

White Paper

Resetting the Horizon Line: The Ultimate Career Step For Marketing Professionals

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**The content in this White Paper applies primarily to
the following SMPS Domains of Practice:**

Domain 2: Strategic/Business/Marketing Planning

Domain 6: Marketing and Business Performance



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Executive Summary

Resetting the Horizon Line: the Ultimate Career Step for Marketing Professionals answers questions about how people become owners of design firms and what's expected of them if they do. Specifically, it addresses whether those who market design-professional services – that is, those who are not themselves licensed design professionals – can become owners if they want.

There are many others who have wondered how to become owners to whom this white paper would be useful: For example, those who fill such internal staff functions as accounting, human resources, legal, public relations, IT, and strategic planning. They are “outsiders” because they don't provide the particular professional service from which the firm makes its money, but they certainly help their firms to work smoothly, effectively, and profitably.

The white paper is organized around 10 questions about the business of design. Actually, it has two parts. In the first part, the reader learns that design firms are a special kind of business, and how they are legally set up and organized. In the second part, they hear from colleagues what it takes to become an owner and to succeed in that role.

The first part provides this information:

- How professional licensing is mandated, regulated, and enforced
- How the various states handle who gets licensed
- Why and when design professionals in practice became legally organized businesses, and what form their business took
- Whether states permit professional services firms to be owned by non-licensed individuals, and to what extent
- Under what circumstances design businesses are exempted from these restrictions
- Whether the way things are currently organized helps or hinders effective regulation and competition
- The various ways design firms are structured, and why
- The pros and cons of design firm ownership
- The extent and kind of risks assumed by a non-licensed design-firm owner
- Why some firms will never accept non-licensees as owners
- Why not all owners are equal

The second part provides these insights:

- How non-licensee industry leaders came to be owners
- What non-licensee owners typically do in their firms
- What specific knowledge and skills owners must have
- What key character traits an owner is expected to have
- How to gauge your own preparedness for an ownership/leadership role
- The importance of a potential owner's financial ability to buy in
- Why an invitation to ownership can be a wakeup call
- Key obstacles to becoming owners
- Whether to stay in a firm that doesn't offer ownership, if that's what you want
- Why being an owner is not for everyone
- How really close you may be to “the table” at which everyone aspires to sit

When you work in a professional services environment – especially in firms that pride themselves on being creative and innovative – anything can happen. In that spirit, the SMPS Foundation and the team behind this white paper have every expectation that you will take

advantage of this information and these business insights. Perhaps, as a result, you will be able to reset your own career's horizon line.

This white paper comes with a warning label: If this information convinces you to change your career path and/or the way you conduct the business of design, you will need to consult your state's licensing body and to proceed with a smart, specifically-informed legal advisor.

Introduction:

Can ... do ... should ... why would ... non-licensed individuals have ownership in a firm that provides professional services?

At every SMPS presentation I make, in nearly every office I visit, some marketing person asks me, “Why don’t they listen to me? What does it take to get to the table?”

“They,” of course, are the firm’s owners. “The table,” of course, is the closed-door policy meeting where the owners strategize about the future and formalize the policies of the business. “What does it take?” is the topic of this white paper.

Many marketers speak with deference about Diane Creel, SMPS’ eighth president and second Marketing Achievement Award recipient, who rose from marketing leader at CH2MHill to become president and CEO of Earth Tech, and then the leader at Ecovation (formerly AnAerobics), from which she will retire shortly to a ranch she’s bought in Texas. “She did it, why can’t I?” is their unspoken measure.

Diane Creel’s “it” — including prominence in the world outside the design professions — is especially noticeable because it is still uncommon for a marketing person to become a firm’s president and industry leader. But does her success indicate that everyone else’s career is stymied? As I considered all these questions, even more questions tailgated right behind them. For instance, aren’t there more marketer-owners in firms that provide design-professional services? The answer is simple in New York, where ownership of a professional services business is restricted by law to licensed professionals. But is that circumstance true for the rest of the United States, and to what extent? And what other obstacles are there to ownership?

This white paper was undertaken to determine why access seemed to be denied. Was it for legal reasons? Was it because of design-firm culture, egocentricity, lack of suitable candidates, or perhaps lack of respect for marketing’s role in the business and marketers along with it? If so, where did this start and how might it end?

The audience is intended to be the 7,000 members of the Society for Marketing Professional Services, which wisely and generously funded a Foundation that actively promotes recognition of professional services marketing as an essential element of the modern A/E/C business model — and thus enabled this research. No matter their status — neophyte, intermediate, senior — this white paper will offer surprises, affirmation, and support.

This information could also greatly serve the current owners and aspiring owners of design firms, as well as the associations and educational institutions whose purpose is to enable design professionals to thrive and serve our world with increasing effectiveness.

Attorney James E. Frankel, whom I introduce more fully a few paragraphs forward, indicates: “The owners of design firms need to understand in today’s world whether they are architects and engineers, or whether they are entrepreneurs who create a value for their clients by using architecture and engineering. Otherwise, despite all their marketing, design licensees and their firms face being commoditized. Non-licensees are brought into their firms to create exceptional value for their firms — and ignoring this also puts the firms and the non-licensees at risk of being commoditized. Nothing wrong, but you will have diminished impact.”

Certainly, we live in complicated times for firms that provide professional services. To name a few situations:¹

- Competition in a tightening economy
- A business environment beyond geographic limits, essentially without borders
- Ballooning project size
- A labor pool in short supply, exacerbated by a “leadership strain” as the Boomers start to retire
- An untethered new generation of professionals, making it difficult to train and retain staff (marketers and designers alike) because of their mobility
- Technical challenges that call for solutions and skill sets different from even five years ago
- The advent of integrated project delivery, a sea change in the way the design professions will relate to each other

But some things have become more complicated than they need to be. Firm ownership is one of them. So one purpose of the white paper is to explain how this has happened.

Barbara Rodriguez, Hon. AIA (she is an Honorary Member of the American Institute of Architects, as is Joan Capelin), was the key researcher for “Resetting the Horizon Line.” She has information not available to many people because of her long experience as AIA New York State’s Executive Director and then EVP/CEO from 1978 to 2006 – making her a crucial player in New York’s fight to broaden firm ownership. She helped create the encompassing question “Can .. do... should ... why would ... non-licensed individuals have ownership in a firm that provides licensed professional services?”

The paper reflects interviews with dozens of design firm owners, marketers, lobbyists, lawyers, association executives and leaders, an insurer, and management consultants. Their comments form much of the white paper, on the theory that it’s better to hear their insights unfiltered, so readers can come to their own conclusions.

¹ Information about these subjects and about the myriad other pressures on the professional services as a business is available through print and online publications such as these:

- AIArchitect.com, www.aia.org/aiarchitect, “news of America’s community of architects” from the American Institute of Architects
- CURT, www.CURT.org, regular reports from the Construction Users Roundtable
- Construction.com, www.construction.com, McGraw-Hill’s online source of information for construction companies
- *Design Intelligence*, www.di.net, the journal of the Design Futures Council
- *Engineering Inc.*, www.acec.org/publications/engineering, the magazine that features “thought provoking articles on the advocacy and business interests of the ACEC.”
- *Last Word*, www.acec.org/publications/lastword, “official and primary communications vehicle with member firms of the American Council of Engineering Companies.”
- Principal’s Report, www.ioma.com/issues/DPR, “a newsletter for the owners of professional firms. The editorial focus is on profitability and leadership, published by the Institute of Management and Administration.”
- RainToday.com, www.raintoday.com, online publication for service businesses
- *SMPS Marketer*, www.smeps.org/marketer, SMPS’s bimonthly magazine
- *The Futurist: Forecasts, Trends, and Ideas about the Future*, www.wfs.org/futurist, the magazine of the World Futures Society

Because so much of the white paper is legal in context, a half-dozen attorneys deemed to be expert in the business of the design professions provided content. Two senior partners of Arent Fox's Construction Practice Group – James Frankel, already quoted, and Andrew Ross – have reviewed the text, to be sure that it's a reliable guide. Many SMPS members know Jamie Frankel, because he has been general counsel to SMPS as well as, for 14 years, AIA New York Chapter.

The Arent Fox team has a passion for design professionals and their issues, and the people who make them successful, "including especially those who head up the marketing function within their firms." The further advantage is that Frankel and Ross are constantly at the center of their firm's A/E merger and acquisition practice, which inherently focuses on licensing issues involved in multi-national and multi-state purchases of professional services firms in the United States.

This white paper pertains only to the design professions, although many other business-based professions are also militating for ownership by non-licensees. When examples and comments seem solely about "architects" or "engineers," it is shorthand for the four licensed design professions directly affected: architecture, engineering, land surveying, and landscape architecture.

