THE STATE OF CANADIAN ARCHITECTURAL PRACTICE

In early 2023, the Royal Architectural Institute of Canada (RAIC) and Canadian Architect partnered to refresh and update the Canadian Architectural Practices Benchmark Report, with the goal of providing comprehensive, anonymized data on the current standards for compensation, billings, equity, diversity, and inclusion (EDI), and other key indicators among Canadian architectural practices.

This survey and report were last completed in 2011, and prior to that, in 2009. For the 2023 report, we refreshed the 2011 survey, and added new sections related to Indigenous themes and reconciliation, climate action, and EDI. To complete this work, we partnered with Bramm Research Inc., a consultancy which has supported previous editions.

The full report is now available for purchase from the RAIC. Here at Canadian Architect, we've delved deep into select findings.

How has the profession been doing in the past decade? To start with, the average firm size has grown. In 2010, Canadian firms responding to the survey had a median of five employees and an average (mean) of 17.7 employees. Now, those numbers are eight and 19.3, respectively. Gross billings for firms in 2010 clocked in at a median of $500,000 and an average of $1,507,000; in the present survey, the median was $900,000 and the average was $2,736,000. The growth has been more pronounced as firms increase in size. While one-to-two-person firms went from an average of $140,000 in gross billings in 2010 to just $150,000 in 2022, firms of three to ten people went from an average of $550,000 to $886,000 in those years. Firms of 11 to 25 employees went from gross billings of $2,160,000 in 2010 to $3,039,000 in 2022, and firms of over 26 employees billed, on average, $7,200,000 in 2010, compared to $10,069,000 in 2022.

While categories of staff have changed over the past decade, as a general indicator, associates in the 2011 report made an average range of $81,400 to $98,300; while in 2023, they made an average range of $92,713 to $120,376—a notable increase, although one that falls somewhat short of matching the average rate of inflation of 2.39% annually over that period.

A significant change in the past decade has been in the area of proposals. In 2010, firms responded to an average of 62 RFPs and a median of 10 RFPs in the preceding three years. In 2022, those numbers are 79 and 25, respectively. The increase is particularly evident in small and mid-sized firms, where responses to RFPs doubled: one-to-two-person firms responded to a median of four RFPs from 2007 to 2010 and a median of 10 from 2019 to 2022; 11-to-25-person firms responded to a median of 27 RFPs from 2007 to 2010 and a median of 50 RFPs from 2019 to 2022.

While the responses from individual staff (as opposed to firm owners and principals) will be included in a future publication rather than in the report currently available from the RAIC, the data provides some noteworthy insights. Some of these concern remote work. According to the surveys completed by those representing firms as well as by individual staff members, the vast majority of firms—around 83 percent of them—currently accommodate remote working. While there is an expectation that, on average, employees work at the office 2.7 days a week, staff reported actually being at the office an average of 3.2 days per week. Slightly over half (51 percent) of staff respondents worked in the office four or five days a week. While 39 percent of firms report that remote work has resulted in productivity decreasing somewhat or significantly, with only 12 percent reporting an increase in productivity, the inverse is true for staff respondents: almost half (47 percent) feel that productivity has increased somewhat or significantly with remote work, while 17 percent report decreased productivity, and 36 percent feel that there has been no change in productivity with remote work.

In terms of work hours, only a third of staff respondents (35 percent) work a regular 35 to 40 hours per week, while another third (37 percent) work between 40 to 45 hours, and 23 percent work over 45 hours per week. 43 percent of respondents report that firms offer time off in exchange for additional hours worked, although 38 percent report no additional compensation.

In a series of questions on the future of the profession, just under a third of respondents (31 percent) rated their outlook on the profession over the next five to ten years as eight or higher, on a scale of one to ten, with ten as the most positive score. More respondents—47 percent—ranked their outlook as neutral or somewhat positive, with scores of five to seven.

Job satisfaction ratings also cluster towards the mid-range. About two of five staff respondents (41 percent) are satisfied or very satisfied with their job, rating this as eight or higher or a scale of one to ten. Another 44 percent ranked their job satisfaction as five to seven on the same scale. Half (50 percent) of staff respondents state they have a good to excellent work-life balance, rating this as a seven to ten on a scale of zero to ten.

For both firms and staff, the greatest challenges to the profession in the next five years will be in the area of economic factors and market challenges (48 percent of staff respondents and 50 percent of firm respondents), followed closely by workplace and human resources (48 percent of staff respondents and 34 percent of firm respondents). Climate change and sustainability was also identified as a key concern by 15 percent of staff respondents and 29 percent of firm respondents, along with technological advancements and AI—a concern for 18 percent of staff and 20 percent of firms. Firms also identified public perception and awareness, along with regulatory and industry challenges, as key concerns (18 percent and 17 percent, respectively), although these were less of a concern for staff respondents, who identified these factors 5 percent and 12 percent of the time, respectively.

Ultimately, many of these factors are intertwined. “Fees are getting lower and costs (staffing, IT) are getting higher,” writes one firm leader. “It is not sustainable. Contracts put undue risk on architecture firms. In competitions and RFPs, there is no ability to negotiate contract terms, and other architects don’t review or understand what they sign.”

This sentiment is echoed by other firm leaders, who point to the need for greater advocacy, including work towards establishing an architecture policy for Canada. “There is an ever-increasing pressure to lower fees and poor public understanding of the value of design and architectural services,” writes one respondent. “Government and institutional procurement practices are among the worst, often placing the highest weight on price before quality or comprehensiveness in design. Getting a commitment from all levels of government to adopt higher sustainability standards, policies and laws [is important to] force a new baseline for development of the built environment—much like most Scandinavian countries have done over the past three decades.” Other architects reiterate the need for advocacy, at all levels: “Architects need to start pushing back on what scopes of work we are engaged in, and stress that back to clients,” writes one.

The intersecting issues of public perception and the increasing complexity of architectural work were foregrounded in several responses. “[A key challenge is] maintaining the value proposition that our services are worth what we cost,” says one respondent, who also points to “the overwhelming complexity of practice from changes in building code regulations, climate/energy performance requirements, social justice and equity considerations, accessibility, and so on.” They write: “It is becoming practically impossible to execute projects in anything resembling a timely fashion, or without employing [large] teams of specialty consultants. It is enough to have me considering leaving the profession.”

“The erosion of fees during economic downturns is rarely recovered,” notes one respondent. “It is disheartening to know real estate agents in hot condo markets are paid four percent fixed fees on sales, while architects are lucky to get one to three percent of construction value. Until architects are respected by the client groups and, more importantly, by themselves, the challenges of commissions (fees) and procurement will not change, and likely will continue to erode.” They add: “I have witnessed the decline for well over 40 years.”

Young professionals are especially challenged in the current marketplace. “[There is a] lack of innovation and few opportunities for emerging practitioners to access work that is larger in scale than single-family housing or small commercial projects,” reads one response. Younger architects embedded in firms are also feeling discouraged, says another respondent, who points to the “retirement of those 50 and over leaving little legacy within the profession” and “reduced expectations of success among the younger generation.” At the present moment, they continue, “the pandemic has exhausted the usually energetic architects who led or who were likely to lead.” Parallel challenges are present throughout the industry, leading to a reduced quality of construction, say several respondents, one of whom notes the “shrinking pool of good GCs and trades” as a factor in “increasing architects’ scope and liability.” On a hopeful note, they add: “This could be an opportunity if addressed correctly.”

Both firm and staff respondents pointed to the need for procurement reform. “[The] biggest challenge is how to open up the commissioning and procurement process to a wider range of practices, moving beyond current habits of minimizing risk and awarding projects to a handful of established baby boomer firms, [and] moving the criteria for project award beyond the ‘How many of these have you done before?’ approach,” writes one respondent.

Several respondents were comprehensive in their analysis of the need for better procurement reform.

“Public RFP processes ask for more and more work in completing a proposal, most of which is not necessary for evaluation,” writes one respondent. “Public RFPs are asking for three to five completed projects of the same type and scale in five years. Only large firms/multinationals will continue to be able to provide this, and it will reduce the ability for smaller and newer firms to be competitive.”

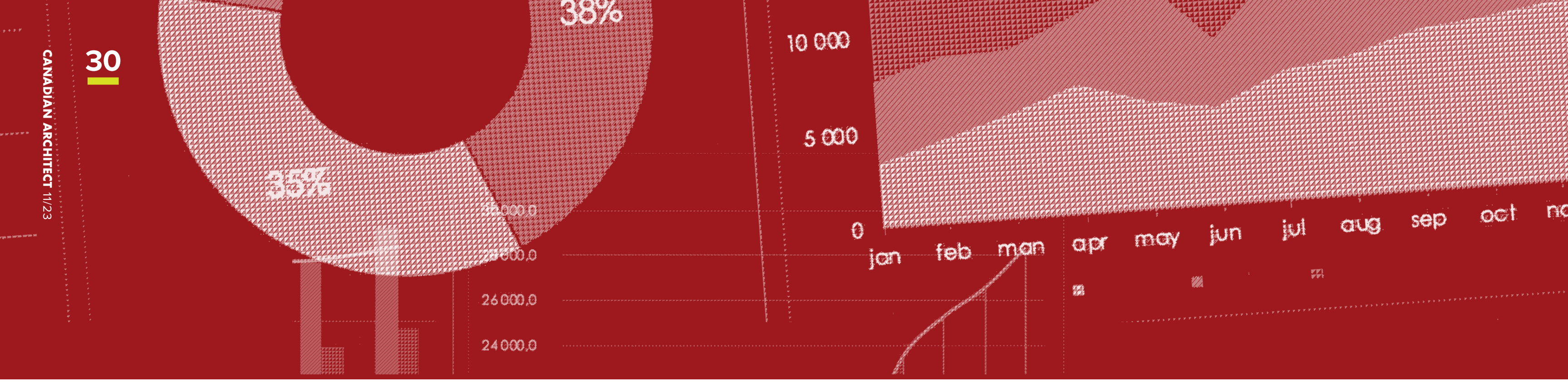
“Public sector contracts put undue risk on the architecture firms,” they add. “Project managers in the public sector are poor quality. Their lack of competence increases project time required and lengthens the project timeline (with no ability for further compensation on a fixed fee project). The skills shortage in construction trades means longer project construction timelines and more work for the architect, which put strain on the architect’s fee in a fixed-fee contract.”

Some of the reforms needed are in the way RFPs are structured. “The commodification of procuring architectural services by local and provincial governments as if we are simply any other service or good is continuing apace, and will be a significant challenge,” writes one respondent. “Purchasing departments are already implementing complicated, text-entry-only submissions to online platforms that disallow creative writing, sharing of images, and other elements that allow architects to fully share and sell our experience and services. This is done under the guise of fairness, but results in fee-based awards. Architecture is a creative service that cannot be purchased fairly without the ability to share that creativity at the RFP stage.”

Another respondent writes: “Public tenders should be evaluated on quality, and not only on price. [There is a need for clients to] choose the right delivery method for the right projects. The involvement of contractors/builders is not justifiable for all modes, and this affects the quality of the architect’s work. Clients are not sensitive enough to the responsibilities of architects versus builders, and they only prioritize cost reduction. They therefore choose implementation methods that do not take into account the real issues of the project. On the other hand, customers should be more aware of the analysis of the lifecycle of the project, and thus avoid making decisions only on the economy of construction costs. By reasoning this way, they ignore the long-term financial impacts of these decisions. Clients should consider the recommendations of professionals, who take into account the quality, durability and cost reduction of the building over its lifecycle.”

Lifecycle costs are linked to sustainability, which is also at the forefront of concerns for many respondents. Some are hopeful that architects will be able to better serve society through centering sustainability in their practices. One respondent notes the challenge of “dealing effectively, creatively, and positively with climate change,” including “building more with less because of dwindling resources, as well as material and labour costs [and] designing buildings for post-disaster situations.” Another notes that “with the question of degrowth, the direct impact of climate change and the increase in the use of artificial intelligence, the role of the architect will be called upon to change and it is to be expected that our profession will undergo a major transformation in the type of support that we will offer to our private and public clients.”

What is the path forward? In the pages ahead, we take a deep dive into several aspects of the report, and the way they describe both the challenges confronting architects in Canada and the opportunities available to move in positive directions. You’ll hear from experts who have used the Benchmark Report to assess the financial health of firms in Canada, the relative state of architecture markets in the United States compared to Canada, and the new norms for hybrid and remote work. We also include analysis on the effectiveness of marketing and branding work among Canadian firms, advice on compensation strategies needed to attract and retain talented staff, and guidance for succession planning—one of the key challenges identified by survey respondents. Finally, you’ll find in-depth coverage on the state of gender equity and sustainability expertise among Canadian architects.



