Strategic Thinking in Turbulent Times

Ray Kogan, AIA
Kogan & Company, LLC
KoganCompany.com
RKogan@KoganCompany.com
Ray Kogan, AIA

• Architect and “long-time” AIA member
• Strategic planning and management consulting for architecture & engineering firms

• Co-author of Strategic Planning for Design Firms
“May you live in interesting times.”
Today’s program

• Strategy fundamentals and frameworks
• Strategy in turbulent times
• Techniques and tools

Applicable for your own firm

Adaptable and scalable for AIA components
The Case for Strategic Planning
In turbulent times

• Growth or retraction: client markets, services, geography
• Commoditization & differentiation
• Talent management
• Investments or cuts
• Leadership succession & ownership transition
• Mergers or acquisitions
Design your firm’s future:
- Identify external opportunities and challenges
- Describe internal strengths and weaknesses
- Prepare a roadmap to guide and communicate decision making
  - Especially important in times of change
- Engage leadership & staff
Elements of Your Strategic Plan
<table>
<thead>
<tr>
<th>Project Design</th>
<th>Strategic Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programming</td>
<td>Issues</td>
</tr>
<tr>
<td>Schematic Design</td>
<td>Vision (long-term)</td>
</tr>
<tr>
<td>Design Development</td>
<td>Goals (mid-term)</td>
</tr>
<tr>
<td></td>
<td>Strategies (mid-term)</td>
</tr>
<tr>
<td>Construction Documents</td>
<td>Actions (short-term)</td>
</tr>
<tr>
<td>Construction Administration</td>
<td>Communication &amp; Implementation</td>
</tr>
</tbody>
</table>
• “Begin with the end in mind.”
  Steven Covey

• “If you don’t know where you’re going, you might end up someplace else!”
  Yogi Berra
Long-term vision

• What your firm aspires to be 5+ years in the future
• Describes a “destination” for the road map
• Should be inspirational
By 2026, Design Associates will:

- Be leaders in our target markets of K-12, higher ed & healthcare
- Be organized around our target markets.
- Have a professional development program in place for staff at all levels
- Share profits with all staff twice a year
- Employ 50 people, generating $8 million in net revenue at a consistent 20% profit margin
Quantitative, measurable targets
Typically 3 year horizon
$ in front or % after
Sets bar, and facilitates accountability
Where are goals most applicable?
• Financial performance
• Overall firm growth
• Growth in target markets
• Geographic expansion
• Recruiting & retention
• Staff development
• Ownership transition
• “Shrinking” goals
Strategies

• Good ideas that “push” the firm toward its vision
• Anything that needs to change, including starting and stopping
• Help people understand what to do (or not to do)
“If you want something you haven’t had before, you have to do things you haven’t done before.”
Actions

- Shortest term component: 1 year
- What: specific task to be completed
- Who: “project manager” responsible
- When: deadline date
• A specific task with a beginning & an end, so that everyone understands exactly what needs to be done
• The individual (project manager) responsible for completing the task – the “project manager”
• A date by which the task will be complete
<table>
<thead>
<tr>
<th>Task</th>
<th>Who</th>
<th>When</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify top higher ed clients</td>
<td>Todd</td>
<td>6/21</td>
</tr>
<tr>
<td>Develop a higher ed marketing plan</td>
<td>Todd</td>
<td>9/21</td>
</tr>
<tr>
<td>Develop criteria for hiring new higher ed principal (job description, skills, salary range)</td>
<td>Susan</td>
<td>12/21</td>
</tr>
<tr>
<td>Identify other consulting services to provide to higher ed clients</td>
<td>Susan</td>
<td>2/22</td>
</tr>
</tbody>
</table>
Questions?
Strategy in Turbulent Times
What got you here won’t get you there.
The Future Will Consist of VUCA

- Volatility
- Complexity
- Uncertainty
- Ambiguity
Potential disruptors

- Social/societal, political, economic
- Technology
- Competition (traditional and unforeseen)
- “Black swan” events
- Not demographics
Is your planning too inwardly focused?