One last formatting point: Many people contributed to this paper, and a number appear more than once. The first time someone comes on stage, they are introduced with their affiliations and perhaps some other credentials. But after that first mention, please consult the Acknowledgments at the back of the white paper for their identity.

Ten specific questions guided the research and thus the structure of the white paper. If you have the inclination to become an owner, you might have these questions yourself. Even new owners could find the white paper useful, since many admitted they were unaware of the legal and organizational details of design firms when they were invited to become shareholders. This information will also enlighten non-licensees who are wondering whether to form or buy a firm that provides design services. Even if you have no inclination to become an owner, you will gain valuable insights into the professions. The 10 questions are:

1. What is licensure?
2. What is the difference between a general business corporation and a licensed professional services business?
3. Is licensure required for owners of professional services firms that practice in your state?
4. How are design firms structured?
5. Why would someone who is not a licensed professional want to become an owner of a professional services firm?
6. Who are non-licensee role models? What do they do?
7. What skills do you need to become an owner?
8. Why aren't more marketers owners?
9. What if you can't be an owner in the firm where you work or want to work?
10. Conclusion: How close *is* the horizon?

1. What is licensure?

In the United States and its legal jurisdictions, professional licensing is mandated, regulated, and enforced at the state level. Licensure is a state's way of protecting the public health, safety, and welfare, in that only a duly-licensed professional may provide that particular service.

A memo on "AIA Policy concerning corporate practice" dated December 1991, explained that "it is the individual practitioner who is licensed and not the firm or corporation. By preparing and signing the documents (*note: as well as sealing them, an odd omission for the Institute*), the licensee assumes professional responsibility for the architectural work."

Each state has – or doesn't have – statutes, laws, rules, regulations, and case law (court decisions) for the licensing of certain professions (such as architecture, engineering, accountancy, and pharmacy) and trades (such as barbers, contractors, and arborists). The term "law" that collectively describes these decisions includes and refers to any rule or principle that, if broken, subjects a party to criminal or civil liability (see New York State Education Law § 6512).

Different licensing laws and regulations also dictate how the professional services entity may legally provide services, how it may be structured in that state, how a firm from another state may practice in that state, and who may own a firm.

The warning label should also read: "These laws vary from state to state and continue to change."

The licensing body – the state entity that oversees who gets licensed and what constitutes that state's laws – will vary from state to state. For instance, it's the Illinois Department of Financial and Professional Regulation, the New York State Education Department, the Indiana Professional Licensing Agency, the Massachusetts Office of Consumer Affairs and Business Regulation, the Delaware Department of State, and the Colorado Department of Regulatory Agencies.

Licensure began early in the last century. But once licensure started, the states were able to classify the professions as a different business entity. That's the topic of the next section.

2. What is the difference between a general business corporation and a licensed professional services business?

Before states enacted licensing laws to regulate professions, architects, engineers, and other professionals could provide their services without demonstrating competency. And, before licensing laws, they were able to practice their professions as a general business corporation with no restriction on ownership.

General business corporations are still the legal form for the majority of mainstream businesses. The origin of the general business corporation arrangement goes back five centuries, to when the trading companies – not wishing to risk the fortunes of the individual owners – convinced the various legislatures to conjure up this separate entity. In that more protected way, people would feel encouraged to make an investment and carry on commerce.

It helps to remember that the design professions became formal entities only in the mid-1800s. No one interviewed has seen a published history, but to the best of their knowledge, when there was enough of a critical mass to form cities and an educated professional class, most businesses in the building design world were run by individuals or partnerships. In the early 1900s, some design professionals began to incorporate, possibly as some considered continuity for their enterprise, and possibly as others thought they would be taken more seriously if they were set up the same way as mainstream commercial businesses.

With the advent of licensing laws, many states continued to allow non-restricted ownership for general business corporations – and still do, to this day, so long as a licensed professional provides the professional services. By creating licensed and regulated businesses, the states could maintain their promise to protect the public health, safety, and welfare of their citizens. For instance, there would be no possibility of control over a professional services business by non-licensees who wouldn't have the public wellbeing at stake.

According to Attorney Andrew Ross, who focuses on the development and negotiation of contract documents and professional practice regulatory issues, “The states that do not permit non-licensed professionals to own A/E firms seem to focus on the following reasoning: One who is not licensed, but in a position of authority, should not have leverage over the design professional such that the design professional fears losing his job if a non-licensed professional insists on a change in the design that has an impact on the public safety, health, or welfare.”

From the professionals' standpoint, this legal structure safeguarded their profession against even the whiff of potential conflicts of interest, substandard work, and suspect business decisions. Plus, it also strengthened their associations' ethical codes and standards.

In fact – and it will come as a surprise to many, design professionals included – **most states today permit professional services firms to be owned either in whole or in part by non-licensed individuals.** Very few states mandate that only licensees may be owners, decision-makers, and CEOs. States may restrict non-licensed ownership to a percentage of the shares and/or the percentages and number of directors or officers. And, some states have no ownership restrictions.

New York State, perhaps alone in this category, does not allow the practice of a licensed profession or the ownership of a licensed professional firm to anyone who is not licensed or registered to practice that profession (*see the next section for the history of the legal challenge to this law in New York*).

To the best of our research, all states require that the architecture or engineering service be provided by a duly licensed resident architect or engineer, as an employee of the firm. Some require that the professional also sign the contract.

Among the arguments for broader ownership put forth by the various associations and individual professionals who have attempted to convince legislatures to change are the ability to innovate in the practice, ease of sale on exit or death of an owner (keeping the firm intact), improved retention and broadened base to include key employees, employee mobility, and a wider range of services at higher quality, delivered at lower cost and earning deservedly higher fees.

Although this white paper concentrates on design professions licensed by state laws, co-ownership of professional services firms by licensed professionals and non-licensees is an issue among other professions as well.

In summary, regulation is in the hands of the individual states, some more restrictive, some more open. The set-up may be clear cut to an attorney but not to the design professionals, and possibly even less to a non-licensee such as a marketer. As one architect (who is quoted here anonymously) wrote in response to our inquiry, which was posted on the AIA's State Government Network: "We (architects) live in lala land. We think we are regulating the practice of architecture. We are not ... Our academic and regulation models are ... centuries-old ... We think architects should be able to do whatever we want, but that others should follow restrictive rules of business and practice. ... The traditional method of having the drawings sealed by either the guy with his name on the door or the one registered in the jurisdiction runs counter to effective regulation. Ownership is an issue, but it is just one issue that we should try to come to grips with."

So far, we have addressed the reasons for licensure and licensed professional services businesses. The next section will make it clear whether you can specifically become an owner in the state where you are located.

3. Is licensure required for owners of professional design firms that practice in your state?

Ownership requirements vary from state to state, and range from simple to very complex laws, rules, and regulations. Information on ownership requirements is sometimes scattered over a number of statutes and other regulatory sources evolved over a period of time. It took weeks to find and validate this information, to be certain it is complete and up to date – which it was, to the best of our knowledge and ability, when this white paper was submitted (May 2008). Attorney Andrew Ross calls it "a dynamic lava flow." Despite all this digging, still readers are cautioned to contact their governing state body and/or legal counsel to understand and comply with a state's requirements.

To create the chart that appears later, two national surveys performed in 2007 are combined. One was done by the DC-based National Council of Architectural Registration Boards (NCARB), which prepares and administers the Architectural Registration Examination for all states and jurisdictions in the United States. The other is the product of the Clemson, SC-based National Council of Examiners for Engineering & Surveying (NCEES), which is the engineering counterpart to NCARB.

(The websites for NCARB, NCEES, and other reliable sources where you can find state laws, rules, and regulations appear in an appendix that also includes information about the organizations themselves.)

There are a few points to keep in mind. First, the NCARB and NCEES survey questions were worded differently though similarly. Secondly, people managing the various states' licensing boards provided the answers, sometimes leaving them blank. In any event, their responses to the surveys do not constitute legal interpretation of that state's licensing law.

