

How to Build a Planning Firm for Long-Term Success

by Scott Cooper (Principal) and Bill Callaway (President, SWA Group)

During the last 40+ years, The SWA Group has become one of the leading planning, urban design, and landscape architecture firms in the US. Our successes—and our challenges—during those years offer some valuable lessons for other firms, large and small.

In particular, we have learned what it takes to build a planning and design firm to assure its long-term success. In addition to providing clients with the best possible designs at a fair price and in a timely manner, firms must focus on the Four Ps: People, Projects, the Public Sector, and Payment.

The Right People

Like any professional services company, planning firms are dependent on the motivation, commitment, skills, and creativity of their people. So, one key to building a firm is learning how to find, develop, and support those people.

Unfortunately, in recent years, the US has experienced a tight labor market in many sectors, particularly among highly skilled “knowledge workers.” For planning firms, that problem is compounded by the fact that the schools are simply not training enough new planners, partly because they are not attracting enough students. Planning schools are not glamorous, they are not highly endowed, and they don’t get much university money.

Because US schools don’t graduate enough skilled planners, firms face stiff competition when trying to find and hire younger new employees. So, SWA targets students long before they graduate. Some of our principals, for example, teach courses and serve on design juries at different universities. This gives them direct access to the best and the brightest, and it introduces planning students to SWA.

Our firm also maintains a project-oriented web-site that shows younger people the wide range of our work. The site has a special “Students Only” section that includes information about the firm’s international Summer Student Program which started 20 years ago and gives six young men and women direct exposure to the firm and on-the-job training on client projects, while also spreading good word-of-mouth information about SWA. In most years, SWA has hired one or two of these summer interns, like John Wong and Jim Lee, who are now principals with the firm.

Another strategy for finding skilled younger planners is to look beyond the US. SWA is tapping the world for talented staff. We have hired good people from Asia, Europe, and Latin America. Right now, we have planners from over a dozen different countries in our offices.

Finding skilled staff is one thing, hiring and keeping them is another. Convincing good people to join your firm starts, as always, with offering excellent professional opportunities, including competitive pay and benefits. While pay usually isn't the most important factor for talented people, they need to feel that they are being treated competitively and fairly. We routinely review surveys and market conditions to ensure that we do that.

Today's employees also weigh other factors before selecting a planning firm. Where an office is located, for example, is increasingly important, particularly to younger people. They want urban or outdoor amenities and ideally easy access to both. They also want a flexible work life with health and fitness opportunities.

But nothing is more important to attracting and retaining skilled planners than the work itself. Talented planners, particularly people starting their career, want a firm that does interesting and challenging projects and makes them an integral part of that work from the outset. Similarly, experienced planners, who have many opportunities in the profession, are most likely to stay at a firm where they get directly involved in challenging projects.

We have also structured the firm so that there is room for any experienced, talented person to become an associate or principal. Because of this approach, SWA has an unusually large principal group within our industry.

Given SWA's longstanding group practice philosophy, we assured early on that everyone at SWA shares in the ownership of the company. We are 100 percent owned by an employee stock ownership plan ("ESOP"). SWA has approximately 100 employees. Every one of them, from the receptionists to the principals, owns the stock, and no one individual holds more than 9 percent of the shares, which creates very widespread ownership and protects the firm and the employees from a dominant shareholder. An employee is fully vested in the ESOP after seven years, with partial vesting along the way.

An ESOP helps firms hold onto good people, particularly experienced employees. By owning a piece of the firm, employees feel that they contribute to (and benefit from) the company's growth.

An ESOP is also a valuable means of creating a mechanism for senior professionals to systematically be bought out of their ownership positions, which provides the foundation for a multi-generational firm. At SWA, 10 percent of the total payroll is contributed in cash to the ESOP. Not only do the younger planners know they have a chance to move up in the firm, they know that they can profit from its success.

We have built our group practice to attract and retain good people in many other significant ways as well. We have structured our decision-making bodies in collegial ways. While we vest final authority in our president to make sure that decisions do indeed get made, we also seek out consent and consensus on many issues. We have learned over time that business-oriented meetings sap people of their energy and enthusiasm. So, we structure our principal and other key meetings with a strong planning/project orientation.

While we are considered a sizable firm in our industry, we have established separate offices to maintain smaller studio environments that are conducive to interaction and creative thought. Each of our five offices is considered a team-based bonus practice. Team bonuses reflect the reality that, while there may be some exceptional team members who are rewarded accordingly, all team members contribute to an office's performance.