HOW IS YOUR FIRM'S FINANCIAL HEALTH?

TEXT Rick Linley

At your annual checkup, your doctor uses shortcut ratios like body mass index and blood pressure to quickly understand your physical health. For design firms, there are also shortcut ratios—two in fact—that can provide valuable insights into your practice's fiscal health.

These two ratios are Net Fee per Full Time Equivalent (NF/FTE) and Operating Profit Margin (OPM). The recent Canadian Architectural Practices Benchmark Survey provides component data for these two shortcut benchmarks. Let's take a look at each part individually.

Net Fee (NF) represents all the money generated by a firm, after excluding subconsultants and reimbursable expenses. Net Fee can go by various names on a profit and loss statement, such as Net Service Revenue, Net Operating Revenue, or Net Billings, but all are synonymous with Net Fee.

Full Time Equivalent staff (FTEs) accounts for the total number of full-time and part-time individuals employed by the firm, including principals, professionals, technical experts, contract labour, and administrative staff. This number is not found on your profit and loss statement, so a manual count of FTEs for any given year is necessary.

Net Fee divided by the number of Full Time Equivalent staff (NF/FTE) provides a sense of how well the firm is leveraging its payroll and operating expenses to complete client work.

Operating Profit (OP) is the funds available after deducting payroll and operating expenses from net fees. It's important to understand that Operating Profit is not the money that goes into the owner's pockets. It includes funds for capital expenditures, corporate taxes, debt reduction, staff profit sharing, bonuses, funds for growth, a rainy-day fund, and—after all those commitments have been met—distributions to the firm's owners.

Operating Profit divided by Net Fee yields Operating Profit Margin (OPM). This provides a valuable gauge of the firm's overall operational efficiency, allowing for accurate comparisons within the industry, as well as an indicator to track changes from year to year within the firm itself.

The recent Canadian Architectural Practices Benchmark Report provides both financial and non-financial data focussed exclusively on Canadian practices. Organizations like Deltek, PSMJ and the AIA offer highly detailed industry surveys for design firms primarily in the US. The table below captures a composite of the NF/FTE and OPM of small/midsized firms in recent surveys by these organizations.

The Canadian Architectural Practices Benchmark Report indicates that the median NF/FTE for all firms in Canada is $132,000.

The survey does not provide an actual median for profit margins, but it does indicate that firm leaders in Canada aspire to achieve 20% profit margins. However, an admittedly non-scientific median for actual operating profit margin of small/midsized firms in Canada—based on the relation between NF/FTE and OPM in broader surveys of North American firms—is likely around 14%.

NET FEE PER FULL TIME EQUIVALENT STAFF, AND OPERATING PROFIT MARGINS FROM INDUSTRY SURVEYS

	RAIC/CA (2022 data)	Deltek (2022 data)	PSMJ (2022 data)	AIA (2021 data)
	Median (all firms)	Median (1-50 Emp.)	Median (1-20 Emp.)	Median (10-50 Emp.)
NF/FTE	**$132,000**	**$160,992**	**$160,703**	**$151,000**
OPM	**(20% aspirational)**	**17.6%**	**22.4%**	**14.6%**

For more precise data, go to raic.org, Deltek.com, PSMJ.com, AIA.org. These surveys offer detailed information broken out by discipline, project type, firm size, geography, annual billings, etc.

KEY INDICATORS OF A FIRM'S FISCAL HEALTH

Firm Type	NF	FTE	NF/FTE	OP	OPM
Super	**$2,000,000**	**10.0**	**$200,000**	**$750,000**	**35%**
Strong	**$1,600,000**	**10.0**	**$160,000**	**$400,000**	**25%**
Struggling	**$1,000,000**	**10.0**	**$100,000**	**$50,000**	**5%**

Organizations like Alphabet, Meta, and Apple all consistently generate over $1,000,000 NF/FTE and over 30% OP margin.

These benchmarks will be close enough when conducting a high-level comparison between your firm and the overall industry. More importantly, you can use these benchmarks to compare your firm's past performance to its present performance, and as a handy tool to set targets for the future.

Let's employ these two shortcut ratios to compare three hypothetical firms with very different fiscal-health profiles—each with 10 FTEs, including two principals. Refer to the table above for a quick comparison of these three examples and their associated ratios.

Struggling Firm:

- This 10 FTE firm has averaged $1.0M in net fees ($100,000 NF/FTE) at 5% OPM over the past three years. The financial performance of this firm is in dire need of improvement if it is to survive.
- The firm generates $50K (5% of NF) in operating profits. At that level of profitability, this firm is likely facing challenges with cash flow, growth potential, return on risk to principals and so on.
- Total payroll is 65% of net fee ($650K: 2 Principals averaging $93K, 8 staff averaging $58K). The firm is not able to offer market salaries for principals and staff. This may lead to high turnover and many other payroll-related challenges.
- With limited resources for operating expenses, the value of the firm is likely marginal at best.

Strong Firm:

- This 10 FTE firm has averaged $1.6M in net fees ($160,000 NF/FTE) at 25% OPM over the past three years. This firm is a solid performer in comparison to the industry.
- The firm generates $400K (25% of NF) in operating profits. As a result, the firm can invest in areas like technology, marketing, and growth while also providing a healthy return on risk and investment to principals.
- This firm allocates 50% of net fees to payroll ($800K: 2 Principals averaging $120K, 8 staff averaging $70K). At this level of payroll, the firm can offer salaries to principals and staff that make it competitive in attracting and retaining top talent.
- With sufficient resources for operating expenses, the value of the practice is built over time, providing a healthy exit option for principals.

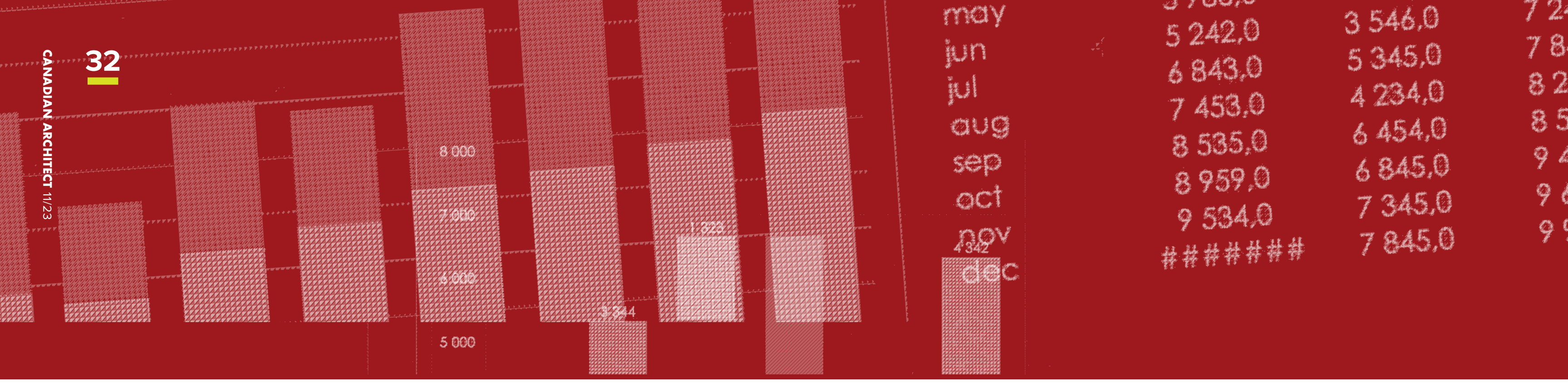
Super Firm:

- This 10 FTE firm has averaged $2.0M in net fees ($200,000 NF/FTE) at 35% OPM over the past three years. This firm has established itself as a high performer in the industry.
- The firm generates $700K (35% of NF) in annual operating profits. This is most likely the result of the firm's focused position in the marketplace and effective project execution.
- Payroll is 44% of net fees ($880K: 2 Principals averaging $140K, 8 staff averaging $75K). This super firm is able to provide salaries to principals and staff that are above market rates, making it a formidable competitor in attracting and retaining top talent. In addition, the firm can offer generous bonuses and/or profit sharing.
- A healthy budget for operating expenses allows the firm to create a virtuous cycle that helps to ensure it is attractive for an internal or external sale when the principals are ready to exit the firm.

As you can see from the Canadian Architectural Practices Benchmark data and other surveys, there are many firms out there that are Super, and many more that have achieved the status of Strong Practice. These firms come in all shapes and sizes—but they all use proven strategies to move up the continuum from struggling, to strong, and beyond.

Your doctor uses body mass index and blood pressure to gauge your physical health. Net Fee per Full Time Equivalent and Operating Profit Margin offer potent shortcuts to understand and improve the overall fiscal health of your practice. Is it time to give your firm a check-up? ◖▲

Rick Linley is the former COO of a 200 FTE, multi-disciplinary, multi-office architecture and engineering firm. He is principal of Strong Practice Strategies, a niche consultancy helping leaders of emerging and evolving design firms to strengthen their practices. Rick is also the author of *Scoreboard Your Practice: 7 Numbers to Understand Your Design Firm's Financials* (FriesenPress Editions, 2022).



MIXED PROSPECTS

TEXT Phyllis Crawford

In a rapidly changing and complex world, architecture has increasingly become a difficult business. We are facing pressure from clients to do more and charge less. We are faced with increased construction costs and unpredictability in schedules. What's more, an emerging labour force values a more balanced lifestyle and requires a higher compensation package to offset the economic strains placed on them. Balancing these combined demands and needs with the ambition and imperative to create healthy, vibrant, and beautiful spaces is challenging.

Furthermore, the new realities created by the Covid-19 pandemic over the last few years have created additional stressors. We find ourselves in unstable economic times faced with higher interest rates, inflation, and tight labour markets. What does this mean for architecture firms as we look ahead?

What does the data tell us?

In October 2022, the AIA published its annual Firm Survey Report, which provides insights on trends in firm billings and construction sectors that are impacting firms. In March of this year, the RAIC conducted the Canadian Architectural Practices Benchmark study highlighting current standards for compensation, billings, EDI, and other key indicators among Canadian architectural practices. As expected, there are commonalities.

Historically, the issues impacting our US counterparts similarly impact Canadian firms to a greater or lesser degree; however, the trends remain consistent. At this moment, both the Canadian and US economies are slowing.

Both the RAIC and AIA report that billings per employee remain strong with an average of C$149K per RAIC, and US$127K per AIA, while profit margins increased in the US from <10% to +16% in the last 10 years. I don't think this data surprises anyone; we have all benefited from a strong economy and low interest rates.

Looking forward, both reports anticipated that future billings are expected to remain roughly the same. The August 2023 Architectural Billing Index, a leading economic indicator in non-residential construction, reported billings in the US were relatively flat for an eleventh consecutive month, while in Canada, firms agreed that this was the expectation going into 2023. This is consistent with the shift in economic policy to curb inflation, resulting in slower economic growth.

With billings and growth slowing, we need to review the sources of revenue for architectural firms. Looking at revenue by market sector

ARCHITECTURAL REVENUE BY SECTOR

Statistics Canada Architectural Revenue	2019	2021	Change
Revenue from non-Residential	**57%**	**49%**	**-8%**
Residential	**18%**	**22%**	**4%**

AIA Architectural Revenue			
Institutional	**51%**	**43%**	**-8%**
Commercial / Industrial	**25%**	**21%**	**-4%**
Residential	**18%**	**28%**	**10%**


MICHAEL MURAZ, COURTESY OF KPMB ARCHITECTS

for 2019 and 2021, it's notable that residential revenue has continued to increase over this period.

We know there is a pent-up demand and a dire need for housing and that has created consistent revenues for architecture firms over the past several years. This market sector is influenced heavily by economic conditions, making it a challenge to deliver new housing amid higher interest rates and increasing construction costs. Both Canada and the US are facing these headwinds. Owners and developers are moving forward, sometimes cautiously, sometimes with revised scope, and sometimes on a slower schedule.

In Canada, the demand for housing remains strong, fuelled by population growth, and we can expect that architecture firms will continue to see this market sector as a material source of revenue into the foreseeable future. The recent announcements of increasing the GST rebate from 36% to 100% for residential rental, as well as the $20B increase in the mortgage bond cap, will help developers balance their proformas and encourage future development. This is a positive sign for firms in the multi-unit residential market.

Looking ahead

As these new opportunities emerge, we need to focus on short-term measures and long-term growth strategies to navigate these turbulent times and set ourselves up for future growth. What does that road map look like?