**IS LICENSURE REQUIRED FOR OWNERS OF
THE ARCHITECTURE & ENGINEERING PROFESSIONAL DESIGN FIRMS
THAT PRACTICE IN YOUR STATE?**

Notes:

1. *This chart, compiled by the author's team, is based on information seized mostly from surveys done in 2007 by the National Council of Architectural Registration Boards (NCARB) and the National Council of Examiners for Engineering & Surveying (NCEES).*

2. *"N" means that the state has NO restrictions on firm ownership. "Y" means that, YES, the state restricts ownership to some percentage for licensed versus non-licensed people. This ownership percentage varies from state to state and perhaps also from one business structure to another – i.e., maybe no restriction for a general business corporation but ownership restrictions for a professional corporation. A dash (--) signals that neither NCARB nor NCEES had current information and that it is best for you to contact the pertinent licensing board.*

| STATE | ARCHITECT | ENGINEER | NOTES |
|----------------------|------------------|-----------------|---|
| Alaska | N | N | |
| Alabama | Y | Y | |
| Arizona | N | -- | |
| Arkansas | N | Y | E: One or more owners or principals must be licensed. |
| California | N | -- | |
| Colorado | N | N | |
| Connecticut | Y | Y | |
| District of Columbia | Y | -- | |
| Delaware | -- | N | |
| Florida | N | Y | E: Non-Florida Board of Professional Engineers (FBPE) licensees must have an equity interest; however, a Florida PE must be a principal officer of the business organization. |
| Georgia | N | N | |
| Guam | N | Y | E: One or more owners or principals must be licensed. |
| Hawaii | -- | -- | A: Contact Board. E: Person directly in charge of the professional work is licensed. |
| Iowa | N | N | |
| Idaho | N | N | |
| Illinois | Y | N | E. Owners need not be licensed – managing agent must be full time and licensed. |
| Indiana | Y | -- | |
| Kansas | N | Y | E: A corporate officer must be licensed in the state. |
| Kentucky | N | N | |

| | | | |
|-----------------------|-----|-----|--|
| Louisiana | Y | Y | E: An employee must be listed as the supervising professional. |
| Massachusetts | N | -- | |
| Maryland | N | N | |
| Maine | Y | N | |
| Michigan | N | Y | E: Two-thirds of the firm's principals must be licensed. |
| Minnesota | N | N | |
| Missouri | N | N | |
| Mississippi | Y | Y | A: Yes, architects and engineers only. E: One or more owners or principals must be licensed. |
| Montana | N | N | |
| Nebraska | N | N | |
| Nevada | Y | N | |
| New Hampshire | -- | N | A: Contact Board. |
| New Jersey | Y | -- | |
| New Mexico | -- | Y | A: No position. |
| New York | Y | Y | A & E: All owners must be licensed. |
| North Carolina | Y | Y | |
| North Dakota | Y | N | |
| North Mariana Islands | --- | Y | |
| Ohio | Y | N | |
| Oklahoma | Y | N | A: Yes, for professional corporations only. |
| Oregon | Y | -- | E: The responsible charge must be registered. |
| Pennsylvania | Y | Y | |
| Puerto Rico | --- | --- | |
| Rhode Island | Y | N | |
| South Carolina | N | -- | E: One or more owners or principals must be licensed. |
| South Dakota | N | N | |
| Tennessee | N | -- | |
| Texas | N | N | E: Owner is not required to be licensed, but firm must have at least one full time PE on staff. |
| Utah | N | -- | |
| Vermont | N | -- | E: This is done through the Corporate Division, not the Board of Engineering. |
| Virginia | Y | -- | E: Requirement varies, review Parts XIII, IX and X of the Board's regulations. |
| Washington | Y | N | E: The ownership must designate the engineer/land surveyor that is responsible. That person may be an officer or employee. |
| West Virginia | N | -- | E: One or more owners or principals must be licensed. |
| Wisconsin | N | -- | |
| Wyoming | N | N | |

Because it underscores everything about professional licensure and protection of the public through exclusive legal business forms presented in the opening sections of this white paper, here's a brief discussion of the situation of design professionals in New York State, which is among the most restrictive. How restrictive? Russell A. Davidson, AIA, president of Kaeyer Garment & Davidson of Mount Kisco and 2007 president of AIA New York State, provides this understatement: "New York has always held professionals to a higher standard than average business people."

New York State does not permit professional design services to be provided through a general business corporation (with the exception of the grandfathered corporation explained in the next section). It does permit these services to be provided through partnerships, joint ventures, professional corporations, and limited liability companies (often called LLCs) – but 100 percent of their ownership is allowed only to licensed professionals.

Almost two decades ago, the New York State component of the American Council of Engineering Companies (ACEC-NY) counterattacked, proposing legislation that would permit co-ownership between licensed design professionals and non-licensed individuals. The New York State Society for Professional Engineers (NYSSPE) and New York's land surveyors, architects, and landscape architects joined in support. Their argument has been that benefits of deregulation include better recruiting capabilities, employee motivation, and, above all, according to ACEC-NY's position paper, improved "vitality and competitiveness of New York's consulting engineering industry."²

Over the course of their lobbying, these like-minded organizations have lowered ownership percentages for equity for non-licensed owners. This approach was intended to assuage concerns among legislatures and the State Education Department that non-licensed owners would adversely affect professional judgment and decision-making – again, the argument about public health, safety, and welfare – or, as ACEC states, "potentially force licensed subordinates to breach the professional ethic for the sake of continued employment."³

Last year, the design community achieved New York Senate acceptance for the bill sponsored by Senator LaValle (S930) but the companion legislation brought forth by Assemblyman Canestrari (A2060) stopped there. This year (2008), once again, all involved are optimistic.

Meanwhile, according to an early 2008 article on interstate practice prepared for *Stamped, Sealed and Delivered*, a Travelers Insurance publication: "...in New York State, the courts have held that fees for work performed by an architect unlicensed in New York cannot be collected ... the entire contract becomes void, and all non-architectural fees are also forfeited."

Because some readers may know about or become participants in a design firm's Employee Stock Ownership Plan – commonly call an ESOP – here is where ESOPs fit in. They are a separate legal category of ownership established by federal legislation to extend ownership to a broad range of employees, licensed and non-licensed. This white paper doesn't address this employee benefit option – Google has many listings, including a reference to an ESOP Association, if you want further information – except to indicate that being an ESOP doesn't create any additional exceptions to this chart. And again, it's always best to check directly with

² American Council of Engineering Companies of New York. "Corporate Governance: The Issue of Deregulating Ownership in New York State." September 2007

³ Ibid

the licensing body of the state in question, particularly when the ESOP plans to start a new office or operate in jurisdictions where the state is more restrictive.

Wait, wait! This is not all the information you need to know about how the design professions are structured. In the next section, things become very pertinent, if you are considering becoming an owner. You will learn about the structure or organization of design firms. That, in turn, reflects the amount of protection that makes the current owners comfortable, the profit/loss tax features they seek, and how they see their company growing or changing ownership over time.

4. How are design firms structured?

Someone seeking ownership status needs to know not just what that state permits but also how the firm is set up legally. According to the “Legal Structure of Architecture Firms” posted on the AIA Best Practices website, contributors Peter Piven, FAIA and Bradford Perkins, FAIA, the authors of *Architect’s Essentials for Starting a Design Firm*, explain that:

An architecture firm’s legal structure is regulated by state laws. Generally, a firm may select the legal structure that best meets its business needs, but some states restrict the type of legal structure that a firm can assume ... such restrictions may be intended to make architects’ professional liability as transparent to the public as possible or to ensure that only licensed architects own and control architecture firms. Other states may rely on professional licensure acts to protect the public interest regarding professional liability and oversight and may be less restrictive regarding the legal structure of architecture firms.

Design firm legal structures range from a corporation (in states like California that have no restrictions on ownership), to a sole proprietorship, general partnership, joint venture, professional corporation (PCs), limited liability company and limited liability companies (LLC), limited liability partnership (LLP), and professional association (PA).

The details and reasons why owners would chose one legal structure over another appear at length in three places: the referenced Piven/Perkins book; the chapter “Firm Legal Structure” that attorney Philip R. Croessman contributed to *The Architect’s Handbook of Professional Practice*; and the “Design and Construction Entities and Licensing” chapter that attorneys and partners Michael DiChiara and Michael Zetlin wrote for *New York Construction Law*. (All are listed in the bibliography.)

All these constraints and complex formulas would appear to lock ownership in the hands of the professionals. However, skillful lawyers have come up with ownership alternatives acceptable in restrictive states.

Some firms create a holding company that is not a professional services firm, and the corporation in turn owns the professional firm(s) – though all the money funnels to the corporation. Karlsberger Companies of Columbus, Ohio, reports former SMPS National President Mitchel Levitt, is one example of a holding company; he is its president.

Gary Miller – a businessman who is the cochairman and CEO of Cannon Design in Grand Island, New York – explains that “The original Cannon office required a licensed professional to

be CEO. They created a holding company in part so that the senior leadership need not be a licensed engineer or professional. I was the first employee hired into the holding company. There are a number of legal entities, all of which operate under the name of Cannon Design.”