Strategic plans often address operational issues because architects are:

- Strong problem solvers
- Task-oriented

Firms recognize they should be more trend-aware, but seldom allocate necessary resources.
Scenario planning

• Understand the demographic, social, economic, political, technological, and other forces acting on your “world”—and more importantly, your clients’ world!

• Some you already know; some you must discover and/or validate
Trends & drivers

### Rating Trends

- **Highly Significant** (1 to 2)
- **Somewhat Significant** (0 to 1)
- **Somewhat Insignificant** (0 to -1)
- **Not Significant** (-1 to -2)

#### Actions

- **Prepare**
- **Act**
- **Ignore**
- **Beware**

#### Likelihood

- **Highly Unlikely** (-1 to -2)
- **Somewhat Unlikely** (0 to -1)
- **Somewhat Likely** (0 to 1)
- **Highly Likely** (1 to 2)
Consider scenarios and strategies in the context of four levels of uncertainty

1. Clear enough future
2. Alternative futures
3. Range of futures
4. True ambiguity
• Determine level of uncertainty
• Combine scenarios to discern opportunities and threats (from SWOT analysis)
• Tap into clients for valuable external perspective
• Keep strategic plan dynamic, current, and always relevant
Questions?
Techniques and Tools
SWOT Analysis

<table>
<thead>
<tr>
<th>INTERNAL FORCES</th>
<th>EXTERNAL FORCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengths</td>
<td>Threats</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>Opportunities</td>
</tr>
</tbody>
</table>

INTERNAL FORCES

- **GOOD STUFF**
  - Strengths
  - Opportunities

EXTERNAL FORCES

- **BAD STUFF**
  - Weaknesses
  - Threats
SWOT Analysis

**INTERNAL FORCES**

**Strengths**
- Client relationships
- Principal involvement
- Statewide presence
- Project experience

**Weaknesses**
- Too few client relationships
- Too reliant on principals
- Only known within state
- Only K-12 experience

**EXTERNAL FORCES**

**Opportunities**
- Expand beyond state
- Potential acquisition(s)
- K-12
- Higher ed
- Healthcare

**Threats**
- Competition moving into state
- Industry consolid./acquisitions
- Intense price competition
- Cost-driven clients

**GOOD STUFF**

**BAD STUFF**
Markets

Every strategic plan refers to markets and marketing in its vision, goals, strategies, and actions.
How firms determine their markets

What have our markets been in the past?

Who has a personal “interest” in a market?

What RFQs or RFPs are in front of us?

What work is easiest to get?
## Market Focus Matrix framework

<table>
<thead>
<tr>
<th>Current Competitive Position</th>
<th>Market Strength (Projected 3-5 Year Demand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>weak</td>
<td>high→</td>
</tr>
<tr>
<td></td>
<td>strong→</td>
</tr>
<tr>
<td></td>
<td>low→</td>
</tr>
</tbody>
</table>
### Market Focus Matrix with markets

<table>
<thead>
<tr>
<th>Current Competitive Position</th>
<th>Market Strength (Projected 3-5 Year Demand)</th>
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<tbody>
<tr>
<td>strong ↑</td>
<td>K-12 (SC)</td>
</tr>
<tr>
<td></td>
<td>Sports &amp; recreation</td>
</tr>
<tr>
<td></td>
<td>Community/Civic</td>
</tr>
<tr>
<td></td>
<td>Retail</td>
</tr>
<tr>
<td></td>
<td>Libraries/Museums</td>
</tr>
<tr>
<td>weak ↓</td>
<td>Higher ed.</td>
</tr>
<tr>
<td></td>
<td>Healthcare</td>
</tr>
<tr>
<td></td>
<td>Industrial</td>
</tr>
<tr>
<td></td>
<td>K-12 (outside SC)</td>
</tr>
<tr>
<td></td>
<td>Multi-family</td>
</tr>
<tr>
<td></td>
<td>Commercial</td>
</tr>
<tr>
<td></td>
<td>Religious</td>
</tr>
<tr>
<td></td>
<td>Senior living</td>
</tr>
<tr>
<td></td>
<td>Restaurants/Hospitality</td>
</tr>
<tr>
<td></td>
<td>Airports</td>
</tr>
<tr>
<td></td>
<td>Federal (DOD)</td>
</tr>
<tr>
<td></td>
<td>Other/Miscellaneous</td>
</tr>
<tr>
<td></td>
<td>Federal (non-DOD)</td>
</tr>
</tbody>
</table>
# Market Focus Matrix prioritization