Short-term measures

▶ Cash Management: As the economy shudders over interest rate increases, the response from owners and developers is to stretch cash. Firms need to manage their receivables efficiently and effectively to maintain continuity of financial resources. Managing cash flow is not only a good habit, it will be key to successfully navigating these challenging times. Getting invoices in the hands of clients quickly and collecting these accounts in a timely manner will support firms during this period.

▶ Scope Control: A clearly defined scope that aligns with the fee proposed is important for managing projects and protecting against scope creep. It further has the benefit of aligning client expectations with the architects' deliverables. If we are clear on services delivered and that aligns with the client expectations, this creates the foundation for a successful relationship. Investing in meaningful client management and developing a post-occupancy process is critical.

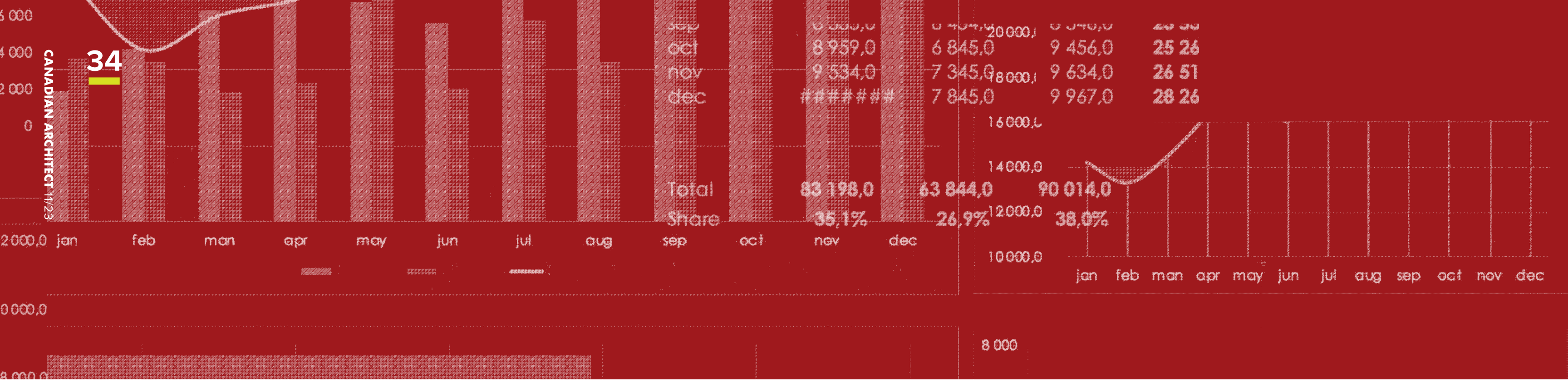
Long-term measures

▶ Relationship Management: According to the AIA benchmark study, over half of all US-driven revenue is through repeat clients, either in a competitive or non-competitive bid process. This underlies the importance of building and maintaining relationships for long-term success.

▶ Diversification or Specialization: Larger firms typically can navigate interruptions in a particular market by leveraging the diversification of their portfolio and shifting focus to other growing sectors. Smaller firms tend to focus on a specific sector, so the ability to differentiate through specialization can help a smaller firm be more competitive. This is the time to really look at your firm and clearly define and communicate the key differentiators.

While we continue to see enquiries for new projects, it's clear we need to adopt a nimbleness that allows us to respond and pivot to economic conditions, implement strategies that minimize impact on teams and quality of work, and create opportunities that allow us to build and sustain our competitive edge. ◖▲

Phyllis Crawford (CPA, CGA) is Managing Partner at KPMB Architects.



ARCHITECTURE AND CAPITAL "M" MARKETING

TEXT Russell Pollard

Every architectural firm is founded for a reason. Industry peers or spouses decide to partner in business. An entrepreneurial architect decides to venture on their own. A won competition starts an unexpected journey.

In each start-up scenario, vision, values, and mission are present, forming the initial attributes of a business's brand or reputation. Over time, each firm will move through various stages of growth, experiencing both successes and challenges.

This is where marketing can play an integral role. Marketing can help carve out a position for a firm and secure opportunities, ensuring its value proposition is relevant, known, and purchased by clients. Marketing gains knowledge about clients, sectors, opportunities, and broader happenings that impact a business's current work and outlook. This, called market research, supports firms' approaches to serving market and client needs. Done well, marketing builds trust, reduces risk, and informs business strategy.

While terms like "vision," "values," and "mission" may come off as aspirational jargon, they are invaluable to aligning leadership and staff. For many architectural firms, these contribute to how people within the firm provide services, manage client relationships, and support business development.

The 2023 Canadian Architectural Practices Benchmark Report provides insight into how Canadian firms are currently approaching marketing. While uniform interpretation of terms across respondents cannot be guaranteed, the report offers a helpful basis for comparison and reflection on your firm's goals and activities.

According to the survey results, more than three quarters of firms engage in-person networking. Often the objectives of this are to initiate and build client relationships, generate leads, and maintain a presence within client communities. For this activity to yield results, firms should be clear about the purpose of the in-person engagement: is it to be active in the industry, to engage in learning, or a more intentional approach to business or client development?

Architectural firms are also engaged in promotional activities. Though the aim varies greatly between activities and channels, these often relate to initiating and maintaining brand awareness or generating leads. The survey data shows that the most adopted practice is social media, followed by proposals, digital advertising, publications, print advertising, and public relations. On average, architectural firms are engaged in three of these activities.

While not many of the surveyed firms have this in place, a useful additional tool can be maintaining a customer relationship database. When established as part of a firm's marketing infrastructure, this can support the nurturing of leads, capturing of information, and client relationship management.

Proposals are another way firms pursue work. For certain sectors and client organizations, these are labour intensive. Of firms with over five employees, more than four out of five have responded to Requests for Proposals (RFPs) in the last three years. On average, each proposal required 51 hours to produce and contributions from two to three staff. The range of this indicator varies greatly, with many firms noting as high as 70 or even 100 hours per proposal. The average win-rate (successful bids over total submissions) for proposals among the respondents was 27 percent. This means that firms will have spent, on average, over two hundred hours on proposals for every successful bid. A go/no-go decision matrix can support earlier decisions on which pursuits firms should invest in.

Many respondents shared that RFP requirements and other procurement practices are prohibitive for them, and some firm leaders noted that RFPs do not always reflect a comprehensive understanding of architectural services. Clients' omnipresent prioritization of low fees—particularly in the RFP process—is noted as a core challenge of the profession. This contributes to a broader concern of the commoditization and devaluation of architectural services. For certain types of RFPs, an approach that prioritizes quality-based selection was suggested.

While seeking work is often spearheaded by leaders of architectural firms, as firms develop, they are eventually faced with the prospect of sharing or delegating marketing and business development responsibilities. When making these decisions, cost is often top of mind. The data offers that the average salary for junior marketing professionals is about $55,000. For more senior marketing professionals, salaries can be two or three times this amount. This may appear onerous for firms, especially if marketing is viewed as a cost.

Architecture firms would do well, however, to view marketing as an investment. When deployed judiciously, marketing can build and sustain business and brand value, and support firms in maintaining relevancy with, and connection to, their clients and sectors. When one considers the amount of revenue lost from billable employees spending their time on marketing or proposals, a lack of marketing capabilities or personnel can become quite costly. Marketing personnel can optimize—rather than replace—architects' input into proposals and other marketing activities.

One might assume that marketing and communications personnel are for only the largest firms, but about one quarter of firms with between five and ten employees and more than half of firms with between ten and 100 employees have them.

Growth and success are not uniformly defined, or pursued, between architectural firms. While some firms may favour projects, recognition, or craft, others may favour revenue, staff count, and profit. A firm may grow in employee count, but see reductions in profit. Or a firm may increase how many sectors it works in, but lose its competitive advantage.

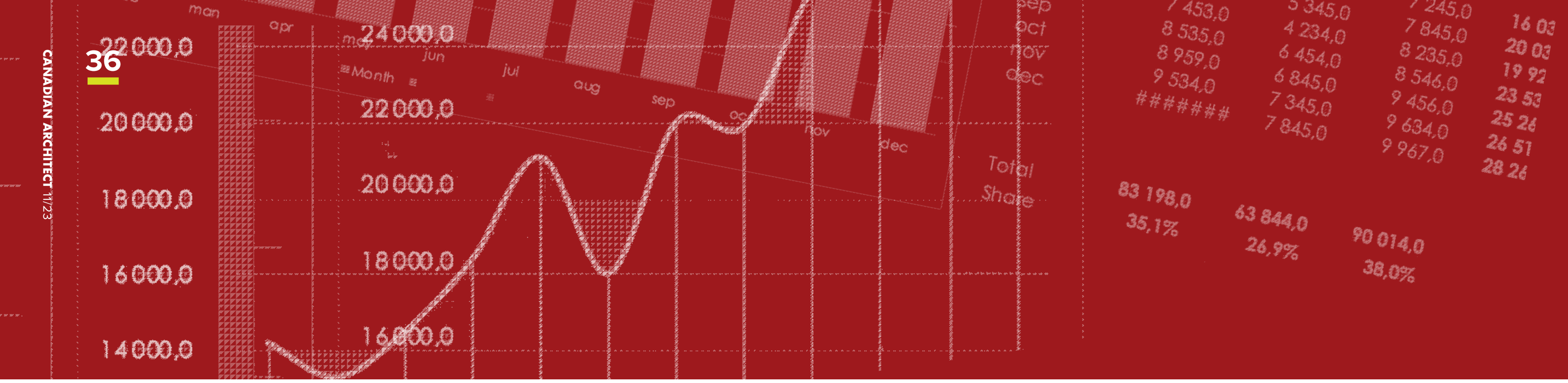
However success is defined, and whether a firm is comprised of one person or thousands of employees, there are opportunities for marketing to be a partner in achieving a firm's goals. Good business practice is to have a marketing strategy and plan, brand and positioning statement, and resourced marketing and business development activities. For any firm, it is valuable to define a vision, values, and mission, and to understand how these align with client and project opportunities.

Discussion of marketing architecture in Canada would be incomplete without acknowledging historic restrictions imposed by regulatory bodies in Canada and other countries as to whether and how architects could advertise and promote their services (B. Campbell, 2022). This may have resulted in the discipline of marketing being underdeveloped in the profession.

But in the present day, marketing can serve as a powerful partner in addressing many of the challenges currently faced by architects. It can ensure business systems are in place to measure, communicate, and negotiate fees based on true cost and value. Taking a broader view, marketing has the potential to increase client and public knowledge of the depth of architects' expertise, skills, and potential to impact their organizations and lives. It can make the profession known and attractive to people considering a career start or change.

From start-up to succession, and at every stage of business between, marketing can serve as an invaluable asset. In its truest form of identifying and serving market needs, marketing is not only good for business—it is also an integral partner in service of public interest. Done well, marketing can unlock opportunities for people and business, and for architecture itself.

Russell Pollard (he/him), MBA, is the founder and principal of business consultancy Framework Leadership. russell@frameworkleads.com



FIRM EXPECTATIONS: MANAGING REMOTE WORK AND FLEXIBILITY

TEXT Russell Pollard

The hyper adoption of remote work remains one of the most significant impacts of the Covid-19 pandemic lockdowns. Often expressed as days-per-week employees are expected to be in the office, policies for remote work are prominent in discussions ranging from project management and firm productivity, to staff learning and recruitment.

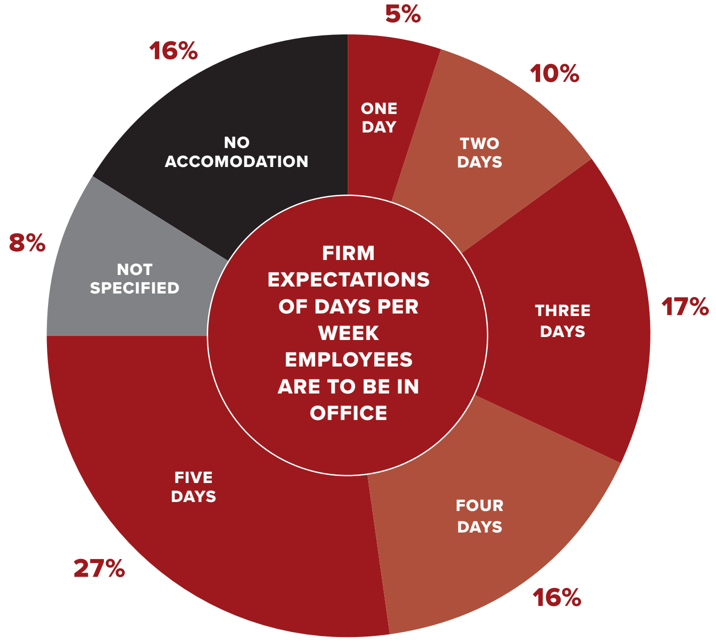
The 2023 Canadian Architectural Practices Benchmark Report reveals how remote work has been adopted by firms and experiences of remote work in relation to productivity.

