. What do they have in common, and how can they capitalize on these attributes to achieve a higher level of success?

1. Authenticity

Authenticity comes from the Greek word for *authorship*. Unlike a larger firm with the potential for competing leadership voices, a small firm typically has a closely held ownership, likely to be personally engaged in the work of the firm.

Small-firm owners have the opportunity to develop a unique and distinctive method of approach for the work in which they are engaged. They can create opportunities to select their clients, projects, employees, and collaborators, capitalizing on their distinctiveness while building their practice.

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2. Clarity

In a large firm, the effort of defining a company’s vision can be time-consuming and difficult. But in a small firm, where the owners are actively involved and highly visible, they embody the firm’s culture and values.

Each conversation, memo, and drawing becomes an extension of the owners’ point of view not only about the work itself but about their experience, intent, and concern for professional responsibility. This tacit knowledge enables employees and collaborators to operate quickly and effectively, without the need for elaborately defined goals and “go/no-go” filters.

3. Flexibility

Some of the richest opportunities surface quickly, with limited time to act. We often think of a small firm like a sailboat—a specially designed vessel that, with a skilled crew and teamwork, is able to face environmental challenges and make course corrections as quickly as possible.

Smaller groups are typically able to recognize and evaluate opportunities, make decisions, and move forward with a speed that their larger competitors might envy.

4. Constituency

Who do you represent? Practitioners have an opportunity to develop a personal relationship with each client, becoming trusted advisors over time and building a constituency that correlates to the firm’s culture and values.

Within a small firm, the client development process is often more accessible and transparent, and it’s not limited to the firm owners. When there is a real connection between a client and the people with whom the client works, there is more opportunity for a continuation of the relationship. And each person involved in the process contributes towards a stronger foundation for the firm’s ultimate growth.

5. Connectivity

Size can come with a price, since small firms may not have access to extensive resources—not only financial but in talent and expertise as well. Leaders within a small-firm environment can capitalize on initiative, innovation, and synchronization by teaching and encouraging employees to talk through problems and navigate confidently within the context of the firm’s culture and values.

In addition, small firms have the ability to develop special capabilities through extended networks or alliances. As one architect told me recently, he is trying to see how small his practice can be and, at the same time, how big he can act.

Building Competitive Advantage

Are these characteristics exclusive to small firms? Of course not. But each firm needs to capitalize on its own strengths and attributes, as well as intent, within the context of metabolism and evolution.

The question is how small firms can use these characteristics to develop real competitive advantage. After all, it’s not enough to know what we want to accomplish, but to understand why and how as well.

In the next article, Nancy Egan and Marjanne Pearson will look at competitive strategy for small firms, ranging from start-ups to specialists.

About the Author



Contributing Editor Marjanne Pearson is recognized for the integration of talent and practice strategies within the context of competitive advantage. Building on her experience in both design firm management and independent practice, she works with design firm leaders to develop approaches that enable individual and organizational growth and development. She can be contacted at mp@talentstar.com.