

ARCHITECTURAL RECORD

Understanding megatrends helps firms plan for the future

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“It’s tough to make predictions, especially about the future,” wisely opined Baseball Hall of Famer Yogi Berra. In these days of economic turmoil, construction industry observers may wish they had made better predictions. Might there have been ways to avoid the downturn, or at least mitigate its effect on architecture firms? According to McLean, Virginia—based consultant Raymond Kogan, AIA, looking ahead by projecting major industry trends can help firms avoid being fatally blindsided by future events. Better yet, anticipating what’s coming can reveal new opportunities for profitable work.

Most of the trends that Kogan suggests firms should be alert for are driven by demographic factors. Looking at population statistics, both at home and abroad, can yield insights about how to run your practice and where your next job might come from. For instance, if you know there was a baby boom 60 years ago, you can guess there will soon be retirements in your firm and a higher demand for elder housing. (But some trends Kogan advises firms to become familiar with depend less on population changes — sustainability, integrated project delivery, and building information modeling.)



Changing firms

On the home front there are disturbing statistics about the demographic makeup of U.S. architecture firms. Fully one third of today’s AEC workforce are 50 or older, Kogan reports. In the next 15 years, those in the 55- to 64-year age range will increase by nearly 50 percent, while those in the 33- to 54-year range will decrease by 6 percent. Exacerbating this boomer bulge is the fact that younger architects are usually the first to be laid off during recessions, and others are shying away from the relatively low-paid profession. Some of the entry-level work, traditionally the domain of interns, has been relegated to overseas drafting factories. Consequently, there’s a smaller pool of well-trained, midcareer architects ready to take the helm when today’s boomer principals retire.

And the younger architects have not necessarily been encouraged to develop business and leadership skills. Kogan observes: “A founder-principal may be an entrepreneurial person who has held things pretty close to the vest and hasn’t done an adequate job of grooming successors.” One recourse is to sell the firm; another is to hire an outsider to lead the firm. But putting the reins of power in the hands of someone not familiar with the firm can be risky. Kogan knows of firms that hired a C.E.O. from the outside who turned out to be a poor fit. Equally disruptive, he says, is leadership falling to a committee.

To avoid these problems, current firm leaders should think ahead to developing the skills in junior staff that will ensure the future of the firm. Sometimes this might involve a decision to skip a generation and target the youngest individuals for leadership development. In addition to explicitly budgeting time and money for training, such a program requires an understanding of what makes the younger generations tick [see “Making the Most of Your Firm’s Millennials,” record, August 2008, page 65]. To make a firm attractive for young people to inherit, there may need to be shifts toward greater technical sophistication, sustainable design as the norm, and a commitment to socially responsible or pro bono work. Ironically, it is just this pool of potential future leaders that is suffering the most from current layoffs.

To tap the under-appreciated pool of talented women for advancement, a firm would do well to note gender differences uncovered by the “Future Leaders Focus,” a survey conducted by the human-resources consulting firm HR Advisors Group. While men are motivated by pay rate, a 401K plan, and the opportunity for ownership, the survey found women care more about coworkers, the commute, paid time off, office amenities, and schedule flexibility. To make a firm attractive for future women leaders, then, it may need to consider what benefits it offers workers.

Changing opportunities

Just as firm principals are retiring, so too are millions of other baby boomers. Many of them, who populated sprawling suburbs while raising families, are choosing to relinquish maintenance-intensive suburbia and commute-intensive lifestyles in favor of urban living. Inner cities all over the country are experiencing gentrification, and architects are finding work redeveloping formerly industrial areas, such as the Pearl District in Portland, Oregon, adding attractive upscale lofts and condominiums. This shift of the older population into the urban cores will also require an increase in health-care support and assisted-living facilities. This might suggest a firm will find more future work in gerontological facilities than in schools. At the same time, large-scale retailers are beginning to abandon suburban malls and “big boxes,” which will cry out for creative repurposing.

The organization America 2050 has identified eleven “megaregions” in the United States where they predict most of the nation’s population and economic growth will be concentrated over the next 40 years. Rural life will become increasingly rare as cities expand, blurring boundaries between them, and forming “large networks of metropolitan regions, each covering thousands of square miles.” The Southern California megaregion, for instance, will stretch continuously from San Diego to San Luis Obispo. Except for the Great Lakes and Northeast regions, populations will concentrate in the south and west. The National Committee for America 2050 is predicting about 130 million additional Americans by then, challenging architects and planners to make thoughtful land-use decisions that will respond to future population pressures while protecting the environment. Firms looking ahead to this future landscape might want to hone their skills in high-density, sustainable design, for instance.

Changing the globe

The global population is also becoming more urban. Last year, for the first time in human history, over half of all people lived in cities. But because the birth rate is dropping in industrialized nations, the greatest growth can be expected in developing countries. The key to finding international job prospects in a global economy, according to Kogan, is to find those places where population growth and available resources intersect. China has a very low birth rate due to its one-child policy, while India's remains high. He expects future opportunities to be found in Mumbai and Delhi, not Shanghai or Beijing. Support for U.S. architects interested in breaking into overseas work is available from the AIA's International Committee and the International Union of Architects.

Even firms working strictly on domestic projects can be affected by globalization. Kogan reports that about one in five firms have outsourced low-cost, low-level work offshore, primarily to accommodate workload fluctuations. Might there be a future danger of clients looking abroad for higher-level services as well? The global exchange of architectural services works both ways, and who works where will depend, in part, on how fast various countries recover from the current recession. Kogan is beginning to see foreign-funded public-private partnership projects in the United States. For instance, a county courthouse in California is being funded by a deep-pocketed foreign investor and designed by an American architecture firm. On completion, the developer will lease the building to the county government. "As long as local and state governments are short on funds, it will be an expedient way for them to get things built," Kogan explains.

In advising clients, Kogan encourages a long view on how a changing world will affect their firm. He says: "Too many firms tend to keep their heads in the sand. Some have been blindsided by this economic downturn. Lifting your head up and looking at these major trends is not only a self-protection mechanism, but it allows you to see and capitalize on opportunities."

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