The Great Projects and the Good Projects

To survive, a planning firm must do a few great projects every year, projects that get into the press, get talked about by potential clients, and people remember. Otherwise, it will never catch the attention of high-profile public and private clients whose high-end projects will help the firm rise in the profession, and bring in more great projects.

What brings in the high-end work are the quality design projects the firm has already done and the connections the principals have forged with architectural firms, developers, cities, and public agencies that share similar ideas and are equally focused on excellence.

In Houston, for example, a meandering 19-mile stretch of Sims Bayou had regularly flooded the homes and small businesses near its sandy, eroding banks. Working with the Army Corps of Engineers, citizens groups, and government officials, SWA created a planning solution that eliminated flooding and transformed much-maligned Sims Bayou into an attractive greenway that protected the natural ecosystem and created usable open space for recreational opportunities.

Because of this project's success and the relationship that it forged between SWA and the Corps of Engineers, our firm was hired by the San Antonio River Oversight Committee in April 2000 to develop a Master Plan and Design Guidelines to reclaim and enhance the entire 13-mile-long stretch of the San Antonio River that flows within San Antonio's city limits.

Of course, a planning firm needs more than a few "great" projects. To prosper, it must also do many good projects every year, projects that don't have the cachet of high-end work but do bring in a steady income, provide important training for staff, and serve larger social and economic needs.

Getting a stream of good jobs requires getting the word out. Although most planners would simply like to focus on their professional work, they must communicate with prospects through face-to-face meetings, participate in different associations, and do direct mail and advertising.

Of critical importance, firms must realize that existing clients are a source of new work. A city or a major university will have "great projects" like master plans, art museums, and open space and parks. But they will also have lower-profile work—the "good" projects—including streets, parking lots, and minor buildings. By providing a high-quality service to these clients at all times, a firm can get a steady stream of their good projects, and a chance at the great opportunities that come along from time to time.

The Problematic Public Sector

The public sector often gives planning firms the most meaningful work like downtown or neighborhood redevelopment plans, civic plazas, parks, and community facilities like city halls and libraries. Unfortunately, that work often comes at a price.

First, public projects receive greater public scrutiny. Even the best public projects tend to be controversial in some way or another. That controversy can greatly increase the time required to plan and implement a job, which can do irreparable harm to the project budget and the planning firm's bottom line.

Second, because of the procurement process, it is very hard to get repeat business from a public sector client which must often spread projects around among a number of firms.

Third, the public sector is often unrealistic and inflexible about the project budget it sets and the work it wants done within those limited financial parameters. Basically, the client's expectations far exceed the reality of the financial constraints.

How can a planning firm overcome these public sector challenges? First, it must identify what kind of public work meets its goal for growth and fulfillment. Then, it must determine what kind of marketing programs, networking and communications activities, and contractual efforts to pursue. A firm must also realize that it will cost more to seek and get these jobs.

If the firm gets public sector work, the key to carrying out these projects is careful project management, so that the job meets client and community expectations. The, for example, firm must also involve the users in the planning process.

Finally, an essential part of a planner's job on a public sector project is education. Many of the people on the public sector side are not professionally trained planners. Often, they don't understand the fine points of real estate, finance, building typologies, and planning. They don't know what planners have learned from the past, and what new trends are forging the future. You've got to educate them—diplomatically, of course—so they have the knowledge to support and help create the best possible project.

In summary, public sector work does require an extra level of effort from planning firms, and sometimes the profits may not equal those in private projects. But the rewards come in other ways, including the chance to carry out a

MANAGING ECONOMIC CYCLES

Building a planning firm also means addressing outside forces over which you have no control, particularly economic cycles. Even upturns can be precarious.

In an upturn, the company can grow faster than its receipts, because it is hiring more people and increasing its payroll, but new revenues have not begun to flow in. If a firm is not careful, it can grow faster than its cash reserves can support.

The early stages of a downturn can be particularly dangerous. Ample receipts are still coming in for a brief time, masking the damage that is being done by having too large a payroll and other costs for the dwindling workload.