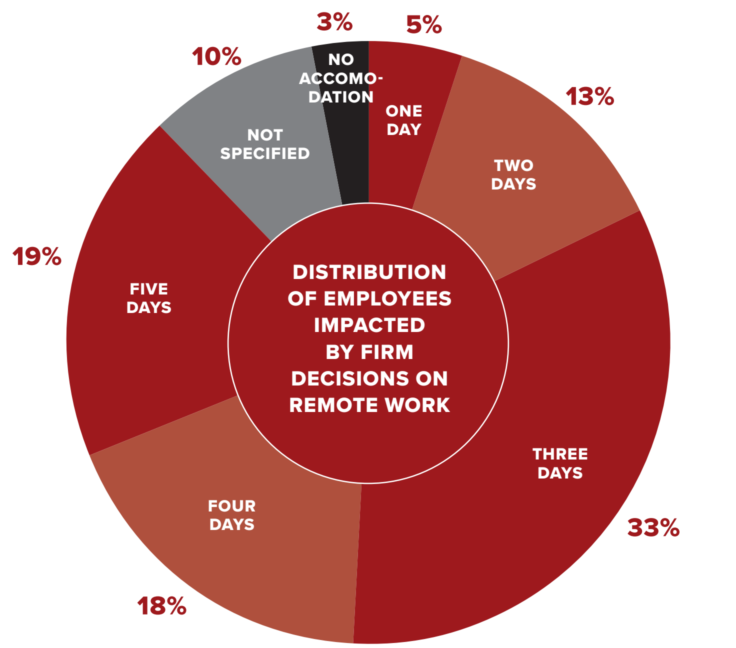
84 per cent of firms accommodate remote work, with most firms expecting their staff to be in the office a majority of the week. Firms with fewer employees tend to have higher days-in-office expectations than do larger firms. Most firms perceive that productivity has not changed or has somewhat decreased. Almost half of responding employees, however, perceive that remote work has increased their productivity. Differences in these perspectives may be attributable to employers looking at productivity across the business with organizational-level data and employees defining productivity based on their individual work or teams.

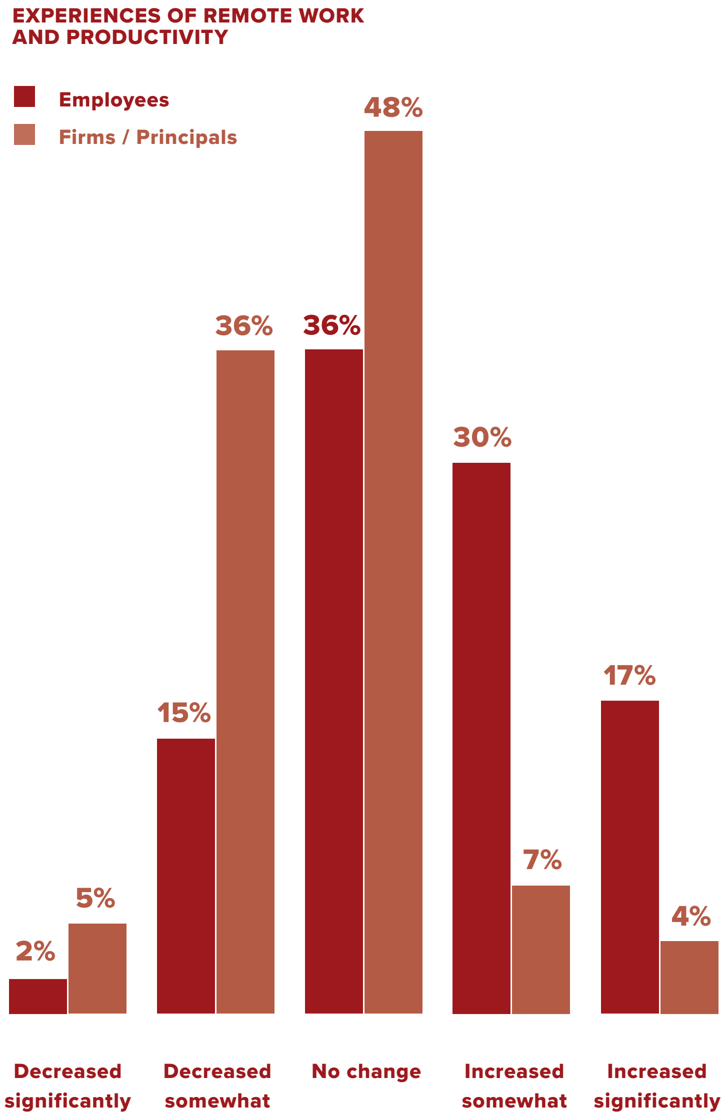
Staff retention and recruitment are key considerations for remote work policies and approaches. 46 per cent of firms expect to take on additional employees in the coming year while 48 per cent expect to remain at current staffing levels. If these expectations come to fruition, recruitment and retention will be top of mind for employers and people-leaders.

Looking at prospective candidates, more than half of employees of these firms are expected to be in the office three days per week or less. Firms that expect employees in the office more than that may lose out on talent accustomed to, or appreciative of, their current work arrangements. Likewise, employees that dismiss employment opportunities based on days-in-office policies may be losing out on meaningful career and learning opportunities. Employees, of course, consider a great deal of factors other than days-in-office when deciding on employment.

Days-per-week policies are not the only enabler of flexibility or remote work. Indeed, unless appropriately managed, remote work may work in opposition to flexibility. Flexibility is an honourable and useful attribute, but it needs to be manageable, managed, and supported by leadership, project resources, and other business capabilities.







Decisions on remote work are not as simple as a days-per-week policy, especially given the collaborative nature of the profession. Cybersecurity, technology, project flow, and fairness are just some of the considerations that condition the hyper adoption of remote work. As with any change, getting this right will take time, communication and iteration.

Although some discourse encourages an employee-versus-employer mentality, more productive dialogue is directed toward alignment. This comes from how organizations are managed, how people are led, and how individuals work in relation to each other, no matter whether they are across the studio, across the country, or across national borders.

With homage to Peter Drucker's *"what gets measured gets managed,"* defining objectives and expressing them meaningfully for each person in the organization can align people in how they work and what they work toward. Remote work is perhaps less about where people are working—and more about how they are working and how they are appropriately supported, both independently and together.

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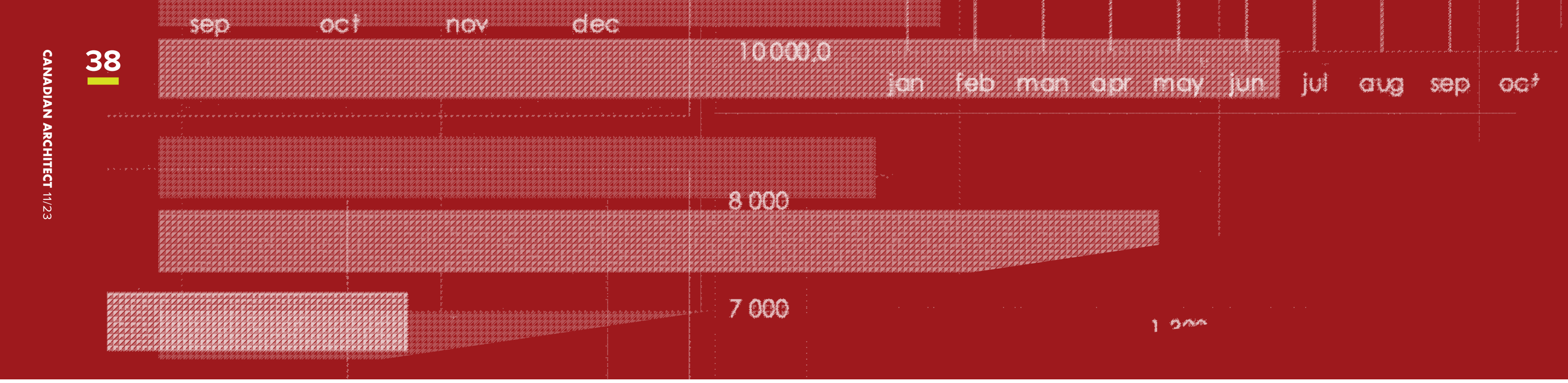


COMPETITIVE COMPENSATION

TEXT Vered Klein

In the ever-evolving landscape of architecture, the key to success lies not only in designing high-quality buildings, but also in nurturing a talented workforce that drives innovation and growth. Architecture firms face the challenge of retaining top-tier talent while ensuring their continued profitability. This delicate balancing act involves a multifaceted approach that harmonizes compensation strategies with organizational sustainability.

At the heart of any effective talent retention strategy is a competitive compensation package. Architecture firms that offer enticing base salaries, accompanied by benefits such as health benefits, RRSP matching, and generous paid time off, stand out as employers of choice. A well-rounded compensation package demonstrates a firm's commitment to the well-being of its employees.

According to the Canadian Architectural Practices Benchmark Report, several elements of the compensation package demonstrate relative stability within the industry. To illustrate, Junior Architects earn a base salary ranging, by median, from $59,000 to $65,000—a range that bumps up to a median high salary of $70,000 among mid-sized and larger firms. Intermediate Architects earn an annual salary ranging, by median, from $70,000 to $80,000.

There is an approximately 15% variation in base salary associated with the size of the firm. For instance, an Intermediate Architect at a smaller firm earns an average of $72,125, while an Intermediate Architect at a larger firm commands, on average, a salary ranging from $72,967 to $85,187. Senior Architects earn an annual salary, by median, from $90,000 to $100,000; but in firms of over 26 people, the average salary range jumps to $90,164 to $125,779.

A close examination of the report's data can help firms to compare their base salaries and bonus structures with the industry as a whole, taking into account firm size and geography.

Beyond salary structures, how can an architectural firm maintain its competitive edge?

Performance-driven incentives: Acknowledging and rewarding exceptional performance can significantly boost employee motivation and loyalty. By tying bonuses, profit-sharing, or project-specific rewards to architects' achievements, firms incentivize their teams to consistently deliver high-quality work and meet performance targets. The survey shows that half of the respondent firms with over three employees did not have a bonus structure, and 80 percent of the firms that did base bonuses on firm profit—more specifically, on the company's financial performance as a whole. Tying bonuses to each contributor's performance, or to project-specific performance, can better incentivize employees.

What can this look like in practice? Project managers might be evaluated based on project delivery and client satisfaction, while design teams might be assessed on quality of design. This should be combined with clear communication around bonus structure, performance metrics, and how performance will be evaluated. Making a clearer connection between performance and reward should have a significant impact on employee performance.

Navigating clear career paths: Architectural professionals seek purpose and direction in their careers. When we speak to candidates about their motivation for changing jobs, career growth is the second-most common reason, compensation being the first. Firms that provide transparent career progression paths pave the way for junior architects to move towards senior roles. This not only fosters commitment, but also encourages long-term engagement, enabling the firm to retain and nurture its future leaders.

The Canadian Architectural Practices Benchmark Report shows that only 31 percent of firms with 3-10 employees had a career path for advancement, and this number remains relatively low in larger firms, with only 60 percent of firms over 10 employees offering a career path for advancement. Similarly, only 23 percent of firms from 11-25 employees have an HR professional, and even among firms of more than 26 employees, only 13 percent have dedicated staff for in-house training. This is a huge gap in the industry. What architects crave is progression and growth—and that is something that most firms do not provide. A firm that invests in the resources to create clear pathways for growth will find itself in a competitive position in this market.

Mentorship and skill enrichment: The transfer of knowledge and skills is paramount in sustaining architectural excellence. Establishing mentorship programs that pair junior architects with experienced mentors facilitates this exchange. Moreover, by investing in continuing education, certifications, and workshops, firms empower their workforce to stay at the forefront of industry developments. When employees know that they can move up the ladder by means such as project management training, leadership development, and Revit courses, they are motivated to stay with a firm to achieve those goals.

Succession planning for continuity: Succession planning is a strategic imperative for architecture firms. Identifying and grooming potential leaders ensures a seamless transition when senior architects retire or move on. This approach safeguards the firm's legacy while demonstrating a commitment to its employees' growth.

