Fees and Profits: Making Money in Architecture - James P. Cramer, Hon AIA, Hon IIDA, Hon RAIA, CAE
ARCH 4802/8802 (CRN: 91862/91863)
Fridays, 10:10am – 12:05pm, D.M. Smith Room 207

This course is based on new research that is focused on making money in the profession of architecture. There are three sections included: 1. Architects compensation (how much money can architects make?), 2. Professional practice fees (how much are architects charging for services and why?), and 3. Profits and other critical metrics to support the delivery of design excellence. All sizes of firms will be studied. This will include the sharing of new metrics on the most successful small practices in America.

The class will examine new issues dealing with money and will focus on architects compensation, bonus, and benefits. In addition, case studies will look at what architects and related professionals earn in compensation over a lifetime. There will be case studies based on life-cycle and the level of responsibility from entry level to project manager, Vice President, Managing Partner, Executive Partner, President, and Chairman. All research data shared will be current through summer 2017. Worldwide case studies will also be shared. Additionally, this class will look at case studies of earnings of architects and how they are investing their income. The short view and the long view will be discussed.

Next, the course will explore the future of architecture and design. This will include Cramer’s 25 trends that are transforming the profession. Where will future success most likely be achieved? We will explore why management innovation matters in architecture practices along with an action agenda for creating evolutionary advantage. New principles will be discussed that have relevance to a profession not wanting to take part in obsolescence. The course will explore finance, operations, technology, and professional services from a management perspective and will explore the new value propositions that are being brought forward by leading firms of all sizes worldwide. The course will answer the question: How can CHANGE be a friend to the enterprising architect?

Seldom does good design happen without a firm also being well-managed. For this reason a substantial part of the course will be focused on how to set professional fees in each building segment and with different types of clients. Today, architects fees range from 2.8% of construction to over 22%. Each consideration will be studied. What do leading architects charge today and why? How much profit is normal in average firms and what are the top 20% of firms earning? How can an architect sustain being in the top 20%? Why is it important for architecture firms to earn 16% profit or more in order to succeed? How is this achieved? We will also study several actual contracts of leading firms in North America to show the establishment of fee policies and corresponding scope of work expectations.

Finally, this course will explore options for success. How is the profession getting stronger? Where are the vulnerabilities? What are the new shifts? How are architects establishing resilience for the future?

Bottom line? How to make money and achieve professional satisfaction all at the same time in the profession of architecture. This course will examine the differences between small practices, medium size practices, large practices and very large practices. We will explore construction management options and corporate design positions requiring architects as part of new and expanding job responsibilities. Actual case studies will be shared and students will write their own personal business plan.