Because it is so difficult to forecast future economic conditions, it is important to have diversification strategies in place that will help the firm to weather all sorts of conditions. In SWA's case, our diversification strategies include private as well as public sector projects, institutional projects, planning as well as design work, and national and international projects. During good economic times, our marketing efforts are oriented towards achieving that diversity, so that we can weather poor economic conditions more successfully when they return, as they always do. It's particularly important to maintain an ongoing and systematic marketing program through the ups and downs of economic cycles, especially when the firm is overly busy during an upturn.

Our concern about downturns always affects how we hire people when things are going well. During an upturn, we are less aggressive than many firms in hiring planners and support staff. Our hope is always to hire people for the long-term. We approach growth systematically and cautiously. We also strive to maintain reasonable cost structures, so that we don't develop new fixed costs and liabilities that are difficult to unwind when bad times return. Watching your cost structure means having a comfortable, attractive, efficient office, rather than an opulent homage to the firm's greatness.

Sometimes, despite a firm's best efforts, it is necessary to let go of staff during hard economic times. This is the most difficult issue for any planner. No one teaches you at school that you must sometimes tell friends and associates that, for the survival of the practice, they must go.

Fortunately, a downturn can be successfully managed and the pain of staff reductions reduced if the firm prepares for this eventuality in advance. First, by actively monitoring the staff day-by-day, month-by-month, the firm will know how productive everyone is, who's necessary, and who isn't. Whenever a downturn strikes, it can prepare a plan of targeted staff reductions to be implemented without seriously harming the firm. By making staff reductions early in a downturn, those employees will have a better chance of finding work elsewhere.

One of SWA's most fundamental rules for weathering economic cycles is to strictly limit our bank financing to long-term capital expenditures: plant and equipment. We don't borrow to cover payroll or any other short-term expenses, except for every temporary year-end adjustments. If the economy goes into a downturn, we want to limit our financial problems to reducing variable costs instead of having to cope with the much bigger problem of large, fixed obligations that can jeopardize the company's survival.

high-profile project that serves an entire community and the opportunity to do a truly great project which, in turn, builds a firm's reputation and brings in other work.

The Art of Getting Paid

A century ago, planning was seen as a gentleman's occupation, not a profession. A gentleman did not ask to be paid enough for his work, or to be paid on time. A gentleman did not discuss money at all.

The times and the world have changed. Planners must talk about money, or they won't survive. Unfortunately, the schools don't teach students about the business side of planning. Thus, many planners don't know how to budget work or ask for payment, and that's a problem, because most planning firms require a high cash turnover every month, primarily for their payroll which is usually a planning company's largest cost.

So, to succeed over the long-term, the firm must establish sound project management business practices and policies to remain liquid.

First, the firm needs to establish the credit-worthiness of its clients. Who is the ultimate client? What is their source of payment? Is that source in place? How can all of this be confirmed independently? Will you need a retainer or letter of credit up front?

Second, planners must charge what their work is worth. Budgeting a project is both science and art. The science part involves sitting down and figuring out the many different job elements, breaking the project into its phases and tasks, determining the best people for each task, and then pricing the project out with a multiplier that covers salaries, firm expenses, and the unexpected that always happens on a project.

The art comes in the form of wisdom and intuition about how long things will really take. You can run the numbers all you want, but you must also rely on intuition. The younger the planning professional, the more they rely on the number crunching. The more experienced the professional, the more they can rely on their judgment.

Third, planners must get a sound, signed contract in place, one that tightly defines the scope of services, provides ample budget for those services, covers payment of "extra services," establishes the payment schedule, and protects the firm from unintended risks. Big or unusual contracts should be reviewed by an attorney.

Fourth, the firm must have an advanced, digitized timesheet/invoicing process in place to get its invoices out as quickly as possible. In our digitalized world, a planning firm has no excuse not having a quick, systematic approach in place.

Fifth, firms must respectfully and systematically follow up on non-payment in a business-like fashion. Account balance or "past due" notices should go out after 30 days, and work should stop if non-payment becomes large or extended. Planners, just like doctors and attorneys, are in the business of providing professional services. We're not in the business of helping to finance private or public ventures.

Above all, communicate with your clients on these and any other project matters in direct, straight forward ways, so that any misunderstandings are dispelled very early on in the project.

Stay With Your Strengths

The Four Ps are the foundation for a successful practice. To succeed over the long-term, a firm must also stick with it does best.