Flexibility to foster balance: Acknowledging the importance of work-life balance, firms that offer flexible work arrangements, including remote options or adaptable hours, attract and retain architects seeking a harmonious professional and personal life. Hybrid work arrangements have become the norm, with 82 percent of respondents on the staff side saying their firm accommodates remote work, with the majority working remotely two to three days per week. 95 percent of firms have the necessary technology for respondents to be successful when working remotely, and 66 percent of staff experience no change or an increase in productivity.

Despite the increased acceptance of remote work, work hours remain an issue in the industry. About half of the individual respondents reported working more than 40 hours/week, and about 23 percent reported working over 45 hours per week. We all know overtime is at times needed to meet deadlines. Offering a manageable workload that only requires occasional overtime will surely offer a competitive advantage in this industry.

Recognition and client exposure: Providing architects with the chance to interact with clients and recognizing their contributions goes a long way in boosting their pride and motivation. When employees have client exposure, it brings about positive outcomes like greater job satisfaction, skill improvement, and more opportunities for career growth. Recognition isn't just about making employees happier; it also promotes a culture of excellence and teamwork.

Many firm owners that our consultancy has spoken to say that the fees in the architecture industry simply don't allow for further expenses. Achieving a harmonious equilibrium between talent retention strategies and profitability considerations requires a comprehensive approach. Here are some strategies to consider:

Optimized resource allocation: Enhancing productivity hinges on judiciously matching architects' expertise with project requirements. Optimizing resource allocation strategies can help curb unnecessary expenditures, while also elevating project outcomes by leveraging specialized skills.

Monitoring utilization rates: Tracking architects' utilization rates is important for ensuring the maximum value from their capabilities. This practice optimizes revenue generation potential, while upholding job satisfaction levels.

Staying market-competitive: Continual monitoring of industry compensation trends through salary surveys such as the Canadian Architectural Practices Benchmark Report empowers firms to remain competitive while judiciously managing costs, ensuring an advantageous intersection of talent retention and financial stability. Monograph's 2021 Best Practice Report shows that high-performing firms are better at retaining their employees. These firms are also more likely to track their budgets and schedules, modernize their operations, and invest in technology solutions.

In the dynamic world of architecture, achieving the equilibrium between talent retention and profitability is a journey that demands strategic planning, continuous monitoring, and adaptability. Architecture firms can best navigate this balance by intertwining compensation strategies that foster talent development with operational optimization that maintains profitability. Ultimately, the synergy between a skilled and motivated workforce and a financially sound organization supports architectural excellence and positive outcomes for all involved.

Vered Klein is a recruitment expert who specializes in the architecture and design sector. Over the past two decades, Vered Klein Recruitment Consultants has focused on developing a deep understanding of its clients' practices, nurturing talent within the industry, and refining its methods by actively listening to both candidates and clients. In her role as a trusted advisor, Vered plays a pivotal role in the success of globally recognized architecture and design firms.

COMPENSATION OF OVERTIME HOURS

	TOTAL	FIRM SIZE (BILLINGS)			FIRM SIZE (EMPLOYEES)				PROVINCE / REGION				
	%	<$500K	$500K-<$2M	$2M+	1 OR 2	3 TO 10	11 TO 25	26+	BC	AB/SK/MB	ON	QC	ATLANTIC
What is the firm's policy for overtime hours that are worked by staff other than owners and principals?													
TOTAL RESPONDANTS	175	55	54	63	43	65	40	35	32	45	81	18	7
NO ADDITIONAL COMPENSATION	11%	15%	9%	10%	14%	11%	5%	17%	6%	7%	14%	22%	14%
HOURS PAID FOR AT BASE RATE	34%	36%	35%	26%	37%	35%	30%	31%	22%	24%	41%	28%	86%
HOURS PAID FOR AT TIME AND A HALF	25%	11%	22%	32%	7%	23%	38%	31%	28%	24%	19%	39%	14%
TIME OFF IN EXCHANGE FOR ADDITIONAL HOURS WORKED	46%	29%	54%	55%	26%	51%	53%	60%	50%	58%	37%	50%	71%
OTHER	19%	25%	11%	19%	28%	11%	18%	20%	16%	20%	19%	22%	0%

WOMEN IN CANADIAN ARCHITECTURE: AN UPDATE

TEXT Rhys Phillips

Six years ago, I wrote an article for Canadian Architect entitled *Because it's 2017: Gender Diversity in Canada's Architectural Profession* (see CA, Jan 2017). It identified at least thirteen significant barriers to Canadian women architects achieving equity—from low or unequal pay and slower rates of promotion, to inflexible working hours and poor return-to-work training following parental leave. Despite women's university enrolment and graduation rates for architecture exceeding 50 percent for many years, only 28.8 percent of employed architects at that time were women. Quebec was an outlier at 38 percent, a result my research attributed, at least in part, to the province's earlier introduction of affordable daycare. This said, the tenor of the article was cautious optimism. Despite the consequential obstacles that remained, change was happening, and there was some evidence that major firms were taking action and that the rise of grassroots women in architecture groups across the country was having a noticeable impact.

In the half-decade since, a lot has happened. In particular, the #MeToo movement turned its attention with force to architecture, spurred by troubling allegations against prominent American architect Richard Meier. One outcome was the 2018 appearance of an anonymous list of abusive male architects bluntly titled "Shitty Architecture Men," which included some Canadians. Although taken down quickly because of feared legal repercussions, it catalyzed numerous articles painting the profession in a very harsh light.

In March of 2018, for example, S. Surface, a Seattle-based art, architecture and design curator, wrote in The Architect's Newspaper: "As a compendium of case studies identifying specific behaviours as misconduct, the list rejects the normalization of bullying, coercion, and abuse of power as standard architecture culture." More recently, in the wake of allegations of abuse levelled at starchitect David Adjaye earlier this year, The Observer's Rowan Moore wrote a scathing assessment of both educational and work culture in the profession. This negative spotlight also coincided with the Covid-19 pandemic and its far-reaching impact on the economy, work arrangements and family care.

But a brighter picture of the status of women in Canadian architecture emerges from looking at current gender-based data, including from Statistics Canada and the current Canadian Architectural Practices Benchmark Report. When the earlier article was written in 2017, the 2016 Canadian census data was not yet available, and the analysis was based on statistics from the earlier 2011 census. Now available are census employment data for both 2016 and 2021.

GENDER DISTRIBUTION, ARCHITECTS IN CANADA

	Canada	Atlantic Provinces	QC	ON	MA	SK	AB	BC	Territories
Total	19455	545	5520	8120	460	125	1120	3506	60
Male	12075	360	2935	5210	300	75	795	2360	40
Female	7385	185	2585	2910	165	45	325	1145	20
% Fem	37.9%	33.9%	48.8%	35.8%	35.9%	36.0%	28.6%	32.7%	33.3%

What the data indicates: Architects by gender and province/territories, 2021

The 2016 Census employment data reported that 33 percent of architects nationally were women. More current is the table below, which breaks out the numbers both nationally and by Province/Territory for 2021. (A caveat: The totals probably overestimate the number of registered architects. Whether this affects the gender ratios depends on whether people of one gender are more likely to be registered than the other.) The latest census indicates the national representation of women has now risen to 37.9 percent. PEI and Quebec are positive outliers with 60 percent and almost 48.8 percent representation, respectively. If Quebec is removed from the data, the combined representation for the other regions drops to 34.5 percent compared to 24.5 percent in 2011. Either way, the statistics indicate that women's representation in architecture has improved around ten percent over the last decade.

Architectural education, from undergrad to Master's

It has been argued that while representation continues to improve in the profession, the rate of change does not reflect the graduation levels of women in accredited architecture schools in Canada. In 2021, the Canadian Architecture Certification Board (CACB) published a task force report entitled "Canadian Architectural Education, Accreditation, and Certification trends in a Changing Environment," which provides extensive historical gender data on enrolment and graduation from both pre-professional degrees (Bachelor) and professional degrees (MArch) in eleven Canadian schools from 2003 to 2019.

The CACB's report found that for pre-professional programs in this period, the percentage of women's enrolment fluctuated, but never dropped below 50 percent, and topped out at 63.6 percent in 2018-19. All schools, except Dalhousie, reported that women's aggregate enrolment (each school summed for the full 16 years) exceeded 50 percent, with Laval and McGill at the top, with 65 percent. Women's graduation rates fell below enrolment levels in nine years and exceeded enrolment in seven years; the total net loss appears to be marginal. Compared to men, women's aggregate Bachelor graduation rates exceeded their enrolment representation in four schools: the University of Manitoba and the three Quebec schools (Laval, McGill and Université de Montréal).

When it comes to the Master's degree, a requirement for the Apprenticeship Program leading to licensure exams and registration, however, the report indicates a larger drop-off in women relative to men between pre-professional graduation and enrolment in professional programs, even in 2018-19. Although in six of the 15 years covered by the study, women's enrolment in professional degree programs exceeded 50 percent, overall, their rates fell short of women receiving pre-professional degrees. For the last four years of the study, the gap has averaged just over six percent per year. For those that did start professional degrees, however, women's graduation rate exceeded their rate of enrolment half of the years, suggesting limited (if any) loss between enrolment and graduation. Over the full aggregated 16-year period, only Waterloo and again, the three Quebec schools, reported graduation rates for women over 50 percent.

From Master's graduation to the internship program and licensure

Another argument suggests an adverse effect for women during the transition from professional degree to licensure. Overall, we do not have the data to measure this key potential adverse impact. However, there is one exception: in 2023, the Architectural Institute of British Columbia (AIBC) reported that women constituted 43 percent of those achieving registration through the Internship in Architecture Program (IAP) in BC.

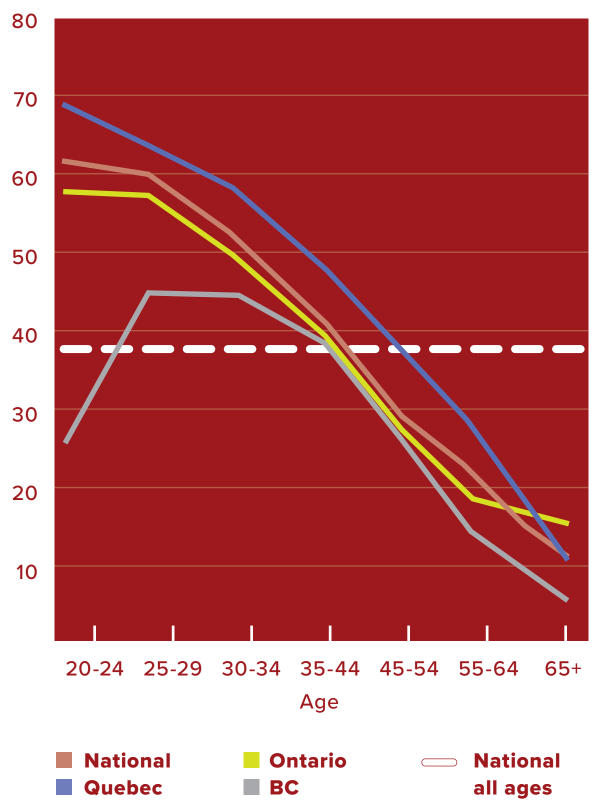
Positive indicators, however, can be found by examining a break-down of the 2021 census data on architecture employment by age groups and gender. This data indicates a growing wave of women entering the profession. As the graph opposite shows, nationally, the number of women architects under the age of 30 exceeds 60 percent. In the three largest provinces, Quebec and Ontario dip below 50 percent—and only barely for the former—for the 35 to 44 age group. BC lags slightly behind for those under 30, although it falls in line with the other two provinces from age 35 to 44 and up, suggesting there may be leakage in the transition from graduation to registration in that province. However, if we take the average Master's graduation rate for women from 2011 to 2016, which averages 53 percent, and compare it with the percentage of 30-to-35-year-old women architects in the 2021 census at 53.8 percent, there is an argument that there is no leakage through apprenticeship, licensure and early careers.

The 2023 Canadian Architectural Practices Benchmark Report offers some data addressing the question of whether unequal pay remains an issue. While sample sizes are low for individual staff categories, the survey data suggests that average salaries for the positions of senior architect, intermediate architect, junior architect, and intern architect are comparable for men and women.

Beyond the numbers

Missing, despite the above, are well-defined, verifiable data covering Apprenticeship Program uptake, licensure attainment and initial employment. Even less available is good data on advancement rates as well as statistics on firm ownership, principals and partners. To get a deeper picture of the current status of women in Canadian architecture, therefore, we undertook interviews with six experienced women architects who have also been strongly engaged in the gender equity in architecture movement.