Cannon Design brings up another category: the grandfathered corporation. “Grandfathering” is when a business is exempt from new regulations.⁴ Cannon has one of these prized grandfather charters. When New York State enacted licensing laws for architects (1929) and engineers (1935), it included a grandfather clause in both laws: an exemption that allowed businesses already engaged in providing architectural or engineering services to continue operating under the previous laws (see New York State Education Law § 7209, Subsection 6 for architecture corporations and New York State Education Law, Title 8, Article 145 for engineering corporations). However, once licensure was enacted, all future businesses providing architectural or engineering services had to be 100 percent owned by licensed architects and engineers.

According to ACEC-NY, “approximately 100 engineering firms are currently registered as New York corporations that operate without ownership restrictions, and with a lack of personal liability on the part of their shareholders.” This is a popular position, but it has not been tested by the courts of New York State. These grandfathered corporations still must satisfy statutory requirements of the Education Law, there must be a chief engineer or architect at all times, and the corporation status must be refreshed regularly or it will lapse.

Zimmer Gunsul Frasca Architects in Portland, Oregon, provides another way to create owners, in this case in a firm that could open the partnership but prefers to restrict ownership only to licensed architects. The 14 architect/owners have made an exception for Robert Packard, who is ZGF’s senior managing partner. He is a trained planner and urban designer – design services that are not licensed in the State of Oregon. In addition, ZGF has senior people who are, as Packard explains, a number of non-equity principals in leadership roles with a stake in the firm; they are part of the management group. They are involved and engaged in decisions that relate not only to ongoing business but also in broader strategic issues.” (There is more information on Packard and ZGF on Page 19.)

Some design firms work out a phantom shareholder agreement as a way to grant the equivalent of ownership to non-professionals as a type of employment arrangement. These are, in effect, rights that are the equivalent of stock. Phantom interests don’t constitute ownership or partnership interests, but they arguably establish an owner equivalency. Attorneys caution, however, that phantom interests are considered a risky practice that could be challenged, should the firm ever get into a legal conflict or insurance claim.

⁴ Wikipedia has an extensive entry of historic and modern examples under “grandfather clause.” It explains: “A grandfather clause is an exemption that allows an old rule to continue to apply to some existing situations, when a new rule will apply to all future situations... Often, such a provision is used as a compromise, to effect new rules without upsetting a well-established logistical or political situation. This extends the idea of a rule not being retroactively applied.”

A grandfather charter is a fungible, valuable asset that can be listed on the corporate balance sheet and used collateral. Its worth is estimated to be between \$350,000 and \$600,000 on the current market, according to Jamie Frankel, who has provided legal advice with regard to the acquisition and disposition of grandfathered corporations.

To wade further into controversial waters, there is the situation of interior design firms, where the interior designers who are owners are not licensed; thus, their firm can operate as a general business corporation. Some, however, employ architects and provide those services. If this happens in a state that restricts ownership of a professional services firm, they may be considered illegal practitioners.

Any number of situations thicken this plot. What about ownership-restricted firms whose design work is done in, say, India by a separate, wholly-owned business corporation? What about publicly-traded firms that agglomerate professional services? What about design/build firms?

If this white paper continues to make a point, it's that there is no substitute for having a knowledgeable attorney advising on these legal issues.

In short, it's clear that, if a design firm that is restricted from creating non-licensed owners really wants to make someone a shareholder, this can be achieved somehow. But first you have to investigate the level of access available to you. Then again, if the chief concern of the state licensure bodies – and not a few design professionals themselves – is to protect against a non-professional's dictating design decisions, why would someone want to become an owner? That's the theme of the next section.

5. *Why would someone who is not a licensed design professional want to become an owner of a professional services firm?*

Licensed professionals are always personally liable in case of professional malpractice, a sobering fact of life. But what are the risks of design-firm ownership for a non-licensee, who would never be involved in the administration of professional services that affect public health, safety, or welfare?

Frank Musica, senior risk management attorney at Victor O. Schinnerer & Company, Inc., provides an answer about the legal exposure of non-licensees. Schinnerer, called VOSCO in the industry, is one of the design professions' major insurers. Musica is also a graduate architect who holds both an MBA (“this helps me to understand the marketing and management concerns of our policyholders”) and a JD.

“A professional liability policy is in the firm's name,” Musica clarifies, “and everyone in the firm is insured under that policy, whether they are licensed or not. Some insurance companies might offer more restrictive policies to lower the policy's cost.”

But there is some investment risk. Gary Miller explains what it's like at Cannon Design: “You won't necessarily become wealthy being an owner at Cannon Design. We are broadly owned. The value of stock is based upon the audited book value when you buy and sell. The shares lose value if the firm is not profitable. We are well-managed, however, and have only lost money one year in our history.”

George E. Christodoulo, a Boston attorney who does a brisk business in design-firm structuring, advises: rather than focus on risks and rewards, discuss instead the pros and cons of ownership. The pros include a share of the profits in addition to the higher income that goes

with more responsibility, as well as respect, importance, access to people and to records, and perks such as a car, more holiday time, more life insurance, and paid memberships.

HGA's Vice President, Director of Marketing, and shareholder Julie Luers appreciates that "When you become an officer, you have more authority to call the shots for your department or discipline. You can sign contracts." But there are also cons, as Luers makes clear: "There are financial rewards, because the bonus structure is very different. But in a bad year, you bonus the staff before the officers." Indeed, if there is a falloff in revenue, if a project has a problem, if there's a lawsuit against the firm, the value of the design firm's stock may drop, as well.

And ownership usually comes with strings attached. "For whom much is given, much is required," one source who knows his New Testament responded. In Kerry Harding's provocative *DesignIntelligence* article entitled "The Ownership Mirage," he asks "What new tasks and duties will they now have? Mandatory participation in one or more ... organizations? Business development quotas? Staff recruiting and mentoring?"

Although many firms work with their new owners on financing the stock or partnership interests purchase, including making favorable arrangements with the bank, Harding points out that, "...if there is one thing management consultants to the design professions agree on it's that prospective owners should feel that they are actually paying for a part of the company – that what they are getting actually has a definite financial value." And, there will possibly be "restrictive employment and confidentiality agreements, with non-compete, non-disclosure and other issues."

Management Consultant Hugh Hochberg, partner in The Coxe Group, cautions that "some firms don't want to have a wide base of ownership." One architect described his large firm as having such a limited ownership group, there "might at times be people who qualify but there wouldn't be room."

John R. Sorrenti, FAIA, is a past president of AIA New York State; he has also served on the AIA National Board and now is on NCARB's. Sorrenti, with architecture and MBA degrees, has three offices in New York and New Jersey. He has employed valued non-licensed individuals for many years, and he compensates them well, but not with ownership shares. "Why would a non-licensed professional want to have that burden?" he asks. "I can see how it would be useful to have a non-licensed professional, such as an accountant, in charge of the business side of a design firm, but only for a large firm, 100 or so, where you truly need senior executives to run the business. Why would they want equity ownership, because their equity would always be in jeopardy if the firm were sued?"

One last pertinent question: What rights do you have if you become a non-licensed owner? That depends on the size of the firm and the kind of stock or partnership interests you have. As one Oregon architect responded to our inquiry: "There is a big difference between ownership of corporate stock and being a director on the corporation's board of directors."

One lawyer pointed out that "It's a ticket into the game; it doesn't mean that you can play." George Christodoulo nails the issue: "Owning a share is not being in charge. GM doesn't call you up and ask about the color for the latest Malibu." Mitch Levitt sums it up: "Ownership is nothing more than a benefit."

Knowing these pros and cons, many non-licensees nonetheless want to become owners. So, the next section explains what one group of non-licensee owners does, how they became owners, and in some cases, how they view these pros and cons.

6. Who are non-licensee owner role models? What do they do?

Several of the non-licensee people interviewed for this white paper shared stories that were both interesting and relevant. Their career trajectories and current roles make them exemplars, and prove that marketing as a career path has yielded many great citizens of the design professions.

Peter Kienle, FSMPS, CPSM, SMPS' 2007 president, and chief marketing officer at McKim & Creed, P.A., is one of the six executives to run the company. The firm is a professional association comprised of just under 500 engineers, surveyors, and planners headquartered in Raleigh, NC, and located in 15 locations. An executive officer but not shareholder of the firm, which he joined in 2006, he has a BSBA and an MBA from Ohio State University, and previously served in marketing roles for Moody-Nolan Inc. and NBBJ.

"I thought I knew how firms work. I didn't," he admits. "Today I know all the financial stuff, like utilization rates. Now I appreciate that others have to bill more, to cover for me." As CMO, his job description is to know the trends, or lead them. "I'm not the marketing manager; I'm proactive. I get out there with the big picture and plan for the firm's future. 'CMO' is a title but not an entitlement."

