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Developing a Fee Strategy Focused on Quality

by Richard N. Pollack, FAIA, FIIDA

All too often, I hear from architecture and design firms that they have taken a project for significantly less than what they anticipate their services and associated costs to be. One client recently told me that he dropped his proposed fee by 31 percent to get a project. The rationale is often couched in language such as, “We just want to get in the door with this client, and we’ll make it up on future projects with them for more appropriate fees.”

But using that as a justification merely serves to reinforce that designers do not make the hard choices to increase our worth and associated compensation. In the long run, taking a low fee project hurts the firm, and has an impact on the professional overall. If you accept a low fee for a first project, your client will expect a similar fee for future, comparable assignments. To reverse that approach, designers—entrusted with the health, safety, and welfare of the public in our work—must change the paradigm to be paid a fitting fee for creative solutions to client’s needs.

To ensure that you get appropriate fees that generate good profits and allow your staff to be properly compensated, the firm must establish a compensation philosophy with associated strategies and tactics. Two very different philosophies and strategies are: Take any project to generate revenue and keep staff busy and the doors open, or position the firm to only pursue the best projects and a particular client or project type.

I admit that when I founded my own firm my attitude was the former, but over time my philosophy changed. My colleagues and I realized that we only wanted to work for good clients and on interesting projects. The firm’s initial direction was to pursue most any project that we learned about through commercial real estate brokers. Therefore, we had no need for extensive market research or hiring subject-matter experts. It was also pretty boring; a quarter of our work was helping landlords secure new tenants for their buildings, and the remaining three quarters included administrative and back office space for clients such as financial institutions.

Eventually, I had an epiphany and made the decision to significantly up our game. The new strategy was to position the firm as an A-plus design studio competing with major firms for significant projects and clients. Tactics included pursuing tech companies, hiring more experienced staff, firing landlord clients, and raising hourly rates and fees. These tactics were developed in tandem to avoid ‘chicken and egg’ complications. For example, we worked hard to hire the best new professionals even though we did not have the extra cash. To

grow and redirect a business, money and time must be invested—it cannot be a minimal attempt doomed to failure.

Admittedly, it was hard to not run after all the typical types of projects we had previously done, but we added controls to avoid backsliding. We also developed a ‘Go/No Go’ policy that required a potential project’s in-house champion to fill out a business case that included the following criteria, which was then circulated to all the principals for concurrence:

- Is the project in sync with our firm’s philosophy?
- Is the competition appropriate for us, and are competing firms invited that we expect will submit a low-ball fee?
- Do we know the client and/or the client’s representative, and do we know that they ‘get us’ and our philosophy and approach?
- Do we know whether the client will select a firm based on qualifications rather than the lowest fee?

The key override was to concurrently raise our proposed fees for these bigger and better projects for higher-end clients. We accomplished that by:

- Updating and prominently highlighting our front-end programming strategy to be more in sync with a client’s value proposition and business drivers;
- Creating a graphic showing our fee as a percentage of a project’s total cost over a 7- or 10-year lease, usually only 0.5 percent!
- Upping the look and content of our proposals;
- Providing detailed fee projections showing how the fee was derived; and
- Dramatically improving our presentations through staff training and associated graphics (no PowerPoint!).

Using all of these tactics, the firm was able to obtain more sophisticated, higher-level design projects; have more projects in design magazines; raise staff capabilities; add staff and other office locations; and most to the point, raise fees and profits.

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