After SWA achieved early success in planning, urban design, and landscape architecture in the 1960s, the firm ventured into new service areas, including environmental consulting and a bit of engineering. Then the economy went into a downturn in the 1970s. We quickly learned that our most valued services—and the most recession-resistant ones—were those on which we had first built our reputation. We recognized that it's much easier to remain competitive in markets where you're considered one of the best at what you do, rather than trying to be all things to all clients.

Keeping it simple will help a planning firm stay with its strengths. Peter Drucker wrote that the best organizational structure is the simplest one that will do the job. What makes a firm's organization good are the problems that it does not create. The simpler the structure, the less that can go wrong.

Perhaps the simplest organizational structure for a planning firm is a project-based firm like SWA. To serve our clients, each project stands on its own, with its own staff and its own budget. The project manager—a senior planner or principal—has a direct relationship with the client.

We have purposefully organized our firm into its five studio-based offices to minimize bureaucracy and eliminate almost all hierarchy, except that between the senior professionals (principals) and the support people (associates and staff). Our professionals have a lot of autonomy in how they run their projects and their offices, which allows them to do their work without the frustration of a lot of bureaucratic constraints. Once the project budget is approved at the corporate level, for example, the project manager does not need to get authorization for job-related expenses. If the project manager needs to attend a meeting in Phoenix, he or she simply books the flight and goes.

Business functions should support the planning work, not lead it. Those firms that focus on the business rather than on the client projects soon lose their professional passion and commitment. Most of SWA's principals bill 100 percent of their time on professional work.

THE SWA GROUP

The SWA Group is a project-centered, studio-oriented group of planners, landscape architects, engineers, horticulturists, and other specialists dedicated to the creation of exemplary, beautiful, and innovative environments through land planning, urban design, and landscape architecture.

In 1957, leading landscape architects Hideo Sasaki and Peter Walker founded Sasaki Walker & Associates (SWA) on the principles of a collaborative practice, a strong belief in the Bauhaus principles, and social betterment through physical design, a philosophy that continues to this day. In 1958, Sasaki became chairman of Harvard's landscape architecture department and continued to do client work. This mix within the firm of academics and practice also continues to this day.

In 1959, Peter Walker established the firm's northern California office, which later moved to Sausalito, CA, now the firm's headquarters. In the 1960s, the firm worked on a wide variety of projects, from public housing and civic facilities to master-planned communities, including Irvine Ranch in Southern California. In 1972, the firm founded its international Summer Student Program. In the 1970s, the firm worked on several high-profile projects, including Woodbridge at Irvine Ranch. In 1974, Hideo Sasaki and Peter Walker ended their partnership. In 1975, Sasaki, Walker & Associates was renamed The SWA Group to reflect the firm's group practice orientation.

In the 1980s, the firm designed projects like Williams Square in Las Colinas, TX and it expanded internationally to work in Asia, Europe, and Latin America. By 1995, almost 40 percent of SWA's work was done outside the U.S. Currently, SWA's projects range from housing, to new towns, mixed-use projects, office buildings, entertainment centers, healthcare facilities, universities, ports and airports, resorts, and urban redevelopment. In the last 40+ years, SWA's work has received more than 390 awards and the firm has become one of the world's leading land planning, urban design, and landscape architecture firms.

At the same time, those firms that pay no attention to the business also run into trouble. So, to create the right structural balance, hire the skilled people whose only job is to oversee the business side of the firm.

This is another lesson that we learned in the 1970s. Through the help of one of our principals who had strong business experience, we were able to take the smart business steps to dig ourselves out of our difficulties and chart a course for sounder business practices. Since that time, we have employed a few key senior business, financial, and accounting people to oversee the business side of our practice. This has freed our professionals to focus on our key service offerings. The senior business people, in turn, maintain a stable of specialist consultants who help in such areas as finance, marketing, contracting, taxes, legal matters, information technology, and employee benefits.

Looking Ahead

From designing great projects to billing and networking, The SWA Group has learned a lot about the art and business of planning over the past 40+ years, including some things we should have done differently. Early on, for example, we encumbered SWA with too much debt that turned the 1970s into a period of survival for our firm. In the 1980s, we opened offices that we then had to close, because we thought in terms of geographic opportunities rather than in terms of locations where our senior professionals wanted to live and work.

Fortunately, we learned from our mistakes. And we learned from the many things we have done right. By carefully managing our business—while never forgetting a commitment to quality design—we have been able to create a firm that we are proud of, a firm that serves its clients and its professionals well, and a firm that is successful and profitable over the long-term.