Maxinne R. Leighton, Assoc. AIA, directs marketing at Beyer Blinder Belle, an architecture firm with offices in New York City and Washington, DC. Recipient of the 2008 Marketing Champion Award of SMPS-New York, Leighton is philosophical about the situation in New York State, which restricts ownership to licensed design professionals, and therefore excludes her: "In light of the restrictions of New York state laws and Beyer Blinder Belle's structure as a limited liability partnership, I have attained what is legally possible within our profession as a non-technical member of an architectural firm as the principal—business development and one of the administrative leaders at BBB. This has been accomplished not just through compensation but through the same autonomy, respect, and growth that would come with being a partner at Beyer Blinder Belle."

Mitchel R. Levitt, FSMPS, Assoc. AIA, 2001-2002 SMPS national president, and 2006 SMPS Marketing Achievement Award recipient, joined Karlsberger, located then only in Columbus, Ohio, as a healthcare planner in 1979. He was asked to formally take over the marketing of all Karlsberger services in 1982, in 1985 became the youngest shareholder ever, and in 1987 was named the youngest partner in the history of the firm.

Karlsberger is today a holding company with 4 offices and 165 people, and Mitch Levitt is its president and CEO. "It was their way to get me to stay," he feels. "Bob Karlsberger knew he had to put in place people smart enough to sustain the business," Levitt explains, "so people would buy him out when he was ready to retire. There were architects in the firm at the time that had serious problems with this."

Karlsberger has a closed corporation agreement between the different entities that gives Levitt control over the architectural practice even though he's not a registered architect. The newest

entity is Karlsberger Healthcare Consulting, which is a women-owned business with the women in that group holding most of the shares (Karlsberger Planning owns 10 percent).

Julie Luers, national SMPS president in 1996-1997 and 2003 SMPS Marketing Achievement Award recipient, has since 2000 been a shareholder as well as vice president and director of marketing at Hammel, Green & Abrahamson, Inc., headquartered in Minneapolis. HGA offers architecture, engineering, and interior design with 550 employees spread over 6 offices. It has been in business for 55 years. Luers came to HGA having already been a shareholder at TSP One, Inc.

Her experience in marketing and public relations goes back to the 1970s, much of it at Ellerbe. She works with both business development and marketing people. “My role is to think strategically and to bring new knowledge that’s a benefit to my colleagues,” she explains. “There’s a lot of freedom, and we are entrepreneurial. If you can write a good business plan for a new marketplace, there are generally no constraints. You can make market positioning changes.”

Cannon’s **Gary Miller** earned his bachelors and masters degrees in economics and finance in Washington State, worked for a bank, and then as facilities planner. Next he made econometric models for engineers so they could predict the need for facilities. From there he went to Morrison-Knudsen as corporate director of strategic planning and business development. Twenty-five years ago, he joined Cannon as Don Cannon’s assistant, to help him grow the firm from local and regional to a national firm. Sixteen years ago, Miller became Cannon’s CEO, and has grown it to 16 offices around the world, with 800 people and 150 officers, every one of them shareholders.

Miller leads and coordinates a high-performance executive leadership team that addresses broad operations, professional practice, marketing, and business matters, ensuring that all aspects of the firm are properly integrated and coordinated to achieve optimal results.

He says, “It’s not the easiest track, but it’s extremely fulfilling from the perspective that you have a unique skill that you can bring to bear to the others around you. I love being around bright, talented people. We provide wonderful buildings for society and improve the quality of life for so many people. I’d rather be working for a great design firm than producing a boring product.”

Robert Packard is the senior managing partner at Zimmer Gunsul Frasca Architects, a 500-person firm with 5 offices, providing architecture, urban design/planning, and interior design. He has also served as chair of AIA’s Large Firm Roundtable for the last six years. ZGF is owned by 15 partners; all but Packard are architects. However, his graduate degree in planning and urban design cast him in a positive professional light vis-à-vis the other firm leaders. “Our culture has made a design degree a key criterion in becoming a partner,” he confirms.

After receiving his graduate degree in 1976, Packard worked for the City of Portland Parks Bureau and for Portland Public Schools before he came to ZGF at age 28. As he became more involved in the front end of projects, he was offered the chance to lead marketing, a position he really wasn’t keen on until Management Consultant Weld Coxe encouraged him to accept.

As Norm Zimmer approached retirement, Packard was asked to take over his position as managing partner. At that time, however, a non-architect was not allowed an equity position in an architectural firm in Oregon. With acknowledgment from others in the profession that the

business of architecture was changing, Packard and Zimmer were invited to testify to the Oregon Legislature, to change these limiting ownership governances. “Norm often joked that if we had not been successful in changing the Oregon statute, I would have been the ‘managing partner in the closet.’”

2003-2004 SMPS national president, 2005 Marketing Achievement Award winner, and the indefatigable editor of SMPS' *Marketer* since 1998, **Randle Pollock**, FSMPS, joined Walter P Moore as principal and chief marketing officer after engagements at CRS, 3D/International, and Heery. Consulting engineers with a geographically broad practice based in Houston, Texas, Walter P Moore has been in business since 1931 and incorporated since 1966. There are 73 shareholders, all of whom have voting stock, with the largest number of shares possible (the president's) limited to 10 percent. In management, only Randy Pollock, the CFO who is a CPA, the director of training and organizational development, and the director of human resources are non-engineers.

These profiles beg the answer to the question why a design firm would benefit from having a non-licensee owner on its board. But what specific skills would you yourself need to be recognized as owner material? The next section answers that question and includes a document from Walter P Moore that could be exceptionally useful in gauging preparedness for an ownership/leadership role.

7. *What skills do you need to have to become an owner?*

Getting to “the table” isn’t just for the wanting. Owners are very particular and protective of their assets. Most of the larger firms have extensive explicit qualifications. Yet even design professionals who can lead a project successfully may not have the very different skill set required to run an office or firm. (Actually, why *are* licensed technical professionals with no business training considered a better ownership candidate than a non-licensed one who is proficient in the needed skills?)

The first part of this section is in a Q&A format, with the answers in the words of people who are owners. It is a rich checklist to use to assess your own circumstances and strengths. The second part presents two different firms’ policy statements on the attributes required for their senior people.

Do you understand the business of design?

- Mitch Levitt: “The best thing I did, much as I hated it, was to serve as COO of Karlsberger. This forced me to learn the business. It’s one thing to market people and talent, but another to understand the business of architecture. You have to be good at what you do, and at what everyone else does. You can’t be in your own cocoon.”
- Janet Martin, president, Communication Arts: “You’re at a disadvantage if you don’t understand the business. How can you become a partner? How can you protect all interests?”
- Gary Miller: “Most architects don’t go to school to become business people. They have a passion for design or the arts, and this is a way to use their creative juices to earn a livelihood. Then again, that’s why I love this industry.”

- Judith Nitsch, P.E., president, Nitsch Engineering: “In order to run a good business, people have to know more than their particular responsibility. If you know how the firm runs, you’ll be a better professional for your firm.”

Are the partners open to the skills you bring, if you’re not a design professional?

- Joseph E. Brown, president and CEO of EDAW: “In the old EDAW, when it was still internally owned,⁵ anyone in a critical position as a principal would be an owner: HR, finance, general management – anyone who helped the firm achieve its goals. They weren’t the majority but a strong minority is important.”
- Hugh Hochberg: “Firms don’t like to train people in their strategy, because what if they leave? Well, what if you don’t train them?”
- Janet Martin: “Most creatives don’t want to think of this as a business. But that’s changing because of the blurring of lines between the professions. And there’s also the fact that the clients want quick creative answers, so running the business itself gets more creative.”
- Gary Miller: “The road for a non-architect or a non-engineer is more difficult than in some other businesses, because most people go into architecture or engineering because they love design. Most design firms wouldn’t necessarily think of bringing in a businessman.”
- Bob Packard: “Today’s range of issues requires 360-degree coverage. The point is not to be afraid of identifying individuals who help you complete your view of the issues facing a design firm.”

What are the important skills you need?

- Julie Luers: “You have to think strategically. Bring new knowledge that’s a benefit to your colleagues.”
- Laurin McCracken, FSMPS, CMO of Jacobs Carter & Burgess, 1997 recipient of the SMPS Marketing Achievement Award: “Learn how to read the financial sheet.”
- Bob Packard: “Interpersonal skills and communication ... those become very important.”

Do you have the fortitude and character to lead a firm?