<table>
<thead>
<tr>
<th>Current Competitive Position</th>
<th>Market Strength (Projected 3-5 Year Demand)</th>
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<tbody>
<tr>
<td>strong</td>
<td>high←</td>
</tr>
<tr>
<td>weak</td>
<td>low→</td>
</tr>
<tr>
<td>K-12 (SC)</td>
<td>Sports &amp; recreation</td>
</tr>
<tr>
<td>Higher ed. Healthcare</td>
<td>K-12 (outside SC) Multi-family</td>
</tr>
<tr>
<td>Industrial</td>
<td>Restaurant/Hospitality</td>
</tr>
<tr>
<td>Senior living</td>
<td>Federal (DOD)</td>
</tr>
<tr>
<td></td>
<td>Other/Miscellaneous Federal (non-DOD)</td>
</tr>
</tbody>
</table>

- **Proactively position and pursue**
- **Selectively pursue case-by-case**
- **Research, invest and grow**
- **Don’t pursue. Refer out.**
<table>
<thead>
<tr>
<th>Current Competitive Position</th>
<th>Market Strength (Projected 3-5 Year Demand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Strong K-12 (SC) • 125 projects, $2.6 NSR</td>
</tr>
<tr>
<td></td>
<td>Sports &amp; recreation • 39 projects, $1.0 NSR</td>
</tr>
<tr>
<td></td>
<td>Community/Civic • 20 projects, $1.6 NSR</td>
</tr>
<tr>
<td></td>
<td>Higher ed. • 112 projects, $1.6 NSR</td>
</tr>
<tr>
<td></td>
<td>Healthcare • 206 projects, $3.6 NSR</td>
</tr>
<tr>
<td></td>
<td>Industrial • 18 projects, $0.5 NSR</td>
</tr>
<tr>
<td>Low</td>
<td>Senior living • 22 projects, $0.8 NSR</td>
</tr>
<tr>
<td></td>
<td>Restaurant/Hospitality • 26 projects, $0.4 NSR</td>
</tr>
<tr>
<td></td>
<td>Airports • 2 projects, $0.2 NSR</td>
</tr>
<tr>
<td></td>
<td>Federal (DOD) • 0 projects, $0 NSR</td>
</tr>
<tr>
<td></td>
<td>Federal (non-DOD) • 0 projects, $0 NSR</td>
</tr>
<tr>
<td></td>
<td>Commercial • 70 projects, $0.5 NSR</td>
</tr>
<tr>
<td></td>
<td>Religious • 15 projects, $0.3 NSR</td>
</tr>
<tr>
<td></td>
<td>Other/Miscellaneous • 71 projects, $0.4 NSR</td>
</tr>
</tbody>
</table>

Note: NSR stands for Non-Standard Rate.
Questions?
Finish
• Strategic thinking is essential in today’s turbulent environment

• Strategic planning encourages strategic thinking, plus it creates a roadmap for your firm

• There are techniques and tools to make your plan dynamic and adaptable to the changing environment
Takeaways

“It is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change.”

Charles Darwin, *On the Origin of the Species*, 1859

“The illiterate of the 21st century will not be those who cannot read and write, but those who cannot learn, unlearn, and relearn.”

Final questions?
Strategic Thinking in Turbulent Times

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