

Liz's Leadership Salon Series - Faces of Leadership

Consensus Building for a Next-Generation Firm

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My story is about the process of ownership transition, particularly the process of developing a form of governance that reflected the outlook and personalities of a new leadership team. And I suppose my story is also about *my* role in this transition, and how my personal management style affected the evolution of a new governance structure and how that governance structure is now operating in the firm.

By way of background, Ellenzweig Associates is a 60 person architectural firm in Cambridge that has been in operation for over 20 years. The business emerged from the original firm of Wallace Floyd Ellenzweig Moore, then evolved to Ellenzweig Moore, then, in the early 80's, became Ellenzweig Associates. The bulk of our work is for higher education and institutions, with a particular focus on facilities for teaching and research. We have worked for many years for Harvard and MIT, and this experience has enabled us to expand our practice much more broadly, with projects at institutions such as Stanford, U Penn, U Chicago, U Florida, U Utah, Dartmouth College, Bryn Mawr, Bowdoin, Children's Hospital of Philadelphia, and many others. We have also for many years have been active in MBTA projects, the latest being the Blue Line Expansion at Aquarium Station, just finished this year.

The firm had for many years been run essentially as a sole proprietorship, a corporation with the vast majority of shares owned by Harry Ellenzweig. In the mid-late 90's there started to be a dispersal of ownership to three junior principals (myself, Janet Ross and Miltos Catomeris), and for the last five years, the three of us have been in discussions with Harry to effect a complete transition of management and, over time, of ownership. We finally executed this agreement last October, and in January of this year announced to the firm the new leadership team. The agreement specified that Harry would continue doing design work on his projects, but would not be involved in day-to-day management activities, with a complete ownership transfer occurring over several years.

This makes it sound pretty easy, but it was really anything but. For those of you who have gone through an ownership transition, you know that it can be a protracted proposition. Besides dealing with all of the customary logistical issues, such as firm valuation and pay-out terms, and various legal aspects of this transition -- lawyers are great at identifying endless "what-if" scenarios — there is often a significant emotional aspect that has to be addressed, particularly when the transition involves an entrepreneurial founder/owner with a strong personality who is used to thinking about "his" firm. For us it was indeed protracted, although the "numbers" aspects were relatively straightforward. It was what I would call the "respect" issues that really took the time. While this was difficult, it also allowed the three junior principals the opportunity to work closely together toward a common goal, weighing options, strategies, etc. There were many ups and downs, but we finally worked through all of the details and are satisfied with the overall terms.

And at this point I should say a hearty thank you to Dave Wexler, a principal in a local accounting firm who played a key role in this process, acting as an intermediary between the parties, and often taking the brunt of reactions to terms one side would float to the other. Dave served in this role because he had gained the confidence of both Harry and the junior principals over the years, in his role of providing accounting services to the firm as well as serving as a general business advisor on various issues, a role he continues to play today.

During this period of negotiation, the three junior principals had ample time to plan for life after the transition, particularly regarding the kind of management structure that seemed to best suit the new leadership team. The firm had always been run very hierarchically, very much a top-down approach, and we knew we wanted to make significant changes in this regard.

During this period we worked with Liz to help us ask ourselves the big questions about the firm and to evolve an appropriate management approach. We started off by trying to understand who we were as a firm, what were our strengths, our weaknesses, our markets, our growth potential, where we wanted to go, etc. We then analyzed the various aspects of the firm that needed principal oversight, and established several overall portfolios that the principals should oversee: Finance, Marketing, Human Resources and Operations;

We gave a lot of thought to overall firm structure. We believed that all three of us should continue to be actively involved in projects rather than designate one principal to serve in primarily a management role. This reflects our own personal preferences as well as a general management philosophy. So, we then went about establishing a firm structure to reflect these various values and preferences.

We considered several possibilities: a co-equal management committee ("the gang of three"); a pyramidal organization with a strong president; a "managing principal" arrangement, such as in a law firm, whereby this position might change every few years; and a structure with a president in a leadership role but with more or less co-equal partners.

Perhaps because we were all of essentially the same generation and had all spent a good long time in the firm, (I'm the relative newcomer with 13 years in the firm) we believed that a collaborative management structure would be most appropriate. Since there were three of us, we had a natural tie-breaking methodology. We did feel however, that we should have a president to present a visible face for the firm and to provide some overall leadership. After some discussion, I was selected to serve in this role.

We then had to agree on the roles the three of us would play regarding specific management responsibilities. Legally we needed to have a president, a treasurer and secretary, and these positions were relatively easily filled. More significant were questions about which principal involvement in the four areas requiring senior-level oversight: Finance, Operations, Human Resources, and Marketing. And here is perhaps the essence of our collaborative approach to our leadership structure, whereby, we divided these responsibilities somewhat equally among the three of us, rather than assign the bulk of management responsibility to the president. So, I continued on overseeing Marketing/Business Development, Milton would provide oversight of finance and operations, and Janet would take a more active leadership role in the area of HR. Each of these areas has senior and mid-level staff overseeing day-to-day issues, but all now report to the three respective principals.

So this is the way we have organized the firm as we move forward, and we are now feeling our way through this new structure. We have formal management meetings periodically to address various policy issues, and many more ad hoc discussions as the need arises. We operate on a very consultative basis, almost always reaching consensus on various decisions rather than resorting to actual votes among the three of us. Our management structure also extends to the next level of leadership, to three associate principals who were designated last year, and who have begun to take on more management/marketing responsibilities.

This approach very much reflects my own management style, which is very much one of consensus-building rather than of imposing decisions from on high, and of a more transparent management structure.

As president, then, I see my responsibility primarily not so much as one of day-to-day management (although there is certainly some of that) but more in terms of looking down the road, of creating a broad vision for the firm, and initiating overall initiatives to get there.

One of the first things I wanted to do was to open up the management structure to be more "user-friendly" and increase participation vertically across the firm. To this end we initiated several new programs early this year:

- a regular, open, all-office open meeting to discuss any item and to present reports from various aspects of the firm's operations.
- a monthly lunchtime meeting on design-construction interface, where the old hands speak to the staff about how things really get done in the field
- design presentations and discussions on active projects, once a month
- occasional all-office field trips to projects in construction (we did this last two weeks at the Woods Hole Oceanographic Institution)
- a more focused committee on technical quality
- additional lunchtime seminars open to all to address special technical issues

The goal here is to advance both the specific issue being addressed, and also to convey a sense of greater openness to participation at all levels of the firm.

So, we realize that it is up to us to shape the firm structure in a way that reflects our preferred management styles and our vision of where the firm should go. Like most things in life when you get into a new position, you don't really get much training to perform in this new role, and so it has been and continues to be, a process of finding our way, and evolving a firm that we hope has a great future.