- Walter Hunt, Jr., FAIA, vice chairman, Gensler: “You are not elevated to principal at Gensler unless you’re making a real contribution and continue to grow within the firm and the community.”
- Bob Packard: “On top of talent are layered the soft issues: emotional IQ, maturity, strategic thinking. They are not a given.”
- Washington State’s Board of Accountancy form for “Registration for Non-licensee CPA Firm Owner”: “You must meet Washington’s good character requirement. Good character is generally defined as a personal history free of felonious or dishonest acts.”
- Peter Kienle: “Listen about what the company needs. Get your hand up and do it. That’s how you are going to get ahead. Know the trends. And bridge to other people and generations.”
- Laurin McCracken: “(They need) smart people that can keep all the balls in the air all the time, and are willing to work long hours.”

Do you have the wherewithal to purchase shares? Money is a whole other discussion, but no discussion of firm ownership is complete without it. Peter Piven and William Mandel spell out the situation in *Architects’ Essentials of Ownership Transition*: “Firms whose principals are contemplating ownership transition are sometimes faced with the problem that the high value of

⁵ AECOM purchased EDAW in late 2005. See the November 22, 2005 item “AECOM to Buy Planner EDAW” on Construction.com.

the firm based on the firm's net worth leads to a high purchase price for the buyer – a price that is unaffordable without assistance of some kind.”

There are a variety of ways to acquire shares:

- Cash, which the purchaser funds from his personal funds or through a personal loan.
- Vesting, where the firm permits the new partner to buy the shares at an agreed-upon speed – also number or percentage of shares – over a period of time, usually paid for by the new partner's commensurate portion of the profits. The purchaser is required to pay taxes on the profit distribution and to put the balance – sometimes, plus – toward the vested ownership. Of course, the purchaser is obliged to fulfill the transaction.
- Assistance from the firm through a bonus, same tax scenario and obligation to purchase as above.
- Assistance from the firm through the firm's arranging a favorable loan from its bank or guaranteeing a bank loan.
- A flat-out gift from the firm, a rarer situation that happens when the firm is anxious to retain a particular employee who for some reason does not have the discretionary funds to buy in. The recipient is, nonetheless, obliged to pay gift taxes.

Both the seller of shares and the buyer need to have a skilled attorney and accountant available to them. Despite the finer points of this unavoidable step, nearly all the people interviewed about ownership who could become owners took the step. One fictional account from *The ZweigLetter*, the last example below, is less sanguine.

- Julie Luers: “They look at your level of experience and capabilities when they determine shares. Then get as many shares as offered one time a year.”
- Randy Pollock: “You need to have what we call ‘skin in the game’ to have an impact. As the company transitioned from one generation of leadership to another, there was a feeling that they wanted a wider distribution of ownership, and to avoid the serious problems when one generation of owners gets ready to sell and no one is in place to buy their stock.”
- George Christodoulo: “I personally would buy all the shares I could, especially since they are basically financed for you. How can you raise, without chips in the game?”
- “When the wish comes true” from an April 7, 2008 fictional story in *The ZweigLetter*. “Yes – she would earn more than she had as a senior associate. But all of that additional income (and then some) was going to flow right back into the firm in the form of her stock payment ... and that payment was going to have to be made for the next 15 years ... She would also have to sign personally as a guarantor of the firm's line of credit.”

Randy Pollock provided a list of the qualities that Walter P Moore has identified for its owners. They appear in “Company Title Qualifications” and other documents that lay out the career path from associate to senior associate, principal, senior principal, and president: the more involved and responsible the person is, the higher the needle on the proficiency gauge. Here are the fundamental attributes for the top senior positions:

- Personal impact on company success
- Industry respect and credibility
- Unquestioned loyalty and dedication to the firm
- Leadership in and out of the company
- Commitment to core values
- Growth of staff

- Superior team member
- Positive attitude and external image
- Financial commitment
- Participation in a “culture of reinvestment”
- Participation in financial sacrifice, if needed
- Minimum service: 9 years with Walter P Moore
- Appropriate degree and license

Cannon has its own list, which Gary Miller provides: “We expect our people to be very knowledgeable about the firm and to participate and help implement the firm’s Vision and Goals. We also expect them to live and promote our values of honesty, integrity, fairness, courage, collaboration, caring, and respect. And they must put the interest of the firm first. They need to help grow the organization, and to be humble leaders. Our people are empowered to do great things on behalf of the firm, as long as they live our values.”

This is a powerful measure of talent, fortitude, professionalism – and heart. Some people, seeing such a list, might determine that they are not ready for ownership. Our interviews found plenty of people who started on an ownership path and then branched off. George Christodoulo, who routinely explains ownership to the people eligible for stock purchase in a client’s design firm, reports that there are always people who say, ‘No thank you.’

Judy Nitsch relates that “Sometimes inviting people to be an owner is enough of a wakeup call for them to evaluate their long-term career goals. But be fair. Make it clear that, if they decide not to, it doesn’t mean you expect them to leave. Learning this the hard way also taught me that you have to market ownership internally.”

Let’s say that all systems are go: the state’s licensure laws work in your favor, you can breach your firm’s current corporate structure, you don’t mind a little financial risk, your command of the design business is laudable, and there are ways to support your buy-in. What else stands in your way? The answers are in the next section.

8. *Why aren’t more marketers owners?*

A heart-to-heart discussion with George Christodoulo about perceived obstacles to non-licensees’ becoming owners elicited his comment that, “Interestingly enough, only in the largest firms – upwards of 700 people – do you see marketing people owning stock. Firms of 150 people will have a dozen owners, including a CFO and COO, but not marketing.”

“Maybe it has something to do with institutionalizing the office, legitimizing the discipline, getting marketing on the organization chart like the in-house lawyer,” he adds.

Size of firm might indeed have something to do with the reason so few marketing people are design-firm owners. As it turns out, the people profiled in the section on role models (Question 6) are all in larger firms. Most large firms want and need to grow, to connect the electricity of doing challenging design projects with motivating and retaining a team of designers.

Another issue is an ambivalent attitude toward marketing and marketers on the part of the licensed-professional owners, who consign marketers to what Pete Kienle calls “second-class

citizenship.” The Coxe Group’s Hugh Hochberg holds that, no matter their legal structure, “(most design firms) still operate as a partnership; that’s the pivotal thing.”

Lack of knowledge of the business and lack of leadership skills top the list of problems for owners. Janet Martin, as a non-licensee partner at Communication Arts in Boulder, relates that, “What’s lacking on the marketing side of it, I’ve heard forever and ever, is that they’ve brought in this work but they don’t know how to lead the business.”

Is that just a convenient excuse? Peter Piven responds, drawing on his years in-house at CRS and then GBQC, and since then with the Coxe Group. “I’ve never encountered a situation where a firm that wanted to elevate key people that were not licensed in a way to permit ownership, didn’t do so,” he observes. “It takes for the most part a hierarchy where non-licensees have a route to the top. But people in control may not want non-licensed people to join the ownership group. ‘This is an architecture firm, and we want to owners to be architects, end of story.’”

Freidrich “Friedl” Bohm comments on this issue from the chairman’s perspective. Bohm, who helped NBBJ build itself into one of the largest American design firms, is now founder of White Oak Partners, a private equity investment firm concentrating on environmental issues. He raises the important point that the design schools traditionally have been set up as silos – namely, by departments – and that, as soon as the shift to a broader, inter-related design organization becomes universal, things will change.

“Design firms have a tough time understanding the value of integrating other kinds of people,” he observes. “I have always believed in having diversity. The more open you are to a variety of talent and expertise, the more successful you’ll be. This starts at the university level, and we are seeing more of it now.”

The problem seems to lie partially in marketing’s lack of credibility as well as in the absence of role models. But marketers themselves are ambivalent, in their case about getting into ownership and leadership. Christodoulo observes that “They just don’t push hard enough. They are not financially oriented, and are as uninformed about ownership as the rank and file. Certainly, they don’t know it’s available to them.” Bohm seconds that: “I just don’t see marketers stepping up and becoming leaders.” And Packard relates candidly, “I don’t have a lot of people breaking down the door wanting to be managing partner.”

Perhaps SMPS and the marketers it is shaping need to hear the message about this perceived lack of access and success. Hochberg makes the point very directly: “SMPS’ tangent is unfortunate; it elevates the perception of the marketing role. Do these people have strategic insight? Do they have a presence with new clients and sectors? Do they influence the direction of the firm? They are often good when the market is good, but not good in retreat. And they show themselves as orchestrators, not leaders. They don’t see that their firm needs leadership, and that they are not contributing to it. If they were truly strategic, they wouldn’t be blocked.”