**2021 CENSUS:
CANADIAN WOMEN ARCHITECTS BY AGE**



This included Kate Gerson, Associate Architect, Dialog Design, and Jessica Yarish, Associate Architect, dHKArchitects, both active leaders in Women In Architecture Vancouver; Heather Dubbeldam, Principal, Dubbeldam Architecture + Design and Jennifer Esposito, an Associate at Superkül and now an Assistant Professor at Toronto Metropolitan University (TMU), both active leaders in Building Equality in Architecture Toronto (BEAT); and Melissa Mazik, Associate Architect, B+H Architects as well as the subject matter expert for the RAIC's Diversity, Equity and Inclusion webinar. Finally, we also interviewed Annmarie Adams, Professor in the School of Architecture and Faculty of Medicine, McGill University, where she is currently teaching a course on women in architecture.

When asked about the barriers identified in the 2017 article, there was consensus that progress has taken place in removing many barriers, but the assessment of the level of that progress differed. From BC, Gerson and Yarish tended to emphasize the slowness of progress, with the latter reporting that an informal poll of women colleagues found that most suggested pasting the original 2017 list into this article. She provides, however, a more balanced conclusion: "I think people are more aware and are trying to address [those barriers]; but, I also think there are still problems in most firms." They, along with Adams, believe that while progress has been made in the universities, this is not reflected by a correlating increase of women entering and staying in the profession. Conversely, Dubbeldam and Esposito, along with Mazik, believe progress over the last six years has been considerable, although significant work remains. Dubbeldam, for example, says the movement to apprenticeship, licensure and hiring has undergone significant positive change.

There is some general agreement on where progress has been made. Equal pay is less of an issue, although Gerson warns stereotypes may still play a determining role. Women are now more likely to be treated equitably when it comes to assigned responsibilities, and being sidelined has diminished. More equitable mentorship, in part because of groups like BEAT and Women in Architecture Vancouver, is emerging, although still not fully realized.

The pandemic, flexibility and leadership

Some have argued that Covid impacted women negatively by forcing them to undertake even greater childcare responsibilities; others, including Mazik, found the experience isolating in a profession increasingly built on teamwork. This said, the pandemic also introduced ideas of flexible work, including remote working. Both Gerson and Esposito report their firms have returned primarily to in-office work, but the idea of flexibility remains. According to Gerson, this increased flexibility is a real positive: "If you can work from home quite easily, then it gives more flexibility in terms of working hours as well." Mazik agrees. As a parent, she leaves work as required, but logs on in the evening to make up for the time.

Mazik also reported another positive pandemic impact. She has found the informality introduced through regular online staff town halls has helped humanize leadership at B+H. "Instead of having that traditional hierarchy of, 'I'm your boss, you do what I say,' a more collaborative approach has emerged," she says.

But barriers to accessing partnership levels remain for women, including roadblocks related to leadership styles and communication skills. "There's a perceived idea of how to be a leader," says Esposito, "but [in reality] there's lots of ways to be a leader in the profession." Demonstrating different, but effective, leadership styles is now one of the focuses for BEAT.

Closely related is the skill of communication, and it's a particular challenge for younger women to find an effective voice that still remains their own. Communication is a two-way street, however, where current biases tend to favour the "male voice." Thus, says Dubbeldam, BEAT's forums and workshops will continue to address communication skills while also seeking to broaden the definition of effective communication.

Underlying many of these issues is the lingering presence of unconscious biases that either favour the male stereotype, or underestimate the specific competency levels of women architects. In the interviews, the issue of women architects' technical expertise being underestimated was frequently mentioned. In reality, the increase in women in the profession has coincided precisely with the profession's increasing technical requirements. Mazik, a graduate of the technology-focused program at TMU, finds the stereotype perplexing. "A lot of my female classmates were extremely knowledgeable technically, it was a technical school

[…] so I've been definitely surrounded by very technical women."

Bias is also suggested by the results of an Ontario Association of Architects (OAA) membership survey in 2023. Women respondents were somewhat less likely to feel included (69 percent) and supported (66 percent) than their male counterparts (at 75 percent and 72 percent, respectively). Conversely, they were more likely to report experiences of barriers (24 percent for women, to 15 percent for men) and discrimination (14 percent for women and seven percent for men).

A significant dual change related to leadership over the past few years, according to Dubbeldam and Esposito, was first a big movement towards succession planning with younger people moving up into more senior roles, fairly rapidly coupled with broad implementation of Equity, Diversity and Inclusion (EDI) initiatives. Almost all larger architectural practices have EDI committees and EDI profile criteria, they note. "The whole profession became much more competitive in the last ten years," says Dubbeldam. "I think firms realize we really need to keep all these good people."

The elephants in the room

I have left to the last two of the biggest barriers still facing women, both of which were broadly discussed in all the interviews. The first, perhaps not surprisingly, is the demands of childcare and the broader family. Increased work flexibility is helping, as is a generational shift to a broader role for fathers, supported by parental leave programs. But all agreed that the new National Daycare Program has potential to have a significant positive impact, just as Quebec's earlier path-breaking program appeared to have. Still, there was a broad view that architecture is a high-demand, high-pressure profession that can have difficult implications for both men and women. Muzik says she feels the door to the top is already open to a woman if they want it—but it takes some hard choices.

Second, architecture is a profession closely tied to interaction with its clients. If the culture of architecture and its approach to women practitioners has lagged behind our broader culture, as suggested by some in the interviews, the construction site culture involving developers, consultants, engineers and trades hasn't changed much, says Dubbeldam. "[BEAT] would like to focus on developing some standards that could be adopted by the construction industry in terms of addressing some of these issues." There is a need to "unpack conversations about issues related to site and those kinds of behaviours that we run into," adds Esposito. While Gerson agrees that progress has been slow, albeit still apparent, she does note a significant shift in generations, and better relationships with younger practitioners. Mazik sees more women overall—both sitting across the table and on-site. She says that although "there remains a lot of men still on the site, [contractors] have been bringing women into their offices, even as site supers."

A new paradigm?

Dubbeldam, Esposito and Mazik suggest the last five years has seen major advances for women, although, in line with Gerson's and Yarish's more restrained assessment of progress, they believe further work is definitely required. That said, there are emerging indications that, spurred by effective advocacy, labour market pressures, and generational change across architecture and related professions, the next five to ten years may produce significant advances for Canadian women in architecture. ◖▲

Rhys Philips is an Ottawa-based architecture critic. He helped craft and enforce the Federal Government's employment equity policies as an official with both the Canadian Human Rights Commission and Labour Canada.

Canada Compared with Other Countries

At 37.9 percent women architects, Canada's performance appears to be in the middle of the pack internationally. Although a 2021 AIA survey reported that 36 percent of architects in the US were women, the career platform Zippia provides a table for the same year that found women represented only 23.3 percent of architects. According to the Bureau of Labour Statistics' 2019 survey, at that time, 25 percent of architects were women.

A massive 2020 report for 31 European countries, compiled by the Architects Council of Europe, reported 42 percent of architects were women. But like the rates between Canadian provinces, national rates varied widely. Topping the list for women architects, eight countries–Croatia, Denmark, Finland, Greece, Poland, Serbia, Slovenia, and Sweden–reported rates above 50 percent. This is followed by six countries–Belgium, France, Italy, Norway, Portugal and Romania–that reported rates between 40 and 50 percent.

Of Europe's five major countries, only France and Italy had reached the 40 percent level, while the others were all modestly below Canada's national levels–the UK at 32 percent, Germany at 34 percent and Spain at 34 percent. In the case of the UK, women in 2023 were 31 percent of architects according to the Architects Registration Board (ARB), although new architects joining the register in 2021 were nearly 50 percent female. As in Canada, Europe's age tree bulges at the bottom for women, while still being mostly populated by men in the higher age brackets.

Some other countries for which statistics on women in architecture are available include South Africa at 21 percent, India at 47.3 percent, and China at 33 percent.

Northglenn, Colorado Lift Station

The new station built by Filanc Construction includes four submersible pumps located in a dual chamber, cast-in-place concrete wet well. A prefabricated electrical and controls building houses switch gears, VFDs and controls. Valve and metering vaults, ductile iron pipes, buried site piping and fittings and surge/transient mitigation equipment were also included in the scope of work.

The BILCO doors installed in the project are constructed with a channel frame. They are commonly used in exterior applications where there is concern of water or other liquids entering the access opening. The doors include a 25-year warranty, and are made with corrosion-resistant materials, an important distinction in the corrosive nature of the wastewater environment.

"They met the specifications for this project. BILCO doors are the industry standard are used frequently in projects of this scope."

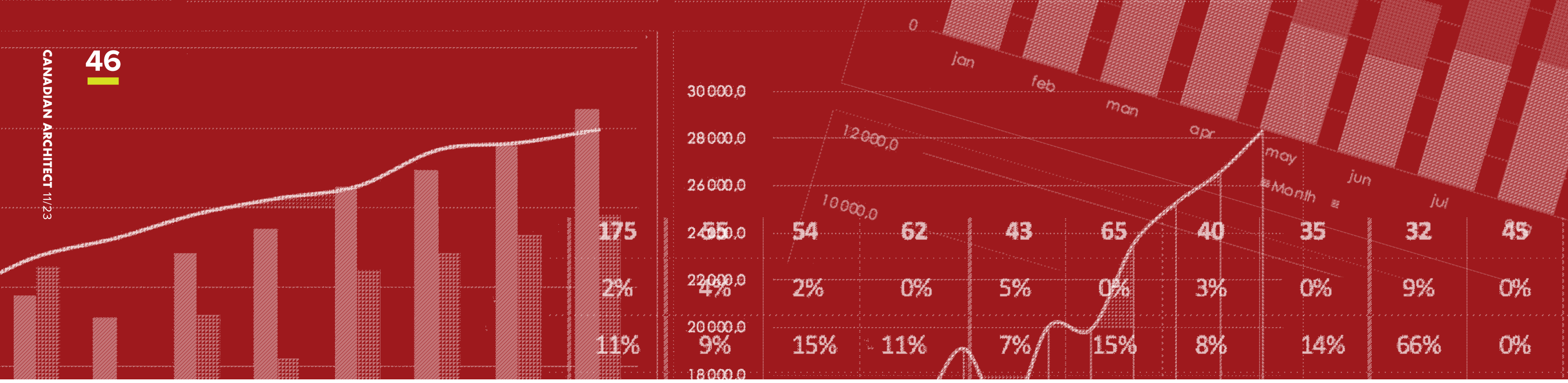
– David Campbell, Construction Manager, Filanc Construction

Project Snapshot

- The community built a new, $10 million, 4.5 MGD lift station. The existing station had worn out its useful service life.
- The lift station services approximately 38,000 residents and was built in conjunction with a separate project that included the installation of a sewer line to convey wastewater to a water treatment plant.

BILCO Floor Doors

- The project included 14 corrosion resistant stainless steel floor doors. The doors provide safe access to pumps and other equipment.
- The doors are engineered with lift assistance for easy one-hand operation and automatic hold-open arms that lock the cover in the open position.



FUTURE FORWARD: ADAPTIVE CHANGE IN ARCHITECTURE EDUCATION AND PRACTICE

TEXT Terri Peters and Ted Kesik

RECENT SURVEYS POINT TO THE NEED TO ADAPT EDUCATION AND PRACTICE TO ADDRESS SUSTAINABILITY CHALLENGES.

In an era of momentous change, architecture is facing the challenge of reskilling to design for sustainability. This will necessarily involve both the formal education of architecture students, and the continuing education of architectural practitioners. Adaptive reskilling will involve developing competencies related to climate change mitigation and adaptation, but also addressing converging issues under the umbrella of sustainability: inhabitant health and wellbeing, affordability, accessibility, equity and resilience. The future relevance and vitality of architecture in Canada will hinge on its ability to assume a variety of competencies, all related to design for sustainability.

In 1969, Herbert Simon defined design as "transforming an existing condition into a preferred one." In making this transition, it is vital that we do not throw out the baby with the bath water. Design must be at the heart of an architectural response to climate change and to the other pressing issues facing society.

If architects want to be seen as sources of knowledge and authority in the fight for more equitable, comfortable and healthy cities, it will also involve making some serious changes beyond technical reskilling. These will involve choosing optimism, listening to stakeholders and communities, and meaningfully collaborating beyond our disciplinary silos. Clients, regulators, municipalities, manufacturers, constructors and many others in the planning, design, and construction processes will also need to skill up and do better.

As the Rise for Architecture initiative reports, "Canadians are facing many intersecting challenges that are both impacting—and being impacted by—architecture. The climate crisis, social justice, truth and reconciliation, human health and wellbeing, economic disparity, and political instability can all be hindered or helped by architecture. Yet few Canadians truly understand the impact it has on their everyday lives."