As if to make the point about standing up to be counted, the ACEC-NY’s lobbying document about the “Corporate Practice of Design Professions” specifically neglects to include marketing in its list of important positions worthy of equity. It reads: “If enacted, design professional firms would be allowed to offer key personnel such as business managers, human resource managers or computer information and other specialists an equity interest in the firm.” “Other” does not resonate as an attractive career path.

At least the obstacles are clear: negative or uninformed perception inside and outside about marketing, lack of training and experience in business and the business of design, ignorance of (or concerns about) the opportunities that lie ahead. But what if you feel you are ready to take on any obstacles, because ownership does matter – yet your current or proposed situation doesn't have that possibility? That's for the next section to resolve, including a remarkable discussion with Craig Park, CMO at Leo A Daly.

9. *What if you can't be an owner in the firm where you work or want to work?*

Nothing in life is inevitable. Along a career's continuum, there are opportunities you recognize and embrace or deny. Sometimes the way to the ownership position you covet is under construction or the bridge washes out.

If you've read this far, it should be clear that, if you plan to advance to ownership in a particular design-professional office, you need to know whether:

- The culture and structure of the firm are viable.
- The age of the owners and their generation are a good match to yours.
- The business model looks forward or backward – that is, are their practices the way they have always been – as they are first becoming in this century.
- The state's requirements work to your advantage.
- Your achievements in the industry and for particular companies combine to put you in the path of leadership and ownership.
- Your entrepreneurial spirit and ability to effect change are welcome.

Mitch Levitt offers this perspective: “Realistically, to be successful in what we do, you have to take a risk. One of those risks may be that you have to get a different employer.”

Laurin McCracken, AIA, FSMPS, has long been way ahead of the curve in the industry – in fact, he saw design as a global enterprise and went to Japan before most people considered work in the Pacific Rim. Here's his observation about how to approach getting the position you merit, assuming that you have a solid understanding of business, not just the design business: “These business questions are asked generally today. But when I was first called in for an interview and I asked to see the firm's financial statement, the answer was ‘Why would you want to see it? It's private.’ And that revealed to me that it was probably not a very good one.”

Cutting to the chase, engineering business founder Judy Nitsch states: “If they are backwards about ownership, they are probably backwards about other things.”

“I know what it's like to start out and get no respect,” recalls Randy Pollock. “There are tons of companies that *do* get it, that do treat people well and offer ownership, recognize responsibility, achievement, and leadership.” Watch his closing observation, however: “But, maybe some people just shouldn't be owners.”

And what if there is zero chance to become an owner? What if you are invited to become the CMO in a firm with two brands, 1200 on staff, offices in 18 cities ... that is entirely owned by one person? Is life over, if you are ambitious and innovative? It's time to focus on Craig Park, FSMPS and 2007 SMPS Marketing Achievement Award recipient. An architect by training, he is

vice president and CMO of Leo A Daly of Omaha, which is owned entirely by Leo A Daly, III, FAIA, its chairman, president, and CEO.

The Daly organization has a corporate executive team that includes a CFO, CMO, CIO, corporate director of human resources, another for salaries and benefits, a corporate counsel, and a director of corporate public relations. They are empowered, well compensated, and for the most part long-employed by the company. “This disproves that you must have equity to have a high-functioning professional services firm,” Park observes.

He credits his earlier experience running an office as crucial to his career; “It changed me from being a really good project manager into a really good business developer and marketer.”

“If marketers think strategically, and prove that they can deliver a better future,” he feels “they should be at the table.” And, he explains, “a CMO is all about competitive positioning and acquisition analysis – in case you think it’s easy to keep on the Top 10 Firms list.”

Self-described as the Company’s marketing and business development strategist, Park has started a program to spot what are non-traditional services “upstream” that they should be developing to better serve their clients. “I’m asking, ‘What’s the DNA of the folks that deliver it? Do we have those folks in-house?’”

This kind of strategizing is in the air at any number of design firms – HOK, Gensler, Rockwell, among them. “We’re making the horizon line move. This is an industry built on growth; it’s not just backfill. It’s all about new building types, new infrastructure needs, and the changing dynamics in the communities we serve,” says Park. “If you do only one building type, you’ll be okay for a while. But eventually, you’ll need to change.” He sounds just like you’d expect an owner to sound, wouldn’t you say?

10. *How close is the horizon line?*

This white paper has at its heart the concern that the people who have chosen marketing as their way to be part of the design professions have yet to become the leaders and, thus, owners that their passion, training, and experience might merit. They see obstacles, not opportunities.

The path is complex – past state regulations, a tradition of exclusion, lack of role models, and lack of awareness of their own and their profession’s potential. In sum, the factual side of this white paper.

But non-licensees who have had the foresight or defiance to ask their firms, “Why aren’t I at the table?” have already navigated that path. Ask pioneers Diane Creel, Pete Kienle, Maxinne Leighton, Mitch Levitt, Julie Luers, Gary Miller, Bob Packard, Craig Park, and Randy Pollock. They’ve proved that it can be done, although there is no pat formula. What a long list of courageous, smart people -- all of them leaders, and no small coincidence that six of them have been SMPS national presidents.

By the same token, the licensed professionals who own the design firms need to have the right people on the right bus. They need to be as aware of hiring the right person for the marketing position as for the financial, operations, IT, HR/benefits, and corporate counsel positions. They need to invest as much in identifying, hiring, training, and retaining them as they do in their

professional staff. And everyone needs to be committed to “make the same movie,” as the phrase goes.

It's my opinion that the Society for Marketing Professional Services needs to get on that bus, too – making sure that its members aren't just prepared to write proposals, but also to do research, learn the business of design, and become adept at leadership. That way, marketing people are prepared to steer their firms in the most exciting and profitable direction, and to taken their place in the management group.

As I close the white paper and give you my perspective on the issues raised, two questions remain unanswered. The first is: How do you yourself get to “the table”? Let me introduce, even at this late point, Jim Lukaszewski, a public relations consultant and colleague who has just written a book entitled, *Why Should the Boss Listen to You: The Seven Disciplines of the Trusted Strategic Advisor*. It is a remarkable personal coaching tool.

Read how Jim Lukaszewski answers the question about access to “the table”: “Lucky for you, the ‘table’ everyone talks about getting to (and at which every top operating executive actually dreads being) is a myth ... Significant progress and the crystallization of leadership aspirations are usually the work of trusted individual advisors interacting with a leader or leadership group within an organization and having a constructive, measurable impact. This is because, if you are one of these trusted individuals, you are the table. You bring the table with you. When you are in the room, the table is full.”

After that splash-of-cold-water insight, only one last question remains, and that one pertains to this white paper's title, “Resetting the Horizon Line: The Ultimate Career Step for Marketing Professionals.” That question is: Just where *is* the horizon line? Doubtful that it's trapped in some bureaucratic office. Doubtful it has hunkered down in some business-as-usual meeting, in firms that persist in practicing in the 20th century.

Rather, because it is dynamic and radiant, the horizon is constantly moving. It is constantly being rediscovered, always someplace else. It could be a lot closer than you thought, at the same time that it is ever further out, just beyond reach.

In short: the horizon line is wherever you want it to be.

A handwritten signature in black ink, appearing to read "Joan Capelin", with a long horizontal flourish extending to the right.

Joan Capelin, FSMPS
Hon. AIA, Fellow PRSA
President, Capelin Communications

New York City
May 5, 2008

One last time: The reader who is inclined to take action on the legal issues discussed throughout these pages should consult counsel with reference to the interpretation of the content.

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“...a rich collection of principles, anecdotes, and wisdom achieved from three pioneering decades of public relations. A shorter version of the book appeared under the title Principles for Principals, in a limited edition to benefit the Society for Marketing Professional Services.”

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“It is cold comfort to realize that all the professions are experiencing this race to the bottom. We tend not to see the effects of commoditization – nor even feel sympathetic – when lawyers, accountants, and management consultants find they are being squeezed for lower fees by their marketplace. They are far more rewarded for their time, to begin with. But I can tell you there is much hand-wringing going on across all the business-based professions.”

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“...there is a whole side to transition that needs attention. Ignoring it could have huge consequences for your money and the outlook of your firm.”

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The CMO Council is a private, non-profit organization dedicated to high-level knowledge exchange, thought leadership and personal relationship building among senior marketing and brand decision-makers.