"These complex challenges, paired with architecture's obscure policies, restrict meaningful public participation and hinder communities from becoming healthier, more affordable, just, and resilient. For architecture to truly help Canadian communities thrive, we need a new social contract between the profession of architecture and the public we serve," the report concludes. "We imagine a future where all Canadians are empowered to guide the design of their communities; where social and environmental justice shape every design decision; and where architecture is leveraged to celebrate diverse cultures and contribute to a prosperous future."

How do we get from here to there? Recently, two Canadian surveys have attempted to gauge one aspect of where we are at now, by including a focus on climate change competency.

Climate Curriculum

The ClimateCurriculum.ca initiative was launched in 2022 at Toronto Metropolitan University to better understand how students of architecture are engaging with climate change and sustainable design. The first phase involved a web-based survey for Canadian students and instructors; the second phase was the launch of an international poster competition where students graphically presented their ideas about how architecture should engage with climate change. The data collected in the 19-question web survey is the first national data of its kind, and it was inspired by and adapted from a survey by the ARCH4 Change Erasmus+ consortium, led by Tampere University in Finland, with Aarhus School of Architecture in Denmark, Bologna University in Italy, Taltech in Estonia, and TU Dublin in Ireland.

The premise of these surveys is the belief that future practice will require a greater understanding of the environmental impacts of architecture, and that future professionals will be asked to design net-zero buildings and understand metrics for embodied carbon and renewable energy. The Climate Curriculum survey sought to understand:

will students be ready for their future professional lives in the context of a changing climate, extreme weather, and a focus on higher building performance? Do they feel satisfied and prepared by their architectural education?

The initiative collected 196 survey responses from across all 12 of Canada's accredited architecture schools, and results were presented in an Issue Paper at the 2022 CACB conference. More than 92 percent of responses either agreed or strongly agreed that sustainable design should be a core part of architecture education, and more than 94 percent of responses either agreed or strongly agreed that sustainable design should be embedded in architectural design curricula. 59 percent of respondents indicated they were being explicitly taught about sustainable design, and more than 88 percent of responses either agreed or strongly agreed that sustainable design provides a creative input or inspiration in their designs.

Yet just 36 percent of responses either agreed or strongly agreed that they are satisfied by the level and depth of teaching content on sustainable design. Only 45 percent either agreed or strongly agreed that their school successfully teaches sustainable design.

When asked about a number of specific aspects of sustainable design, the overall feedback indicates that students lack confidence that they are well prepared, and want more of the curriculum devoted to sustainable design. In particular, respondents believe there is a gap between what they are taught—and what they feel they need to know, or should be taught. Respondents expressed strong opinions about the connection between architecture, climate change, and sustainable design, but reported they do not have confidence in their knowledge about many key terms and concepts. A climate-centred curriculum should be explicitly part of the education of architects, as has now been mandated in the UK.

The survey also points to the need for educators and accrediting bodies to embed sustainable design in the architecture curriculum, in particular by reinforcing sustainable design concepts in studio. While 74 percent of students believe that successful design studio projects must address sustainable design, only 38 percent feel this aspect of their designs is being formally evaluated.

Within these responses, there is a lot to be optimistic about. Students overwhelmingly report they are interested in learning more about sustainable design, and incorporating climate action into their curriculum. But until such time as sustainable design and the essential knowledge and skills are clearly defined, it is difficult to formulate fundamental course content. Further, if this learning is not embedded and reinforced across the curriculum—both in lecture and studio courses—then it will remain challenging to assure students will graduate with a high degree of competence in sustainable design.

Canadian Architectural Practices Benchmark Survey (2023)

The RAIC and Canadian Architect's recent benchmarking survey refreshes a previous 2011 survey, adding new sections related to Indigenous themes and reconciliation, EDI, and climate action.

When asked: "Does your firm have a formal commitment to leadership on climate action?" one-third of responding practices indicated they did. These commitments varied across a wide range of initiatives, such as LEED, Passive House, 2030 Challenge, net-zero and a diversity of internal policies. Regardless of whether they have a formal commitment, nearly half of the responding architecture firms are engaged in the mitigation of operational and whole life carbon. About a third of firms engage in climate change adaptation, and roughly one in seven firms advocate for climate justice. About one-third of firms indicated they did not engage in any form of mitigation, adaptation or climate justice measures.

A follow-up question asked: "To what extent do you feel that your organization is engaged in climate action, relative to its capacity to be?" A third of firms believe they apply up to one-quarter of their potential capacity towards climate action. Another third felt they applied between one-quarter to one-half of their potential capacity towards climate action initiatives. 24 percent of firms reported they achieved one-half to three-quarters of their climate action capacity, and 11 percent indicated achieving better than three-quarters of their potential capacity to engage climate action leadership in practice. Based on these responses, it appears that one in ten practices are highly engaged and committed with respect to their potential capacity, about six out of ten are moderately engaged,

CLIMATE ACTION ENGAGEMENT AND CAPACITY

	TOTAL	FIRM SIZE (BILLINGS)			FIRM SIZE (EMPLOYEES)				PROVINCE / REGION				
	%	<$500K	$500K-<$2M	$2M+	1 OR 2	3 TO 10	11 TO 25	26+	BC	AB/SK/MB	ON	QC	ATLANTIC
To what extent do you feel that your organization is engaged in climate action relative to its capacity to be?													
TOTAL RESPONDENTS	97	28	28	37	19	33	27	21	19	23	44	9	5
0%	2%	4%	0%	0%	11%	0%	0%	0%	0%	4%	2%	0%	0%
1 TO 24%	31%	29%	29%	38%	16%	30%	30%	43%	16%	35%	34%	33%	40%
25-49%	31%	36%	43%	30%	32%	33%	37%	29%	26%	39%	30%	33%	60%
50-74%	25%	14%	21%	27%	16%	27%	26%	24%	53%	17%	16%	22%	0%
75-100%	11%	18%	7%	5%	26%	9%	7%	5%	5%	4%	18%	11%	0%

and that three out of ten are marginally engaged in climate action leadership activities. Another way of interpreting these results is that only about one-third of respondents believed they were working to 50 percent or more of their potential capacity to engage climate action initiatives.

When asked, "What is your sense of the importance of climate action?" over 80 percent of survey respondents indicated they sensed climate action as being highly to extremely important. Clearly, a vast majority of architecture firms acknowledge the importance of climate action in professional practice.

Finally, respondents were asked: "How would you rate your own climate action knowledge and competency development?" Based on a scale of 0 (Poor) to 10 (Excellent), about one in 10 respondents rated their climate action knowledge and competence as somewhat less than half of what would be considered excellent (0-5). Roughly six out of ten rated their climate action knowledge and competence as ranging from moderate to high (6-8), while some three out of ten rated themselves as possessing a very high to excellent level (9-10). Assuming that self-assessed levels of climate action knowledge are reasonably well correlated with externally assessed levels of competence, there is clearly justification for improving general levels of expertise. At present, there are no mandatory continuing education requirements related to climate change competence for practicing architects.

The key takeaways from the two surveys? Both architecture students and practitioners believe that climate action is extremely important. Both groups are aware there are gaps in their climate action knowledge and skills, and that they could be learning and doing more about climate action leadership. It is encouraging that some firms reported significant commitments to, and competencies in, climate action leadership. This indicates that a transition toward greater emphasis on climate action and sustainable design is desirable, realistic and achievable.

Moving forward, taking action

Transitions necessarily generate tensions as academia and the profession stretch to adapt to a changing context. In 1970, American futurist Alvin Toffler identified "future shock" as a psychological state of individuals and society, stemming from enormous structural changes in a post-industrial society. The architecture discipline has attempted to buffer many significant changes—globalization, environmental responsibility, sustainability, computational design—in order to preserve the traditional core of the discipline. However, the intensity and magnitude of significant changes have now reached a threshold where difficult choices must be made between core traditions and emerging realities.

What happens when existing courses compete with climate change competency courses? How can computation and digital fabrication be integrated within design studios? These are difficult challenges that are generating discomforting conversations as they start to happen across architecture schools everywhere.

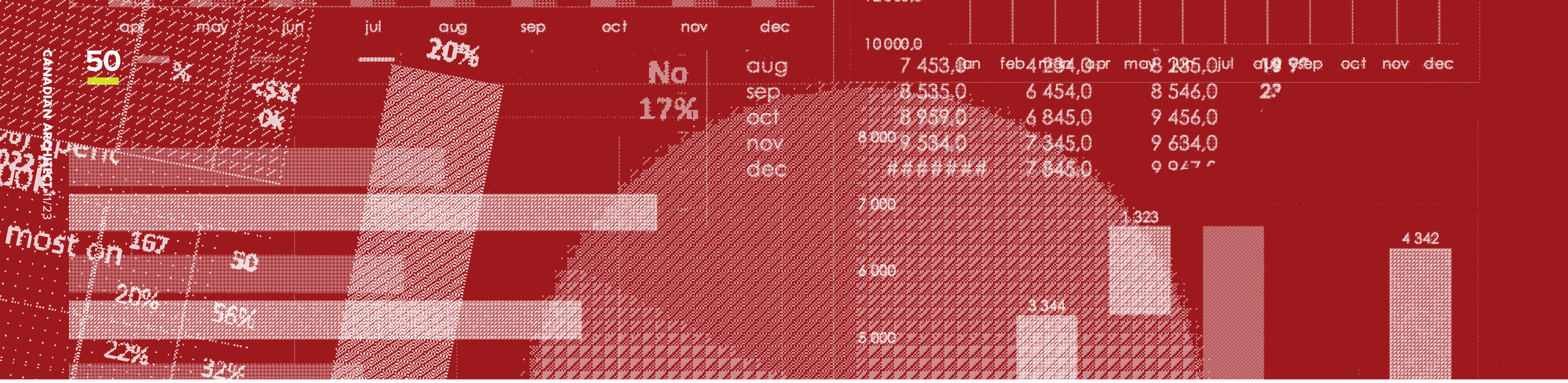
On the professional front, architecture offices are looking for ways of reskilling their staff while recruiting interns suitably prepared to tackle the 3-Ls: long life, loose fit, and low-impact buildings. Architects need to be able to speak the languages of the various expert consultants that are routinely retained to conduct assessments that inform early stages of design, and later, to ensure compliance with codes and standards. While larger practices can afford to retain resident, in-house expertise, the vast majority of smaller practices need to make tough choices between attempting to learn enough about energy modelling, daylighting, and life cycle assessments to do the work themselves, or convincing their clients to agree to additional fees for specialty consultants that were unheard of over a decade ago. A divide is emerging between architecture practices that have ample resources to engage the sustainability challenge, and those that do not have sufficient bandwidth or access to clients with long-term sustainability goals and the deep pockets to attain these targets.

The consumers of architecture services are caught in the middle. Many want to build better, but do not have access to a competitive diversity of competent practices with a demonstrated track record. Industry-wide, a lack of post-occupancy evaluation has resulted in a performance gap between sustainability promises and what is actually delivered. This kind of situation would never be tolerated by consumers of automobiles—and the day is nearing when mandatory building performance measurement and reporting will require architects to consistently hit environmental performance targets, in the same way that cars must comply with fuel efficiency and emissions standards.

Stakeholder engagement will be key to a successful transition. Architecture accreditation requirements need to be brought up to date. Professional licensing bodies and educational institutions will have to ensure the ongoing competence of practitioners and instructors, respectively. A more frequent and effective means of reviewing and updating curriculum and continuing education content will need to be instituted. The rate of change must be managed so that the transition is not overwhelming, while still being sufficiently responsive to meet new challenges. Most importantly, the change must begin now.

Adaptive reskilling of architecture—not as we have known it up to the present, but as it needs to evolve in order to manage massive change—is a daunting challenge that schools and the profession cannot afford to ignore. The good news is that the essential knowledge is finite and readily available for dissemination. But letting go of past academic traditions and anachronistic modes of professional practice will not get any easier with time. The recent Canadian surveys indicate a broad awareness that much needs to be done to adapt architecture education and professional practice. This should be celebrated, even if it is accompanied with some degree of shock and discomfort. If architects could transition from drafting tables to computer-aided design and digital fabrication, it is imperative to take the next leap into a rapidly unfolding future. Is there any other option?

Terri Peters is an Assistant Professor in the Department of Architectural Science at Toronto Metropolitan University. Ted Kesik is Professor of Building Science in the Daniels Faculty of Architecture, Landscape, and Design at the University of Toronto.



LOOKING AHEAD: SUCCESSON PLANNING AND FIRM VALUE

TEXT Elaine Pantel

In the Canadian Architectural Practices Benchmark Report, half of firms identified economic factors as one of the greatest challenges to the profession in the coming decade, followed by challenges related to workforce and human resources, at 34 percent. These two sets of issues intersect in succession planning, which is at the forefront of firm leaders' strategy to build long-term value and generate sustainable growth and profitability for their firms.

A succession plan may include a number of avenues, which are not mutually exclusive:

- Organic succession—building the next generation of firm leadership from the employee team;
- Recruitment of external senior talent;
- Acquisition/sale/merger of the firm.

This article focuses on the key elements of a well-planned organic succession plan, using Benchmark Report data to provide insights into firms' approaches. Succession planning will focus on a firm's revenues and profitability, as well as its culture, with the goal of creating a place that employees feel is worth a significant financial and personal investment. With only 41 percent of individual respondents rating their job satisfaction as 8 to 10 on a scale of 0-10, and just 50 percent pegging their work-life balance as an 8 to 10 on the same scale, there are clearly improvements available in making the prospect of firm ownership an attractive proposition for the next generation of leaders.

The pathway for employees to develop the skills to take on management and leadership roles is a long-term, multi-phase process. It is essential for firms to establish clarity regarding career advancement pathways, mentorship and education of employees who are identified as future leaders, and the use of bonuses and financial incentives to reward performance.

Career advancement

According to Canadian Architectural Practices Benchmark Report data, less than half of firms, across all sizes, have a succession plan or ownership opportunities in place. For those that don't, it may be time to start. Among the firms I've advised, most firm owners have come to understand that the organic succession process needs to be considered much earlier than they had previously thought. Owners will need to be willing to admit new owners at some point in the firm's development, and this may take time to develop. Furthermore, it may be years before an individual is ready to move into an ownership position. A "Pathway to Ownership" program will itself evolve over time. It is good practice to develop a document that outlines the process. Some of the key components of such a program may include:

- Description of the firm's culture, values, and vision for the future;
- Progression of positions in the firm, with reference to a skills matrix;
- Coaching and mentorship opportunities and programs;
- Professional development in the areas of leadership and management;
- Incentives, such as bonus structure and profit-sharing plan, as well as other perks.

Positions, functions and skills

The report lists over 15 staff categories that are currently in use by firms. This is an indication that firms are offering their employees an array of opportunities for career advancement. Although smaller firms have fewer categories, there is a clear progression to more senior roles. Notably, many larger firms are providing their Associates with management responsibilities. Within firms, the best practice is for each position category to be well defined, with a detailed skills matrix, to highlight what skills are needed to advance. Employee evaluations—formal and informal—should focus on skills development, milestones, goals and steps forward.

Bonus structures and profit-sharing plans

While just under half (49 percent) of firms of 3 to 10 people have a bonus structure, this grows to 73 percent in firms of over 11 people. Likewise, just 11 percent of 3-to-10-person firms have a profit-sharing plan; this grows to 20 percent of 11-to-25-person firms, and 26 percent of firms larger than 26 people.

Performance-based bonus structures and profit-sharing plans are effective incentives that can be used to reward performance and increase employee engagement in the years leading to a potential offer of ownership.

Bonus structures, which may or may not be based on the level of a firm's profitability, may be offered by employee position or throughout the firm. Profit-sharing plans are generally used for more senior employee positions, and may be based on the firm's overall financial performance, or the profitability of individual offices, business units, or service lines. In both scenarios, firm leaders need to determine the level of transparency, and how much of the firm's financial information is to be shared with employees.

Financial literacy and understanding firm value

The sustainable growth of a firm is driven by consistent and healthy profits. It's important for architects to understand how to make a connection between the design process, project management, and the financial results for the firm. This applies throughout the firm, with the level of understanding dependent on the position of each individual.

While the focus of owners is on short-term management and longer-term strategic planning, senior architects will ideally have a solid understanding of the efficiencies and profitability related to project management. Understanding how to read financial reports is critical, as this information provides valuable feedback to assist in planning and decision making. Project management software packages include the ability to design custom dashboards to be used throughout the firm—a feature that is underused by many firms.

There is a direct link between the firm's financial performance and its value. The value of the firm—a key consideration for succession plans—can be determined in a number of ways, including hiring a Certified Business Valuator to provide a formal valuation, or using a formula based on the ongoing profitability of the firm. The former is costly and time consuming, whereas the latter can be developed and customized by firm leaders, with assistance from external advisors, and updated on a regular annual basis. In some cases, the value formula can be inserted in the firm's ownership agreement.

External advisors can play a key role in developing an education program to increase financial literacy for firm leaders and management. Possible topics include:

- Learning how to read Financial Statements, including differences between the Balance Sheet and Income Statement;
- Understanding the difference between profitability and cash flow;
- Understanding working capital, i.e., the amount of money the firm needs access to on an ongoing basis to fund operations;
- Knowing what the firm's profit margin is, and how to set targets;
- Using budgets and forecasts for earnings and cash flows, and reviewing budget variances to update forecasts;
- Setting and tracking "Key Performance Indicators" (KPIs) to benchmark the firm's performance.

Ownership transfer

A well-planned organic succession plan includes several phases: Employee Assessment, Offer of Ownership, and Implementation. When embarking on an organic succession project, firm leaders will engage with a circle of external advisors with experience handling transactions in the architectural industry, such as a business consultant, financial and tax advisors, a lawyer, and an insurance specialist.

In the Employee Assessment phase, firm leaders will identify significant challenges facing the business in the next three to five years, critical positions that will be needed to support business and ownership continuity, and key competencies and skills needed for success. Next, they will identify a pool of talented and high-potential employees who will be coached and mentored to move into more senior roles through specific career development strategies and compensation incentives. These strategies and incentives would be detailed in the Pathway to Ownership program. An experienced business consultant can provide additional value to guide the firm through this phase. At the end of this phase, firm leaders will have identified a group of key employees to be presented with an Offer of Ownership.

The Offer of Ownership phase can be a lengthy process, as it involves a number of steps and is an organic process whereby the needs of sellers and buyers of ownership interests may change over time. This phase usually proceeds concurrently with the Employee Assessment phase. Firm leaders would engage with an external financial advisor, tax advisor, and lawyer at different points during this phase.

As a financial advisor, I have guided firm leaders through the following steps, collaborating with other advisors:

1 Set the overall scope of the project and engage with firm leaders to discuss the firm's succession strategy and owners' long-term plans, review the current ownership structure and financial position, and consider the general plan to transfer ownership (percentage of the business to be sold, timeframe, and financing options). This includes the preparation of financial modelling of various scenarios for the transfer of ownership interests over time.

2 Consider the valuation methodology and terms of the Offer of Ownership, and have a series of in-depth discussions with firm leaders on options for pricing ownership interests and how this relates to a consideration of the value of the firm. This includes the preparation of financial analysis of the firm's performance over the past three to five years, including adjusted (normalized) earnings, base level of capital to be retained in the firm, and other factors. On occasion, I have been asked how other firms in the industry have set the pricing of ownership interests. There is a wide range of methods and approaches which are tailored to suit each firm's unique culture regarding organic succession, as well as the needs of the sellers and buyers. As the Offer begins to take shape, cash flow models are prepared to illustrate the impact for sellers and buyers over an appropriate period of time. A tax advisor is engaged to provide guidance on the structure of the sale of ownership interests, including any pertinent tax considerations. At the completion of this step, firm leaders have agreed on the terms of the preliminary Offer of Ownership, although there may be iterations as the process continues.

3 Prepare and present a Proposal and Offer of Ownership to key employees. The plan for the sale of ownership interests is presented to the key employees who have been identified in the Employee Assessment phase of the project. The initial presentation is coordinated by firm leaders and external advisors (business consultant, financial advisor and tax advisor). As this will be the first interaction presenting an Offer of Ownership to the employees, it is important to craft a narrative that illuminates the firm's history and plans for the future. Financial information is then presented in a way that simplifies the firm's financial position and valuation methodology, phased plan for the transfer of ownership, and cash flow models that illustrate the impact for buyers. An Executive Financial Dashboard is an excellent tool to be used in this process (refer to Sidebar). In a series of follow-up meetings, the details of the Offer will be discussed and employees' (and their respective advisors') questions and concerns addressed. During this period, various terms of the Offer may be revised. At the completion of this phase, the terms of the Offer have been finalized.

I have occasionally seen a general reticence on the part of some employees to take this important step in their careers. They may be concerned about making a long-term commitment with the firm, possibly taking on debt (depending on the pricing and financing mechanism), assuming risk as an owner, and the lack of clarity about how they will become involved in the management of the firm. All of these concerns need to be addressed in the series of meetings, and it is possible that not all of the selected employees will ultimately accept the Offer.

4 In the Implementation phase, firm leaders will engage their corporate lawyers to draft the Ownership Agreement. This agreement covers many areas including the management of the firm, key decision-making, financing the firm, legal and financial terms for changes in ownership interests, and dispute resolution. Overall, there is a need to provide clarity to all owners regarding future transactions and to protect the interests of minority owners. Firm leaders may engage with their financial and tax advisors to review certain clauses of the agreement dealing with the buy-sell of ownership interests. Once the agreement has been completed, it is then passed to the employees' lawyers for their consideration. There may be a number of amendments as the parties work through the agreement. Once agreement is reached, the lawyers will prepare all additional required documentation for review. The date for the finalization of the transaction will be set, and final preparations will be undertaken.

The implementation of the human resource aspect of the transaction will be an ongoing process of mentorship and skill development for the new owners, and the plan to integrate the new owners into the management of the firm will be set in motion.

Conclusion

The architecture profession is experiencing a period of significant change and shifts. Developments in the area of organic succession planning are focusing on success for all parties and the firm, augmenting personal satisfaction and firm value over the long term. It's an exciting time, and there is much room for creativity and innovation in developing and evolving organic succession plans and ownership models for firms.

Elaine Pantel, CPA, CGA, ICD.D is a strategic advisor to leaders of Architecture, Engineering and Design (AED) firms, as an independent consultant. She is a former partner of a Toronto-based firm of Chartered Professional Accountants, where, over many years, she played a key role in developing and growing the firm's vibrant AED industry client practice, helping clients achieve success. Elaine has provided educational presentations to clients and industry members as well as the OAA, OALA, IIDEX and SDA Canada.

Executive Financial Dashboard

A customized Executive Financial Dashboard of KPIs can be used to align with strategy, assess and monitor the financial health of the firm, manage day-to-day operations, and set performance targets. The Dashboard is also useful in organic succession planning, to communicate summarized financial information to key employees who have been presented with an Offer of Ownership.

The Dashboard is intended to be a "living" tool that is reviewed and referred to on a regular basis (eg. quarterly, semi-annually or annually). By assessing the firm's performance over time, firm leaders can identify areas in which changes are occurring, and assist in strategic planning, risk management and operational decision making. The Dashboard can also be used for comparison with industry trends. Ideally, the Dashboard should be concise—one to two pages—to allow leaders to focus on critical metrics.

The Dashboard can be designed to link to data from the firm's Financial Statements, creating more clarity about the firm's financials for individuals at different levels of responsibility.

Here are some KPIs that I suggest to clients for inclusion in an Executive Financial Dashboard:

Balance Sheet KPIs focus on the billing cycle and overall financial position of the firm:

- Days Aging in Accounts Receivable: average Accounts Receivable x #days / Gross Fees
- Days Aging in Work in Progress: Work in Progress x #days / Gross Fees
- Current Ratio (liquidity): Current Assets / Current Liabilities
- Debt to Equity Ratio (liquidity): Total Liabilities / Shareholders or Partnership Equity

Income Statement KPIs focus on performance and efficiency:

- Net Fee Multiplier: Net Fees / Total Professional Labour
- Net Fees per Full Time Equivalent (FTE): Net Fees / Full-time Equivalent employees
- Overhead Rate: Total Overhead / Total Professional Labour
- Profit on Net Fees (also known as Operating Profit Margin): Pre-tax earnings / Net Fees
- Utilization Rate: Hours spent by professional staff on projects / Total hours worked
- Key Costs as a percentage of Net Fees

Note: In his article "How is Your Firm's Financial Health" (see pages 30-31) Rick Linley takes a deep dive into two key metrics: Net Fees per Full Time Equivalent and Operating Profit Margin, and provides profiles of firms that are evaluated to be Struggling, Strong and Super.

Predictive KPIs set the groundwork for budgets and forecasts:

- Contract Backlog: total value of revenue yet to be earned on existing contracts
- Hit Ratio, or Proposal Win Rate: percentage of proposals the firm is winning
- Proposals pending: prospects and suspects (based on probability of winning)