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Appendix

Sources for state laws, rules and regulations about licensing requirements, by profession

This information expands on the chart that begins on Page 11 about whether licensure is required for owners of professional design firms in any particular state. For the most current information, you can use these sources to be directed to the governing state office.

| <u>Profession</u> | <u>Licensing Requirements</u> |
|-------------------------|---|
| Architecture | http://www.ncarb.org/stateboards/index.html http://www.aia.org/ (Member Only access to licensing boards, unfortunately) |
| Engineering & Surveying | http://www.ncees.org/licensure/licensing_boards/ http://www.nspe.org/index.html http://www.lsrp.com/statinfo.html |
| Landscape Architecture | http://www.clarb.org/documents/BDroster.pdf http://www.asla.org/membersonly/Government_Affairs/imgmap.htm |
| Construction WebLinks | http://www.constructionweblinks.com/ → Industry Topics |

Information about the organizations

- The **National Council of Architectural Registration Boards (NCARB)** works with its Member Licensing Boards to develop and recommend standards for architectural registration and the practice of architecture and to develop and administer the Architectural Registration Examination (A.R.E.) throughout the United States. See: <http://www.ncarb.org>
- The **American Institute of Architects (AIA)** is the national membership organization of many of the licensed architects in the United States. See: <http://www.aia.org>
- The **National Council of Examiners for Engineering and Surveying (NCEES)** works with its Member Licensing Boards to develop, score, and administer the examinations used for engineering and surveying licensure throughout the United States. See <http://www.ncees.org>
- The **National Society of Professional Engineers (NSPE)** is the national membership organization of individual licensed engineers. See <http://www.nspe.org>
- The **American Council of Engineering Companies (ACEC)** is the national organization of private consulting engineering firms. See <http://www.acec.org>
- The **Land Surveying Rules & Regulations (LSRP)** provides reference materials that are useful in the practice of Land Surveying. See <http://www.lsrp.com>

- The **Council of Landscape Architectural Registration Boards (CLARB)** works with its Member Licensing Boards to establish standards for education, experience and examination required for the professional licensure of landscape architects. See <http://www.clarb.org>
- The **American Society of Landscape Architects (ASLA)** is the national membership organization of landscape architects in the United States. See <http://www.asla.org>
- **Construction WebLinks** is published by THELEN, Thelen Reid Brown Raysman & Steiner, LLP, a law firm serving the construction industry. See <http://www.constructionweblinks.com>

Biography of the Author: Joan Capelin, FSMPS, Hon. AIA, Fellow PRSA



Joan Capelin receives the 1990 SMPS Marketing Achievement Award

As the result of her work in professional services marketing and public relations, Joan Capelin has created a body of knowledge, set the standards, and set the pace that transformed the design and building industry's ability to market and communicate effectively. She established Capelin Communications in New York City 27 years ago, after first working in-house for A/E/P companies. One of the best-known names in strategy and in public relations for professional services today, Capelin is a consultant, strategist, and coach with a long history of guiding professionals and their associations.

Capelin's 2004 book, *Principles for Principals* – first published by SMPS – was so well received that, within months of its release (and exhausted print run), the Ostberg Library of Design & Management published an expanded trade version as *Communication By Design*. She has been the subject of profiles – including one in the December 2006 *SMPS Marketer* – and she has generated hundreds of wide-ranging articles, reports, speeches, and lectures that contribute to the body of critical knowledge on communications in professional services. She is, in addition, the “Compelling Communications” columnist for *Marketer*.

The third recipient of the SMPS Marketing Achievement Award and the first for work in public relations (1990), Joan Capelin was later named to the first class of SMPS Fellows by acclaim. One of SMPS' earliest supporters and a New York chapter founder, she has twice authored the chapters on publicity in SMPS's marketing handbook. Past president of Women Executives in Public Relations and active member of the Public Relations Society of America, she helped found PRSA's Professional Services Section and served as 1999 Chairman of the PRSA College of Fellows. She was also named an Honorary Member of the American Institute of Architects.

Joan Capelin received a BA from Wellesley College. She also has an MA from Middlebury College Graduate School in Paris, where she studied on a Fulbright scholarship.

Biography of the Researcher: Barbara J. Rodriguez, Hon. AIA



Barbara Rodriguez is one of the most respected and sharp-eyed political hands among the American Institute of Architects (AIA) component executives and the AIA SGN (State Government Network).

As AIA New York State's executive director (from 1978 to 1989) and executive vice president/CEO (from 1989 to 2006), Rodriguez was a relentless advocate for the architectural profession's agenda, representing the AIA New York State chapter before allied organizations to advance and protect the interests of the architectural profession and to ensure the public's health, safety, and welfare in the built environment.

Rodriguez is Honorary AIA – one of 11 recipients in 1989 – and was named Executive of the Year in 1996 by the Council of Architectural Component Executives. She was also the Empire State Society of Association Executives' Distinguished Member of the Year for 2006.

In addition to her many professional activities and honors, Rodriguez is proud of her community activities. While living in Amsterdam, New York, she worked with the public school district to help develop English as a Second Language curriculum in public grade schools. She was a cofounder of Mercy House in Albany, New York, the city's first independent shelter for women in crisis situations. She developed *Board Skills for Nonprofit Community Agencies* to engage community citizens to volunteer on community boards. She served on the Troy, New York, Zoning Commission; co-chaired the South Troy Neighborhood Association in the early 1990s; and continues her community activism.

Acknowledgments

Most people don't believe in angels. I do. For example, there are the people who came forward without a second's thought when I asked for information for this paper, much of it previously considered off-limits. You can almost hear their angel wings flapping.

Who says creativity is restricted to designers? I've met many other professionals who, like me, have had resourceful, fulfilling careers spent supporting and advancing the remarkable firms of the design and construction industry. The list below makes me proud.

While the concept, a chunk of the research, writing, and conclusions for the white paper are mine, here are the particular angels who have buffed my work and that of Researcher Barbara Rodriquez to its high shine:

- Attorneys James E. Frankel and Andrew Ross of Arent Fox, definitely archangels
- Josef Kaplan, the account executive at Capelin Communications who worked uncomplainingly on this increasingly complex assignment, definitely earned his wings.
- David Helpern, FAIA, in a category all his own, my everlasting guardian angel.

American Institute of Architects – Department of Governmental Affairs

America Institute of Architects – State Government Network

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|--------------------------------------|--|
| Shirley Anderson, Hon. AIA | Lobbyist/Consultant & Former Executive Vice President, AIA Illinois |
| Friedrich Bohm, FAIA | Managing Partner, NBBJ |
| Joseph E. Brown, FASLA, ULI, APA | President & CEO, EDAW |
| George E. Christodoulo, PC | Member, Lawson & Weitzen |
| James Cramer, Hon. AIA, Hon. IIDA | Principal & Chairman, The Greenway Group |
| Philip R. Croessmann, AIA, Esq. | President, Ian Mackinlay Architecture, Inc. |
| Russell A. Davidson, AIA | President, Kaeyer Garment & Davidson |
| Edward C. Farrell | Executive Director, AIA New York State, Inc. |
| Larry F. Gainen, Esq. | Partner, Ingram Yuzek Gainen Carroll & Bertolotti |
| Hugh Hochberg, Assoc. AIA | Partner, The Coxe Group |
| Walter Hunt, Jr., FAIA | Vice Chairman, Gensler |
| Diane Harp Jones | CEO & Executive Vice President, AIA Connecticut |
| Peter Kienle, FSMPS, CPSM | Chief Marketing Officer, McKim & Creed |
| Maxinne Leighton, Assoc. AIA | Director of Marketing, Beyer Blinder Belle |
| Mitchel R. Levitt, FSMPS, Assoc. AIA | President, Karlsberger Companies |
| R. Nicholas Loope, FAIA | Founder and Director, Arizona State University Master of Real Estate Development Program |
| Lenore M. Lucey, FAIA | Executive Vice President, National Council of Architectural Registration Boards |
| Julie Luers, FSMPS | Vice President & Director of Marketing, HGA Architects & Engineers |
| Sheryl Maibach, FSMPS | Chief Marketing Officer, Barton Malow |
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| Dennis Paoletti, FAIA, FSMPS | Principal, Shen, Milsom & Wilke |
| Craig Park, FSMPS, Assoc. AIA, CSI | Vice President & Chief Marketing Officer, Leo A Daly Company |
| Peter Piven, FAIA | Founding Principal & Principal Consultant, The Coxe Group |
| Randle Pollock, FSMPS | Principal & <i>Marketer</i> Editor, Walter P Moore |
| Warren Redeker | President, Prosurance Redeker Group |
| Jay J. Simpson, CAE | Executive Director, ACEC New York |
| John R. Sorrenti, FAIA | Director & President, JRS Architects Inc. |
| Marcy Stanley | Director of Business Development, Weidlinger Associates |
| William R. Strong, FSMPS, CPSM | Principal, Mahlum Architects |